QANTAS

20 August 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

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Qantas Group FY20 Appendix 4E and Preliminary Final Report

Qantas Airways Limited attaches the following documents relating to its results for the full-year ended 30 June 2020:

- Appendix 4E; and
- Preliminary Final Report.

Yours faithfully,

Andrew Finch
Group General Counsel and Company Secretary

Authorised for release by Qantas' Board of Directors.

oneworld

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QANTAS AIRWAYS LIMITED AND ITS CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

ABN: 16 009 661 901

ASX CODE: QAN

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ASX APPENDIX 4E

PRELIMINARY FINAL REPORT

ADDITIONAL INFORMATION

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.

	June 2020 $M	June 2019 (restated)[1] $M	Change $M	Change %
Revenue and other income	14,257	17,966	(3,709)	(20.6%)
Statutory (loss)/profit after tax	(1,964)	840	(2,804)	(333.8%)
Statutory (loss)/profit after tax attributable to members of Qantas	(1,964)	840	(2,804)	(333.8%)
Underlying profit before tax	124	1,326	(1,202)	(90.6%)

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

	Amount per Ordinary Share cents	Franked Amount per Ordinary Share cents	Dividend Declared $M	Payment Date
2019 final dividend	13.0	13.0	204	September 2019

(A) Dividends declared and paid

During the year ended 30 June 2020, the Group paid a fully franked dividend of 13 cents per ordinary share, totalling $204 million on 23 September 2019.

(B) Other shareholder distributions

During the year ended 30 June 2020, the Group completed an off-market share buy-back of $443 million, which was announced in August 2019. The Group purchased 79.7 million ordinary shares on issue at a discounted share price of $5.56 (market price $6.47 at 14 per cent buy-back discount).

In February 2020, the Group announced a fully franked dividend of 13.5 cents per ordinary share and an off-market share buy-back of up to $150 million. To preserve liquidity in response to the impact of COVID-19, the off-market share buy-back was subsequently cancelled in March 2020 and the interim dividend was subsequently revoked in June 2020.

EXPLANATION OF RESULTS

Please refer to the Review of Operations 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

		June 2020	June 2019 (restated)[1]
Net assets per ordinary share[2]	$	0.82	1.92
Net tangible assets per ordinary share[2,3]	$	0.17	1.58
Basic earnings per share (Statutory Earnings per share)[4]	cents	(129.6)	51.5
Diluted earnings per share[5]	cents	(129.6)	51.3
Underlying Earnings per share[6]	cents	5.9	57.3

ENTITIES OVER WHICH CONTROL, JOINT CONTROL OR SIGNIFICANT INFLUENCE WAS GAINED OR LOST DURING THE YEAR

There were no entities disposed of/deregistered during the period for the Qantas Group.

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	June 2020	June 2019
	%	%
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
Holiday Tours and Travel (GSA) Ltd.	37	37
Helloworld Travel Limited[7]	15	15
Jetstar Japan Co. Ltd.	33	33
Jetstar Pacific Airlines Aviation Joint Stock Company	30	30
PT Holidays Tours & Travel	37	37

ASIC GUIDANCE

To comply with Regulatory Guide 230 issued by ASIC in December 2011, 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.

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. In line with previous years and in accordance with the *Corporations Act 2001*, the Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2020. The Annual Financial Report is being audited and is expected to be made available on 18 September 2020.

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges.
2 The issued shares at 30 June 2020 includes the capital raising completed in June 2020 and shares issued on 1 July 2020.
3 Net tangible assets is calculated as net assets adjusted for intangible assets and deferred taxes.
4 Based on the weighted average number of shares outstanding during the period excluding unallocated treasury shares.
5 Weighted average number of shares used in basic and diluted earnings per share calculation is the same for financial year 2019/20. Weighted average number of shares used in diluted earnings per share calculation excludes treasury shares and prior year also includes the effect of share rights expected to vest (using treasury stock method).
6 Underlying Earnings per share is calculated as Underlying Profit Before Tax less tax expense (based on the Group's effective tax rate of (27.5) per cent (2019: 29.5 per cent)) divided by the weighted average number of shares outstanding during the period excluding unallocated treasury shares.
7 Subsequent to 30 June 2020, investment in Helloworld has reduced from 15% to 12% due to issue of new shares by Helloworld pursuant to its equity raising.

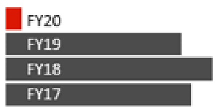
Review of Operations

For the year ended 30 June 2020

RESULTS HIGHLIGHTS

Underlying Profit Before Tax

124 $M



FY20	**124**
FY19	1,326
FY18	1,565
FY17	1,401

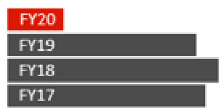
Statutory (Loss)/Profit Before Tax

(2,708) $M

FY20	**(2,708)**
FY19	1,192
FY18	1,352
FY17	1,181

Return on Invested Capital

5.8 %



FY20	**5.8%**
FY19	19.2%
FY18	21.4%
FY17	20.1%

The Qantas Group applied AASB 16 *Leases* from 1 July 2019. The results for the 12 months ended 30 June 2019 have been restated on the same basis for comparison purposes.

The Qantas Group reported an Underlying Profit Before Tax[1] (Underlying PBT) of $124 million for the 12 months ended 30 June 2020, a decrease of $1,202 million from the full year 2018/19 primarily due to the impact of COVID-19 in the second half. The Group's Statutory Loss Before Tax of $(2,708) million was down $(3,900) million from the prior year. The Statutory Loss Before Tax for this financial year included a net $2,832 million of costs, mostly non-cash, which were not included in Underlying PBT. Items outside of Underlying PBT included asset impairments including the A380 fleet, Recovery Plan restructuring costs including redundancies, de-designated hedging and costs such as those associated with transformation and discretionary non-executive employee bonuses. This compares with $134 million of net costs which were not included in Underlying PBT in the prior year.

In the first half of 2019/20 the Qantas Group reported an Underlying PBT of $771 million, a decrease of only $4 million from the prior year, as revenue strength offset temporary headwinds totalling $119 million including the impact of protests in Hong Kong, subdued demand in global freight markets and other increases in costs associated with foreign exchange rates on non-fuel costs.

During the second half of 2019/20 the measures taken by Governments across the world to slow the spread of COVID-19 severely impacted airlines, as travel restrictions and border closures were imposed. Because of these measures, the Qantas Group suffered a $3,967 million decline in Total Revenue as both domestic and international air travel was virtually halted in the fourth quarter. The Group quickly shifted its focus to preserving liquidity, partially mitigating the 82 per cent fall in Total Revenue in the fourth quarter through a 75 per cent reduction in net operating expenses[2], a good proxy for the Group's operating cash costs. Due to the action taken, the Group was able to reduce the combined impact of COVID-19 on the Group earnings for the 2019/20 financial year to $1,224 million[3].

Despite the grounding of most of the domestic fleet in the fourth quarter, Group Domestic[4] remained profitable, contributing Underlying EBIT of $285 million to the Group's overall result. The international businesses[5] fell into an Underlying EBIT loss of $82 million as the record result from the Freight business could not offset the losses from the passenger airlines which were driven by international border closures.

Qantas Loyalty maintained its value proposition for its members and partners despite the grounding of the Group's airlines and was the largest contributor to the Group's earnings.

The Financial metrics for the 2019/20 financial year are:

- Statutory Earnings Per Share was a loss of 129.6 cents per share, reflecting the statutory loss and the reduction in average shares on issue from the off-market share buy-back conducted in the first half
- Return on Invested Capital (ROIC)[6] of 5.8 per cent
- Operating cash flow of $1,083 million.

At the end of the first half 2019/20, Net Debt[7] was towards the bottom of the target range, the Group retained strong liquidity and had an unencumbered aircraft asset base of $4.9 billion[8]. This put the Group in a strong financial position to weather the impacts of the consequences of the COVID-19 pandemic.

In the second half, the Group's focus turned to safely hibernating the airlines, cutting costs and preserving liquidity. The Group's variable cost base adjusted as activity declined with a commensurate reduction in fuel consumption costs, aircraft operating variable and manpower costs as approximately 25,000 employees were stood down. Fixed costs, and depreciation and amortisation non-cash charges, continued to impact the Group's profitability.

1 Underlying Profit Before Tax (Underlying PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), 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, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying PBT to Statutory (Loss)/ Profit Before Tax on Page 12.
2 Net operating expenses is gross expenditure less depreciation and amortisation, on an underlying basis.
3 Underlying PBT for 2H20 compared to 2H19 excluding the movement of discount rate changes on provisions and depreciation/amortisation expense.
4 Group Domestic includes Qantas Domestic and Jetstar Domestic.
5 International businesses or Group International includes Qantas International, Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals) Jetstar Asia (Singapore), and the contributions from Jetstar Japan and Jetstar Pacific.
6 Return on Invested Capital is calculated as ROIC EBIT for the 12 months ended 30 June 2020, divided by the 12 month Average Invested Capital. ROIC EBIT is derived by adjusting Underlying EBIT to account for leased aircraft as if they were owned and non-aircraft leases as if they were service costs. This is calculated as Underlying EBIT excluding lease depreciation under AASB 16 and including notional depreciation for aircraft (to account for them as if they were owned aircraft) and the full cash payment for non-aircraft leases (to account for them as service costs). Refer to Note 2 for detail.
7 Net Debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.
8 Based on Aircraft Value Analysis Company Limited (AVAC) market values as at 31 December 2019, representing 51 per cent of aircraft in the Group's total fleet of 316.

Review of Operations
For the year ended 30 June 2020

RESULTS HIGHLIGHTS (CONTINUED)

The impact of the Government-imposed lockdowns, travel restrictions and border closures on the broader economy has been profound. This prompted the Federal Government and to a lesser extent the various State Governments to establish a series of measures to support businesses and employees that have been severely affected. The Group and its employees benefited from a number of these programs including:

- The Australian Aviation Financial Relief Package including the refunding and waiving of a range of Government charges to the aviation industry including fuel excise, Airservices Australia charges on domestic airline operations and domestic and regional aviation security charges
- The JobKeeper Payment, intended to help keep more Australians in jobs and support affected businesses. The majority of the benefit received by the Group was paid directly through to employees on stand down and the rest used to subsidise wages of those still working.

In addition, the Federal Government commissioned Qantas to conduct various charter repatriation flights and rescue missions, including to Wuhan, Tokyo, Hong Kong, London, Lima, Buenos Aires, Johannesburg, New Delhi and Chennai. Along with other Australian domestic airlines, Qantas also performed several domestic, regional and international flights as part of the Minimum Viable Network intended to maintain vital air transport links. Qantas also secured a contract to conduct freight services under the International Freight Assistance Mechanism to ensure import and export freight routes remained open.

Liquidity was boosted by cutting capital expenditure outflows, cancelling shareholder distributions and sourcing additional funding through $1.75 billion in new debt, with no financial covenants and $1.36 billion through a fully underwritten Institutional Placement initiated as part of the Group's Three-year Recovery Plan. At 30 June 2020, cash and cash equivalents totalled $3.5 billion with total liquidity at $4.5 billion including the undrawn revolving credit facilities and Net Debt was $4.7 billion towards the bottom of the Net Debt target of $4.5 billion to $5.6 billion. Importantly, the Group maintained its investment grade credit rating of Baa2 from Moody's Investor Services.

The Group's usually strong cash flow generation ability was impacted by lower earnings and the working capital movements associated with lower revenue received in advance, lower receivables, payables (including refunds) and hedge settlements. Net capital expenditure[9] of $1.6 billion was invested in the business, skewed towards the first half, and $647 million of surplus capital was returned to shareholders through $204 million of fully franked dividends and $443 million of off-market share buy-backs completed in the first half.

Giving consideration to the requirement to protect the strength of the balance sheet, maintain a minimum level of liquidity and the uncertainty of the near-term outlook for the business, the Board have decided not to make further shareholder distributions until the Group's earnings and balance sheet has fully recovered in accordance with the Financial Framework. The off-market share buy-back of up to $150 million and the interim dividend of $201 million announced in February 2020 were cancelled in March 2020 and revoked in June 2020 respectively.

THREE-YEAR RECOVERY PLAN

The measures taken to cut costs and preserve liquidity through the fourth quarter ensured the Group was well positioned to launch its Three-year Recovery Plan to rightsize the business, restructure its cost base and recapitalise its balance sheet through the fully underwritten Institutional Placement. A Retail Share Purchase Plan was launched on 2 July 2020 consistent with listing requirements, with the $71.7 million raised providing an additional liquidity buffer in the 2020/21 financial year.

The Recovery Plan is targeting a total of $15 billion in savings over the three years, including significant activity-based savings associated with the reduced flying, rightsizing benefits and restructuring which is expected to deliver $1 billion in ongoing annual savings from FY23.

	TARGET		
KEY AREA OF FOCUS	METRICS	TIMEFRAME	As at end of August 2020
Cost Savings	Restructuring benefits of $0.6b in FY21, $0.8b in FY22, $1b by FY23	FY23	**On track to achieve FY21 target**
	6,000 FTE reduction	FY21	**On track**
	Group Unit Cost (ex-fuel and depreciation) 10% less than FY20	FY23	**Restructuring in progress**
Deleverage the Balance Sheet	Gross debt reduction of $1.75b	FY23	**Capital allocation is prioritising debt reduction**
	Net debt/ EBITDA <2.5 times	FY22	**Net debt/EBITDA to peak in FY21**
Cash Flow	Sustainable positive net free cash flow	FY22 onwards	**Negative net free cash flow in FY21 due to restructuring expenses and payments for FY20 deferred payables**
	Flying activity is contribution positive (RASK-Variable cost/ASK >0)	From FY21	**Disciplined restart of the network with flexibility to adjust for border closures**
	Capex for FY21 <$0.7b	FY21	**Majority of expense is for capitalised maintenance**
Fleet Management	Defer deliveries of A321neos and 787-9 aircraft	Jun-20	**Complete**
	Retire 6 x 747s; 12 x A380s in long term storage	Dec-20	**Complete**
Customer and Brand	Maintain Customer Advocacy (NPS) premium to domestic competitor	Ongoing	**Measured by Qantas customer research programs**
	Maintain brand and reputation	Ongoing	**Source – Qantas internal research and Corporate Trust Research**
Qantas Loyalty	Return to double digit growth	FY22	**Program enhancements underway to achieve growth ambitions**
Employee Engagement	Employee sentiment	Ongoing	**Establishing formal monitoring system for recovery phase**

9 Net Capital Expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement of $1,571 million. During the year ended 30 June 2020, there were no new aircraft leases entered into and no returns of leased aircraft.

Review of Operations

For the year ended 30 June 2020

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

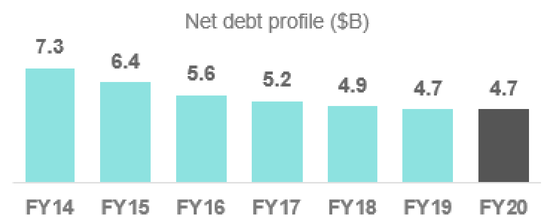
Qantas' Financial Framework aligns our objectives with those of our shareholders. With the aim of generating maintainable Earnings Per Share (EPS) growth over the cycle, which in turn should generate Total Shareholder Returns (TSR) in the top quartile of the ASX100 and a basket of global airlines[10], the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC[11] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a net debt range of $4.5 billion to $5.6 billion[12]	Deliver ROIC > 10 per cent[13] through the cycle	Grow Invested Capital with disciplined investment, return surplus capital

MAINTAINABLE EPS[14] GROWTH OVER THE CYCLE

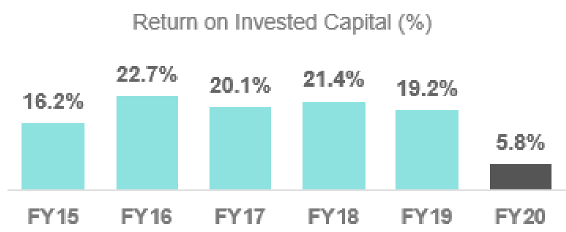
TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure



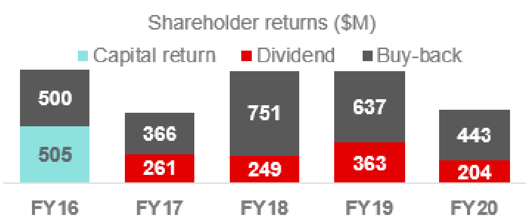
The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. This results in a net debt target range of $4.5 billion to $5.6 billion, based on the Invested Capital as at 30 June 2020 of approximately $6 billion. It is defined as net debt/ROIC EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. At 30 June 2020, net debt was $4.7 billion which is towards the bottom of the net debt target range. The Group's optimal capital structure is consistent with investment grade credit metrics. The Group is rated Baa2 with Moody's Investor Services.

ROIC > WACC Through the Cycle



Return on Invested Capital (ROIC) for the 12 months to 30 June 2020 was 5.8 per cent, below the Group's target for value creation of 10 per cent. This was due, primarily, to the impact of Government-imposed travel restrictions and border closures impacting on earnings in the second half of the 2019/20 financial year.

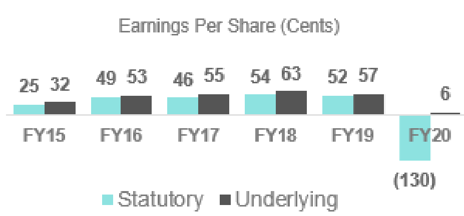
Disciplined Allocation of Capital



The Qantas Group takes a disciplined approach to allocating capital with the aim to grow Invested Capital and return surplus capital to shareholders where earnings permit.

- $647 million was distributed to shareholders in the first half of 2019/20 through $204 million fully franked dividends and an off-market share buy-back of $443 million. Distributions for the second half were cancelled as the Group took steps to conserve cash.

Maintainable EPS Growth Over the Cycle



Statutory Earnings Per Share was a loss of 129.6 cents, due to the significant Statutory Loss After Tax and reduction in average shares from the off-market share buy-back in the first half of 2019/20. The Group purchased 79.7 million shares or 5.1 per cent of issued capital for $443 million at an average price of $5.56.

10 Target Total Shareholder Return within the top quartile of the ASX100 and the global listed airline peer group as stated in the 2019 Annual Report, with reference to the 2019-2021 Long Term Incentive Plan (LTIP).
11 Weighted Average Cost of Capital, calculated on a pre-tax basis.
12 Based on the Invested Capital of approximately $6 billion as at 30 June 2020.
13 Target of greater than 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.
14 Earnings per share.

Review of Operations

For the year ended 30 June 2020

GROUP PERFORMANCE

Underlying PBT for 2019/20 was $124 million, including the impact Government-imposed travel restrictions and border closures due to the COVID-19 pandemic had on second half earnings. This was 91 per cent lower than the Underlying PBT of $1,326 million in 2018/19. Ticketed passenger revenue[15] declined by 25 per cent as the airlines were virtually grounded during the fourth quarter. Net freight revenue increased by $74 million as increased demand for freight in the second half coincided with a significant reduction in available passenger aircraft bellyspace. Other revenue declined 21 per cent due primarily to the decrease in third party service revenue including catering following the sale of the business as well as the impact of COVID-19. Actions taken to cut variable costs reduced total underlying expenditure by $2.5 billion which helped to partially offset the steep decline in revenue in the fourth quarter.

Group Underlying Income Statement Summary[16]	June 2020 $M	June 2019 (restated) $M	Change $M	Change %
Net passenger revenue	12,183	15,696	(3,513)	(22)
Net freight revenue	1,045	971	74	8
Other revenue	1,029	1,299	(270)	(21)
Revenue and other income	**14,257**	**17,966**	**(3,709)**	**(21)**
Operating expenses (excluding fuel)	(8,893)	(10,599)	1,706	16
Fuel	(2,895)	(3,846)	951	25
Depreciation and amortisation[16]	(2,021)	(1,936)	(85)	(4)
Share of net (loss)/profit of investments accounted for under the equity method	(53)	23	(76)	(330)
Total underlying expenditure	**(13,862)**	**(16,358)**	**2,496**	**15**
Underlying EBIT	**395**	**1,608**	**(1,213)**	**(75)**
Net finance costs	(271)	(282)	11	4
Underlying PBT	**124**	**1,326**	**(1,202)**	**(91)**

Operating Statistics		June 2020	June 2019 (restated)	Change	Change %
Available Seat Kilometres (ASK)[17]	M	111,870	151,430	(39,560)	(26)
Revenue Passenger Kilometres (RPK)[18]	M	92,027	127,492	(35,465)	(28)
Passengers carried	000	40,475	55,813	(15,338)	(28)
Revenue Seat Factor[19]	%	82.3	84.2	(1.9)pts	n/a
Operating Margin[20]	%	2.8	9.0	(6.2)pts	n/a
Unit Revenue (RASK)[21]	c/ASK	8.99	8.85	0.14	1.5
Total unit cost[22]	c/ASK	(8.87)	(7.97)	(0.90)	(11.3)
Normalised ex-fuel unit cost[23]	c/ASK	(4.41)	(4.23)	(0.18)	(4.3)

Group capacity (ASK) decreased by 26 per cent mainly due to the grounding of the airlines in the fourth quarter, while demand (measured by RPK) decreased by 28 per cent, resulting in a 1.9 percentage point decrease in Revenue Seat Factor. Group Unit Revenue increased by 1.5 per cent from the prior year, with an increase[24] of 2.8 per cent in the first half and a decline[25] of 2.5 per cent in the second half. The Group's Total Unit Cost increased by 11.3 per cent resulting from higher fuel prices, foreign exchange impacts and other costs.

15 Uplifted passenger revenue included in net passenger revenue.
16 Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 12.
17 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
18 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
19 Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
20 Operating Margin is Group Underlying EBIT divided by Group total revenue.
21 Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).
22 Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.
23 Normalised ex-fuel unit cost is measured as Underlying PBT less ticketed passenger revenue, fuel, depreciation and amortisation and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in foreign exchange rates and non-cash impact of discount rate changes on provisions per ASK and normalised for the impact of the sale of domestic terminal leases.
24 Compared to the first half of 2018/19 financial year.
25 Compared to the second half of 2018/19 financial year.

Review of Operations

For the year ended 30 June 2020

TRANSFORMATION

In the fourth quarter the focus shifted to preserving liquidity and transformation activities essentially ceased. The Group's significant track record in delivering transformation including $3.2 billion in benefits over the past five years give it confidence that it will deliver on the Three-year Recovery Plan initiated to assist the Group to recover from the consequences of COVID-19.

CASH GENERATION

Cash Flow Summary	June 2020 $M	June 2019 (restated) $M	Change $M	Change %
Operating cash flows	1,083	3,164	(2,081)	(66)
Investing cash flows	(1,571)	(1,563)	(8)	(1)
Net free cash flow	**(488)**	**1,601**	**(2,089)**	**(130)**
Financing cash flows	1,853	(1,150)	3,003	261
Cash at beginning of year	2,157	1,694	463	27
Effect of foreign exchange on cash	(2)	12	(14)	(117)
Cash at end of year	**3,520**	**2,157**	**1,363**	**63**

Debt Analysis		June 2020 $M	June 2019 (restated) $M	Change $M	Change %
Net on balance sheet debt[26]	$M	3,173	2,980	193	6
Capitalised aircraft lease liabilities[27]	$M	1,561	1,730	(169)	(10)
Net Debt[28]		**4,734**	**4,710**	**24**	**1**
Net Debt/EBITDA[29]	times	2.2	1.6	0.6	38

Operating cash flows for 2019/20 were $1,083 million, $2,081 million lower than the prior year, reflecting the lower earnings and working capital movements associated with lower revenue received in advance, lower receivables, payables (including refunds) and hedge settlements.

Net capital expenditure of $1.6 billion was skewed to the first half and included investment in replacement fleet such as the final delivery payments for three 787-9 Dreamliners for Qantas International, customer experience initiatives including lounges, the A380 reconfigurations and Wi-Fi installation on the Qantas Domestic fleet.

Net financing cash inflows of $1,853 million included $2,155 million draw down of debt, offset by scheduled debt repayments of $625 million, dividends of $204 million and an off-market buy-back totalling $443 million. Net proceeds from the fully underwritten placement totalled $1,342 million.

At 30 June 2020, the Group's unencumbered asset base was an approximate value of $2.5 billion[30], including 46 per cent of the Group fleet[31], land, spare engines and other assets.

Qantas continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changes in market conditions and earnings scenarios. At 30 June 2020, the Group's leverage metrics were within investment grade metrics Baa2, with Net Debt/EBITDA of 2.2 times.

26 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents.
27 Capitalised aircraft lease liabilities is a non-statutory measure. It is measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft lease liability denominated in foreign currency is translated at a long-term exchange rate. Where leased aircraft were classified as finance leases under the previous accounting standard (AASB 117), the capitalised amount and notional depreciation for ROIC is consistent with the recognised accounting values.
28 Net debt is a non-statutory measure. It includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework.
29 Management's estimate based on Moody's methodology.
30 Aircraft valuations based on the average of AVAC and AVITAS market values 30 June 2020.
31 Based on number of aircraft as at 30 June 2020. The Group's fleet totalled 314 aircraft including Jetstar Asia (Singapore) owned fleet and excludes Jetstar Pacific (Vietnam) and Jetstar Japan.

Review of Operations

For the year ended 30 June 2020

FLEET

The determination of the optimal fleet age for the Qantas Group balances a number of factors and varies by fleet type, including the availability of any new technology, the level of capacity growth required in the markets that it serves, the competitive landscape and whether the investment is earnings accretive.

At all times, the Group retains significant flexibility to respond to changes in market conditions and the competitive landscape by deploying several strategies including fleet redeployment, refurbishment, renewal and retirement.

In the first half of 2019/20 the Group took delivery of three additional 787-9 aircraft for Qantas International, taking that fleet to 11 aircraft and retired one 747-400, while five Q300s and one A320-200 were transferred from Jetstar to QantasLink.

At 30 June 2020, the Qantas Group fleet[32] totalled 314 aircraft.

Fleet Summary (Number of aircraft)	June 2020	June 2019
A380	12	12
747-400/400ER	4	7
A330-200/300	28	28
737-800	75	75
787-9	11	8
717-200	20	20
Q200/300/400	50	45
F100	17	17
A320-200	4	2
Total Qantas (including QantasLink and Network Aviation)	**221**	**214**
Q300	-	5
A320/A321-200	76	78
787-8	11	11
Total Jetstar Group	**87**	**94**
737-300/400F	5	5
767-300F	1	1
Total Freight	**6**	**6**
Total Group	**314**	**314**

Through the second half of 2019/20, the Group's fleet strategy adjusted to the new demand environment post-COVID. The Group has accelerated the retirement of the 747-400s, with all having left the fleet by the end of July 2020. The A380 fleet has been put into long-term storage for the foreseeable future. Jetstar Asia's fleet will reduce from 18 to 13 with a mixture of lease returns and aircraft redeployment to Australia. Jetstar Group A320ceos continue to be transferred to QantasLink for redeployment into the growing resources sector market in Western Australia.

SEGMENT PERFORMANCE

Segment Performance Summary	June 2020 $M	June 2019 (restated) $M	Change $M	Change %
Qantas Domestic	173	778	(605)	(78)
Qantas International	56	323	(267)	(83)
Jetstar Group	(26)	400	(426)	(107)
Qantas Loyalty	341	376	(35)	(9)
Corporate	(134)	(171)	37	22
Unallocated/Eliminations	(15)	(98)	83	85
Underlying EBIT	**395**	**1,608**	**(1,213)**	**(75)**
Net finance costs	(271)	(282)	11	4
Underlying PBT	**124**	**1,326**	**(1,202)**	**(91)**

32 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation, and excludes aircraft operated by Jetstar Japan and Jetstar Pacific (Vietnam).

Review of Operations

For the year ended 30 June 2020

QANTAS DOMESTIC

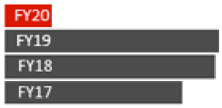
Revenue

4,672 $M

FY20	**4,672**
FY19	6,098
FY18	5,945
FY17	5,632

Underlying EBIT

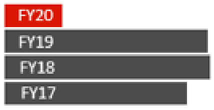
173 $M



FY20	**173**
FY19	778
FY18	765
FY17	645

Operating Margin

3.7 %



FY20	**3.7%**
FY19	12.8%
FY18	12.9%
FY17	11.5%

Metrics		June 2020	June 2019	Change
ASKs	M	25,773	33,866	(23.9%)
Seat factor	%	75.9	77.8	(1.9)pts

Qantas Domestic remained profitable despite the impact of Government-imposed travel restrictions reporting an Underlying EBIT of $173 million, compared with $778 million in 2018/19.

The near record performance in the first half more than offset the second half underlying loss. Excluding the impact of depreciation and amortisation the second half was profitable at an EBITDA level. As the travel restrictions took hold, Qantas Domestic experienced a sharp decline in demand, with the airline virtually grounded in the fourth quarter. Flying was reduced to the Government-sponsored Minimum Viable Network to provide vital links to regional Australia and between capital cities. The high variable versus fixed cost mix meant that as the fourth quarter ticketed passenger revenue decreased by 97 per cent, net operating expenses were able to be reduced by 83 per cent. This variable cost base provides Qantas Domestic with the flexibility to respond to changing demand profiles while minimising cash costs as the recovery unfolds.

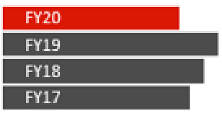
To support the recovery of domestic travel for Qantas Domestic:

- Introduced a "Fly Well" program for the health and safety of our customers at each point of the journey
- Is adding capacity, routes and lounges as demand returns, including new regional routes to Ballina and Orange
- Is deploying further A320 capacity to Western Australia to support resources sector demand growth.

QANTAS INTERNATIONAL

Revenue

6,077 $M



FY20	**6,077**
FY19	7,420
FY18	6,925
FY17	6,413

Underlying EBIT

56 $M

FY20	**56**
FY19	323
FY18	398
FY17	374

Operating Margin

0.9 %

FY20	**0.9%**
FY19	4.4%
FY18	5.7%
FY17	5.8%

Metrics		June 2020	June 2019	Change
ASKs	M	50,484	69,571	(27.4%)
Seat factor	%	84.1	86.0	(1.9)pts

Qantas International segment remained profitable reporting an Underlying EBIT of $56 million for 2019/20 even as the international passenger operations moved into losses as a result of international border closures. The result was supported by a record performance from freight due to increased air freight demand while passenger aircraft bellyspace capacity remained constrained.

The impact of the grounding of the passenger fleet in the fourth quarter resulted in a 100 per cent decrease in ticketed passenger revenue. Qantas International acted swiftly to mitigate the fall in revenue by reducing net operating expenses by 89 per cent. The Australian Government engaged the Group to conduct charter repatriation and rescue flights, and along with the Minimum Viable Network and International Freight Assistance Mechanism, this ensured that vital transport and freight links were maintained despite the grounding of the passenger fleet.

The fleet plan for Qantas International has been realigned to the recovery profile:

- A321 freighter conversion is in progress with first delivery expected in October 2020 to meet demand for increased dedicated freighter capacity
- Deferred delivery of three 787-9 Dreamliners in line with the Group's requirements
- A380 fleet moved to long-term storage in July 2020 for the foreseeable future
- Retirement of the remaining 747-400ER fleet early, completed in July 2020.

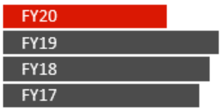
Review of Operations

For the year ended 30 June 2020

JETSTAR GROUP

Revenue

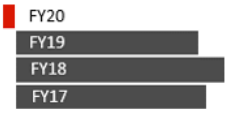
3,006 $M



FY20	**3,006**
FY19	3,961
FY18	3,795
FY17	3,600

Underlying EBIT

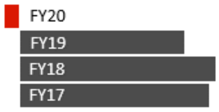
(26) $M



FY20	**(26)**
FY19	400
FY18	457
FY17	417

Operating Margin

(0.9) %



FY20	**(0.9%)**
FY19	10.1%
FY18	12.0%
FY17	11.6%

Metrics		June 2020	June 2019	Change
ASKs	M	35,613	47,993	(25.8%)
Seat factor	%	84.3	86.1	(1.8)pts

The Jetstar Group reported a small loss of $26 million at an Underlying EBIT level including the combined losses from Jetstar's International businesses.

The Jetstar Australia and New Zealand business was profitable despite the profound impact of travel restrictions due to COVID-19 and the $33 million impact of industrial action. This was due to the large variable cost base of the Jetstar operations where net operating expenses were reduced by 95 per cent in the fourth quarter as Ticketed Passenger Revenue declined by 99 per cent.

Jetstar's Domestic business delivered an Underlying EBIT of $112 million while the combined international business fell into losses of $138 million driven by the international border closures across the Jetstar Group's airlines in Australia, New Zealand and Asia.

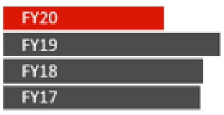
Jetstar's airlines in Asia fell into losses as the impacts of COVID-19 spread through South East Asia, Vietnam and Japan. The previously announced exit of Jetstar Pacific is well advanced, with commercial functions transitioned and rebranding to Pacific Airlines and reservation system cutover completed. Jetstar Asia's fleet will be reduced from 18 to 13 with a mixture of lease returns and aircraft redeployment to Australia, resulting in redundancies of 25 per cent of staff. Jetstar Japan is implementing its own restructuring program and operated at approximately 75 per cent of its 2018/19 capacity during the August peak holiday period.

The New Zealand domestic operation was returning to near full capacity by the end of August 2020 but remains flexible to evolving domestic travel restrictions in the country, providing confidence in the Australian domestic leisure demand recovery when borders open.

QANTAS LOYALTY

Revenue

1,224 $M



FY20	**1,224**
FY19	1,654
FY18	1,519
FY17	1,505

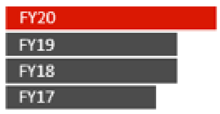
Underlying EBIT

341 $M

FY20	**341**
FY19	376
FY18	345
FY17	369

Operating Margin

27.9 %



FY20	**27.9%**
FY19	22.7%
FY18	22.7%
FY17	24.5%

Metrics		June 2020	June 2019	Change
QFF members	M	13.4	12.9	4.2%

Qantas Loyalty reported an Underlying EBIT of $341 million, after reporting a record first half of 2019/20. It provided an important source of diversified earnings and positive cash flow as the Group's airlines moved into hibernation. Second half revenue from points sales to external partners and other non-airline revenue was down 13 per cent. Points earned from flying on the Group's airlines declined in the fourth quarter, reducing intercompany revenue, but had no impact on EBIT.

Qantas Loyalty experienced a short-term decline in points earned through credit card spend and engagement in travel-related products, particularly in the fourth quarter. Meanwhile, the retail businesses such as Qantas Wine, Qantas Shopping and Qantas Store delivered growth, supporting earnings diversification.

Despite the grounding of the airlines, the program maintained its relevance to both members and partners, achieving record customer satisfaction in the fourth quarter, demonstrating the success of the program enhancements including tier status extension and increased availability of Classic Reward seats to popular destinations, improving the redemption value proposition.

Demand for Qantas Points remains strong with expanded opportunities to earn 'on the ground' including the launch of the Afterpay partnership and BP fuel partnership, with 500,000 members linking their accounts. Growth of new businesses and program launches continue to diversify member offerings with the Points Club and Qantas Insurance expanding into car insurance through the year, and the launch of home insurance expected in the next financial year.

Review of Operations

For the year ended 30 June 2020

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Loss Before Tax of $2,708 million for 2019/20 compares to a Statutory Profit Before Tax of $1,192 million for 2018/19.

Underlying PBT

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

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group Revenue for 2019/20 as recognised within Underlying PBT is down $3.7 billion compared to 2018/19 which is consistent with the impact on Statutory Loss primarily due to the impact of COVID-19.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19 including a reduction in flight capacity domestically and internationally (including a reduction in costs from fuel and variable cost reductions), workforce stand downs and operational cost-out measures have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures including the Australian Aviation Financial Relief Package, JobKeeper Payment, Minimum Viable Network flights and International Freight Assistance Mechanism payments together with costs to operate or payments to employees are also recorded in Underlying PBT.

Items which are identified by Management and reported to the CODM 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 revenues or expenses relating to business activities in other reporting periods, transformational/restructuring initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

The impact of COVID-19 and the Group's Recovery Plan have resulted in items not included in Underlying PBT, including asset impairments (including the A380 fleet), recovery plan restructuring costs including redundancies and de-designated hedging due to significant decrease in flying activity. These are in addition to transformation costs directly incurred to enable the delivery of transformation benefits.

	2020 $M	2019 (restated) $M
Reconciliation of Underlying PBT to Statutory (Loss)/Profit Before Tax		
Underlying PBT	**124**	**1,326**
Items not included in Underlying PBT		
– Transformation costs and discretionary bonus for non-executive employees	(191)	(254)
– Recovery Plan restructuring costs	(642)	-
– Impairment/(reversal of impairment) of assets and related costs	(1,428)	39
– De-designation of fuel and foreign exchange hedges	(571)	-
– Net gain on disposal of assets	-	192
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair value hedging agenda decision	-	(105)
– Other	-	(6)
Total items not included in Underlying PBT	**(2,832)**	**(134)**
Statutory (Loss)/Profit Before Income Tax Expense	**(2,708)**	**1,192**

In the 2020 financial year, the items outside of Underlying PBT included:

Item outside of Underlying PBT	Description
Transformation costs and discretionary bonus for non-executive employees	$191 million including $161 million directly incurred to enable the delivery of transformation benefits and $30 million of discretionary bonus for non-executive employees announced in previous financial years.
Recovery Plan restructuring costs	$642 million included people restructuring costs of $575 million and fleet restructuring costs of $67 million resulting from the announced post-COVID Recovery Plan. People restructuring primarily related to the announced restructure resulting in the reduction of around 6,000 roles.
Impairment of assets and related costs	Impairments of assets and related costs includes: - $1,087 million impairment of the Group's A380 fleet, including spares, inventories and related onerous contracts. With the impact of COVID-19 and the closure of international borders, the Group's A380 fleet is expected to be grounded for the foreseeable future. - $341 million of other impairments of assets.
De-designation of fuel and foreign exchange hedges	$571 million of de-designated hedging resulting from significant decrease in flying activity in the last quarter of the 2019/20 financial year and into the 2020/21 financial year.

Refer to note 2(B) for details of items not included in Underlying PBT.

Review of Operations
For the year ended 30 June 2020

MATERIAL BUSINESS RISKS

The aviation industry is subject to numerous inherent foreseeable risks which can impact operations if left untreated. In rare circumstances ‘black swan’ risk events can materialise resulting in unexpected consequences such as what the aviation industry is encountering with COVID-19. The COVID-19 pandemic has impacted Qantas’ operations significantly, including its strategic and financial objectives.

Material business risks arising from this, notably liquidity risks, are being critically managed to ensure ongoing sustainability of the airline. To minimise this consequence, Management has established a Three-year Recovery Plan for rightsizing and transforming the airline in response to COVID-19 impacts to guide the airline’s recovery and return to growth. As the impact of COVID-19 evolves, the Group continues to plan for a wide range of scenarios and risks to ensure ongoing sustainability to the Qantas Group.

Other inherent risks which can impact the airline’s operations include exposure to changes in economic conditions, changes in Government regulations, fuel and foreign exchange volatility and other exogenous events such as aviation incidents, natural disasters, or international conflicts.

General economic conditions post-crisis: As air travel is closely linked with economic growth, the Qantas Group’s operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A sustained decline in consumer and business demand as part of a broader deterioration of economic conditions as currently arising is likely to have a material adverse effect on the financial condition and business of the Qantas Group.

COVID-19 has created considerable uncertainty and volatility surrounding these macroeconomic factors, and any further deterioration may have a material adverse impact on the business, financial condition and prospects of the Qantas Group.

Human resources and industrial action risk: The Qantas Group operates in a highly regulated employment market and a portion of the Qantas Group’s employees are represented by unions and are party to collective bargaining arrangements. Any significant enterprise bargaining dispute between the Qantas Group and its employees, including in relation to the Recovery Plan could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group’s day-to-day operations as well as lead to reputational damage.

The COVID-19 crisis has necessitated the standing down of a significant portion of employees. While the need to stand down employees will decrease over time, any significant successful legal challenge to the Qantas Group’s ability to stand down employees could likely have a material adverse effect on the Qantas Group’s financial performance and condition.

The Qantas Group also has certain key management personnel whose institutional knowledge, expertise, relationships and experience are considered important to the continued success of the business. The loss of key personnel could adversely impact the Qantas Group’s business and future performance.

Further, given employee costs represent a significant component of the Qantas Group’s operating expenses, increases in labour costs (whether as a result of enterprise agreement negotiations, union action or otherwise) would likely have a material adverse effect on the Qantas Group’s financial performance and condition.

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly in light of the significant competition for passengers which characterises the aviation industry.

The significant financial and operational challenges posed by COVID-19, the impact of the pandemic on the travel industry and the response of the Qantas Group to these challenges could also impact on customer satisfaction and loyalty. In particular, a diminution of customer satisfaction due to the cancellation and refund policies of the Qantas Group in the context of COVID-19 may impact the Qantas Group’s reputation and its ability to attract customers in the future.

In addition, the Qantas Group is vulnerable to longer-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer sentiment towards leisure travel. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group’s future operating and financial performance.

Competitive intensity: Ordinarily, the international and domestic aviation markets in which the Qantas Group operates are highly competitive, and growth in market capacity ahead of underlying demand impacts profitability on an industry-wide basis. Its competitors include many major foreign airlines (including Government-owned or controlled airlines), some with more financial resources or lower cost structures than Qantas. This competition may increase with the expansion of existing airlines, the consolidation of existing airlines and/or the creation of alliances between airlines, or new airlines entering the market.

The Qantas Group’s most significant domestic competitor is currently in voluntary administration and it is impossible to predict the competitive impact that this will have on the Qantas Group when that situation resolves. Looking more broadly, Australia’s aviation policies favour the creation of a more competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes.

Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates, which places significant pressure on the Qantas Group to price match by offering heavily discounted fares. Aggressive pricing by competitors

Review of Operations
For the year ended 30 June 2020

MATERIAL BUSINESS RISKS (CONTINUED)

seeking to gain market share can materially adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs and low profit margins which characterise the aviation industry. The combined effect of these factors may have a material adverse effect on the revenue and financial condition of the Qantas Group.

Reputational and brand risk: The Qantas brand carries significant commercial value and the continued success of the Qantas Group relies on the maintenance of a positive reputation and brand recognition among customers, suppliers, strategic partners and Governments. Any negative publicity (for example, due to a safety incident, labour dispute, regulatory investigation or public customer complaint) may damage Qantas' reputation and have a negative impact on its business operations and financial performance.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The continued focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty. Accordingly, the size of the Group's fuel and foreign exchange risk will vary in line with operational changes. The Qantas Group manages fuel and foreign exchange risks through a comprehensive hedging program. Qantas will continue to hedge its fuel and foreign exchange risk in line with this program. In early April, the Qantas Group closed out its over-hedged position through to September 2020, which significantly lowered the exposure to further hedging losses in the short-term. The Qantas Group has some fuel hedging arrangements beyond September 2020 which are in the form of outright options with a base layer of collars. The collars remain subject to market price movements. There are no margin call obligations on the Qantas Group's hedging position.

Cyber security and data governance: The global cyber and privacy landscape is constantly evolving and at the same time, data governance has become an important function for many organisations including the Qantas Group. Qantas remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture which builds on an established safety culture. The Group is also enhancing its Data Governance Framework to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined Risk and Control Framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber security and data privacy-related controls operate to reduce the likelihood and severity of cyber security and data privacy related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance including for material third party suppliers.

Key business partners and alliances: The Qantas Group has relationships with a number of key business partners. In order to continue to maximise mutual benefit from both a financial and customer proposition perspective, governance structures are in place to track and report performance against common strategic objectives. The Qantas Group continues to proactively build relationships with existing and new industry partners through ongoing dialogue with relevant authorities and stakeholder groups.

Risk of increase in airport services related-costs or change in availability of airport facilities: The Qantas Group is exposed to the risk of increases in airport services-related costs (including air traffic control, airport, transit, take-off and landing fees and security charges). The availability and cost of airport facilities are fundamental to the ability of the Qantas Group to operate.

These costs represent a significant portion of the Qantas Group's operating costs and have a financial impact on its operations. Most Australian airports are privately owned and owners have flexibility to increase charges to airlines. There can be no assurance that major airport operators will not continue to increase their fees or that the Qantas Group will not incur new costs in Australia or elsewhere (for example, additional fees assessed against environmental criteria such as emissions levels or noise pollution). Further, it is likely that security and health measures around the world will continue to be increased in response to the COVID-19 experience and the perceived threat of terrorism, which may lead to increases in airport clearance and security charges. To the extent that the Qantas Group is unable to pass on any fee increases to its customers, these developments could have a material adverse effect on the Qantas Group's operational results and financial position.

In addition, health concerns during the COVID-19 crisis and in the period following it are likely to impact the availability of airport slots and facilities in ways that are difficult to predict. This, too, could have a material adverse effect on the Qantas Group's operations and Recovery Plan.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks. These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis, strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group has also set ambitious but achievable targets to reduce our emissions; capping emissions at 2020 levels and net-zero emissions by 2050, while also investing in the development of sustainable aviation fuels. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning our corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD) including further developing and disclosing findings from the scenario analysis first undertaken during the year ending 30 June 2020. These disclosures are available at https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available at www.qantas.com.au

Consolidated Income Statement

For the year ended 30 June 2020

	Notes	2020 $M	2019 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		12,183	15,696
Net freight revenue		1,045	971
Other revenue and income	4(B)	1,029	1,299
Revenue and other income		**14,257**	**17,966**
EXPENDITURE			
Manpower and staff-related		3,646	4,268
Aircraft operating variable		3,520	4,010
Fuel		2,895	3,846
Depreciation and amortisation		2,045	1,996
Share of net loss/(profit) of investments accounted for under the equity method		53	(23)
Impairment/(reversal of impairment) of assets and related costs	6	1,456	(39)
De-designation of fuel and foreign exchange hedges	14	571	-
Redundancies and related costs		565	65
Net gain on disposal of assets	7	(7)	(225)
Other	5	1,950	2,594
Expenditure		**16,694**	**16,492**
Statutory (loss)/profit before income tax expense and net finance costs		**(2,437)**	**1,474**
Finance income		33	47
Finance costs		(304)	(329)
Net finance costs		**(271)**	**(282)**
Statutory (loss)/profit before income tax expense		**(2,708)**	**1,192**
Income tax benefit/(expense)	8	744	(352)
Statutory (loss)/profit for the year		**(1,964)**	**840**
Attributable to:			
Members of Qantas		(1,964)	840
Non-controlling interests		-	-
Statutory (loss)/profit for the year		**(1,964)**	**840**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic earnings per share (cents)	3	**(129.6)**	**51.5**
Diluted earnings per share (cents)	3	**(129.6)**	**51.3**

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 $M	2019 (restated)[1] $M
Statutory (loss)/profit for the year	**(1,964)**	**840**
Items that are or may be subsequently reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	(205)	51
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax[2]	(123)	(249)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	425	-
Recognition of effective cash flow hedges on capitalised assets, net of tax	(42)	(13)
Net changes in hedge reserve for time value of options, net of tax	(232)	(47)
Foreign currency translation of controlled entities	(9)	5
Foreign currency translation of investments accounted for under the equity method	11	13
Share of other comprehensive loss of investments accounted for under the equity method	(6)	(6)
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial losses, net of tax	(40)	(121)
Fair value (losses)/gains on investments, net of tax	(16)	4
Other comprehensive loss for the year	**(237)**	**(363)**
Total comprehensive (loss)/income for the year	**(2,201)**	**477**

Attributable to:

Members of Qantas	(2,201)	477
Non-controlling interests	-	-
Total comprehensive (loss)/income for the year	**(2,201)**	**477**

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

2 These amounts were allocated to revenue of $10 million (2019: $nil), fuel expenditure of ($129) million (2019: ($356) million), foreign exchange gains of ($57) million (2019: nil) and income tax expense of $53 million (2019: $107 million) in the Consolidated Income Statement.

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

Consolidated Balance Sheet

As at 30 June 2020

	Notes	2020 $M	2019 (restated)[1] $M
CURRENT ASSETS			
Cash and cash equivalents	12(A)	3,520	2,157
Receivables		522	1,101
Other financial assets		216	334
Inventories		306	364
Assets classified as held for sale		58	1
Income tax receivable	8(D)	137	-
Other		193	231
Total current assets		**4,952**	**4,188**
NON-CURRENT ASSETS			
Receivables		124	77
Other financial assets		139	184
Investments accounted for under the equity method		59	217
Property, plant and equipment		11,726	12,776
Right of use assets		1,440	1,419
Intangible assets		1,050	1,225
Deferred tax assets		167	-
Other		369	449
Total non-current assets		**15,074**	**16,347**
Total assets		**20,026**	**20,535**
CURRENT LIABILITIES			
Payables		2,351	2,366
Revenue received in advance	11	2,784	4,414
Interest-bearing liabilities	12(B)	868	610
Lease liabilities		524	459
Other financial liabilities		238	89
Provisions	13	1,539	967
Income tax liabilities	8(D)	-	113
Total current liabilities		**8,304**	**9,018**
NON-CURRENT LIABILITIES			
Payables		99	-
Revenue received in advance	11	2,256	1,466
Interest-bearing liabilities	12(B)	5,825	4,527
Lease liabilities		1,318	1,293
Other financial liabilities		47	48
Provisions	13	651	475
Deferred tax liabilities		-	694
Total non-current liabilities		**10,196**	**8,503**
Total liabilities		**18,500**	**17,521**
Net assets		**1,526**	**3,014**
EQUITY			
Issued capital	10	3,104	1,871
Treasury shares		(51)	(152)
Reserves		(173)	111
Retained earnings		(1,357)	1,181
Equity attributable to members of Qantas		**1,523**	**3,011**
Non-controlling interests		3	3
Total equity		**1,526**	**3,014**

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

30 June 2020 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other[1] Reserves	Retained Earnings (restated)[2]	Non-controlling Interests	Total Equity (restated)[2]
Balance as at 1 July 2019	**1,871**	**(152)**	**101**	**36**	**2**	**(28)**	**1,181**	**3**	**3,014**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	-	-	-	-	-	-	(1,964)	-	(1,964)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(205)	-	-	-	-	(205)
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(123)	-	-	-	-	(123)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	425	-	-	-	-	425
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(42)	-	-	-	-	(42)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(232)	-	-	-	-	(232)
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(40)	-	-	(40)
Foreign currency translation of controlled entities	-	-	-	-	(9)	-	-	-	(9)
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	11	-	-	-	11
Fair value losses on investments, net of tax	-	-	-	-	-	(16)	-	-	(16)
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(6)	-	-	-	-	(6)
Total other comprehensive (loss)/income	**-**	**-**	**-**	**(183)**	**2**	**(56)**	**-**	**-**	**(237)**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(183)**	**2**	**(56)**	**(1,964)**	**-**	**(2,201)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(95)	-	-	-	-	-	(348)	-	(443)
Capital raising	1,328	-	-	-	-	-	-	-	1,328
Dividends paid	-	-	-	-	-	-	(204)	-	(204)
Treasury shares acquired	-	(5)	-	-	-	-	-	-	(5)
Share-based payments	-	-	28	-	-	-	-	-	28
Shares vested and transferred to employees	-	106	(75)	-	-	-	(22)	-	9
Total contributions by and distributions to owners	**1,233**	**101**	**(47)**	**-**	**-**	**-**	**(574)**	**-**	**713**
Total transactions with owners	**1,233**	**101**	**(47)**	**-**	**-**	**-**	**(574)**	**-**	**713**
Balance as at 30 June 2020	**3,104**	**(51)**	**54**	**(147)**	**4**	**(84)**	**(1,357)**	**3**	**1,526**

1 Other reserves as at 30 June 2020 includes the Defined Benefit Reserve of ($73) million and the Fair Value Reserve of ($11) million.

2 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

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

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2020

30 June 2019 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other[1] Reserves	Retained Earnings (restated)[2]	Non-controlling Interests	Total Equity (restated)[2]
Balance as at 1 July 2018	**2,508**	**(115)**	**106**	**300**	**(16)**	**89**	**709**	**3**	**3,584**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR									
Statutory profit for the year	-	-	-	-	-	-	840	-	840
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	51	-	-	-	-	51
Transfer of hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(249)	-	-	-	-	(249)
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(13)	-	-	-	-	(13)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(47)	-	-	-	-	(47)
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(121)	-	-	(121)
Foreign currency translation of controlled entities	-	-	-	-	5	-	-	-	5
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	13	-	-	-	13
Fair value gains on investments, net of tax	-	-	-	-	-	4	-	-	4
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(6)	-	-	-	-	(6)
Total other comprehensive (loss)/income	**-**	**-**	**-**	**(264)**	**18**	**(117)**	**-**	**-**	**(363)**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(264)**	**18**	**(117)**	**840**	**-**	**477**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(637)	-	-	-	-	-	-	-	(637)
Dividends paid	-	-	-	-	-	-	(363)	-	(363)
Treasury shares acquired	-	(98)	-	-	-	-	-	-	(98)
Share-based payments	-	-	49	-	-	-	-	-	49
Shares vested and transferred to employees	-	61	(54)	-	-	-	(5)	-	2
Total contributions by and distributions to owners	**(637)**	**(37)**	**(5)**	**-**	**-**	**-**	**(368)**	**-**	**(1,047)**
Total transactions with owners	**(637)**	**(37)**	**(5)**	**-**	**-**	**-**	**(368)**	**-**	**(1,047)**
Balance as at 30 June 2019	**1,871**	**(152)**	**101**	**36**	**2**	**(28)**	**1,181**	**3**	**3,014**

1 Other reserves as at 30 June 2019 includes the Defined Benefit Reserve of ($33) million and the Fair Value Reserve of $5 million.

2 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

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

Consolidated Cash Flow Statement

For the year ended 30 June 2020

	2020 $M	2019 (restated)[1] $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,460	19,050
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees)	(12,870)	(15,425)
Cash generated from operations	**1,590**	**3,625**
Cash payments to employees for redundancies and related costs	(58)	(58)
Discretionary bonus payments to non-executive employees	(6)	(25)
Interest received	29	41
Interest paid (interest-bearing liabilities)	(146)	(161)
Interest paid (lease liabilities)	(82)	(101)
Dividends received from investments accounted for under the equity method	15	11
Australian income taxes paid	(255)	(156)
Foreign income taxes paid	(4)	(12)
Net cash from operating activities	**1,083**	**3,164**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(1,549)	(1,944)
Interest paid and capitalised on qualifying assets	(48)	(42)
Payments for investments held at fair value	(22)	(60)
Proceeds from disposal of property, plant and equipment	50	333
Proceeds from disposal of a controlled entity	-	139
Proceeds from disposal of shares in associate	-	11
Payments for investments accounted for under the equity method	(2)	-
Net cash used in investing activities	**(1,571)**	**(1,563)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share buy-back	(443)	(637)
Proceeds from share-issuance	1,342	-
Payments for treasury shares	(5)	(98)
Proceeds from interest-bearing liabilities	2,155	1,137
Repayments of interest-bearing liabilities	(625)	(733)
Repayments of lease liabilities	(367)	(368)
Dividends paid to shareholders	(204)	(363)
Aircraft lease refinancing	-	(88)
Net cash from/(used in) financing activities	**1,853**	**(1,150)**
Net increase in cash and cash equivalents held	**1,365**	**451**
Cash and cash equivalents at the beginning of the year	2,157	1,694
Effects of exchange rate changes on cash and cash equivalents	(2)	12
Cash and cash equivalents at the end of the year	**3,520**	**2,157**

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.

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

Notes to the Preliminary Final Report
For the year ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

The Preliminary Final Report (the Report) has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Report also complies with International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) adopted by the International Accounting Standards Board.

The Report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due. The Report is presented in Australian dollars, which is the functional currency of Qantas Airways Limited (Qantas) and its controlled entities (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.

The Annual Financial Report is in the process of being audited and is expected to be made available on 18 September 2020. This Report should also be read in conjunction with any public announcements made by Qantas during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

(B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the Preliminary Final Report are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended 30 June 2019, except for the below which have been adopted from 1 July 2019 including restatement of comparative reporting periods:
- AASB 16 *Leases*;
- IFRIC agenda decision in relation to the treatment of fair value hedges of foreign currency risk and non-financial assets (IFRIC Fair Value hedging agenda decision).

The nature and effect of these changes are disclosed in Note 18.

In addition, the Group adopted AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions, which amends AASB 16 and became effective from 1 June 2020. The amendment provides practical relief to lessees when accounting for rent concessions directly resulting from COVID-19, by allowing entities to elect not to account for COVID-19 related rent concessions as modifications under AASB 16. As a result, COVID-19 related rental waivers are recognised as negative variable lease payment within Other Expenses. Changes in scheduled lease payments due to rent deferrals have been recognised within Lease Liabilities.

The Group elected to apply the lessee practical expedient, with the impact outlined within Note 18(F).

(C) COMPARATIVES

Where applicable, comparative balances have been reclassified to align with current period presentation. A reclassification to decrease Payables (Current Liability) and increase Revenue Received in Advance (Current Liability) by $99 million has been made in the comparative Consolidated Balance Sheet for the year ended 30 June 2019 to align with current period presentation (June 2018: $81 million).

(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Consolidated Financial Statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing this Report, judgements made by Management in the application of Australian Accounting Standards that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in future periods were the same as those applied to the Qantas Annual Report for the year ended 30 June 2019 (with the exception of those arising from the adoption of AASB 16 *Leases*, the IFRIC Fair Value hedging agenda decision as outlined above and the impact of COVID-19 outlined in Note 1(E)).

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) IMPACT OF COVID-19 ON FINANCIAL REPORTING

The impact of COVID-19 on the Qantas Group has been unprecedented. The section below outlines key areas of impact relevant to the Consolidated Financial Statements for the year ended 30 June 2020. Additional information on how the Group has been impacted by and is responding to COVID-19 is provided in the Review of Operations.

i. Overview of COVID-19 Impact on the Qantas Group and the Group's Recovery Plan

The measures taken by Governments across the world to slow the spread of COVID-19 severely impacted airlines as travel restrictions and border closures were imposed. These travel restrictions, and the resulting decrease in demand has resulted in significant capacity reductions domestically and internationally. The Group took immediate and decisive action to mitigate the impact of COVID-19, including a reduction in flight capacity (domestic and international), workforce stand downs, operational cost-out measures, capital expenditure deferrals and cancellation of proposed shareholder distributions.

Governments worldwide have announced relief packages to support affected businesses, including specifically the aviation industry, to mitigate the impact of COVID-19. The Australian Aviation Financial Relief package was introduced to provide refunds or waivers of a range of Government changes on the aviation industry. The JobKeeper Payment was introduced to help keep Australians in jobs and support affected businesses.

In addition, the Federal Government commissioned Qantas to conduct various charter repatriation flights and rescue flights. Along with other Australian domestic airlines, Qantas also operated domestic, regional and international flights as part of the Minimum Viable Network intended to maintain vital air transport links. Qantas also secured a contract to conduct freight services under the International Freight Assistance Mechanism to ensure import and export freight routes remained open.

In addition to operational responses, the Group boosted liquidity by cutting capital expenditure, cancelling shareholder distributions and sourcing additional funding through $1.75 billion in new debt, with no financial covenants, and a $1.36 billion fully underwritten Institutional Placement. Refer to the Capital Structure and Liquidity section below for further details.

Recovery Plan

In June 2020, the Group announced a three-year plan to accelerate the recovery from the COVID-19 crisis and create a stronger platform for future profitability, long-term shareholder value and to preserve as many jobs as possible.

The immediate focus of the plan is to:
- Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale up as flying returns;
- Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market; and
- Recapitalise through an equity raising to strengthen the Group's financial resilience to recovery and the opportunities it presents.

The plan is designed to account for the uncertainties associated with the crisis, preserving as many key assets and skills as the Group can reasonably carry to support the eventual recovery. COVID-19 represents the biggest challenge ever faced by global aviation and the Group's response to the crisis is scaled accordingly.

Key actions of the Plan include:
- Reducing the Group's pre-crisis workforce by at least 6,000 roles across all parts of the business;
- Continuing the stand down for 20,000 employees, particularly those associated with international operations, until flying returns to normal;
- Retiring Qantas' six remaining 747s immediately, six months ahead of schedule;
- Grounding up to 100 aircraft for up to 12 months (some for longer), including most of the international fleet. The majority are expected to ultimately go back into service but some leased aircraft may be returned at the end of their current lease term. The Group's A380 fleet (12 aircraft) will be grounded for the foreseeable future; and
- A321neo and 787-9 fleet deliveries have been deferred to minimise capital expenditure.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) IMPACT OF COVID-19 ON FINANCIAL REPORTING (CONTINUED)

ii. Capital Structure and Liquidity

The Qantas Group's Financial Framework is designed to achieve top quartile Total Shareholder Return relative to the ASX100 and global airline peers. The Framework's key elements are to:

- Maintain an optimal capital structure that minimises the cost of capital by holding an appropriate level of Net Debt[1]. The appropriate level of net debt reflects the Qantas Group's size, measured by Invested Capital. This is consistent with investment grade credit metrics;
- Deliver ROIC that exceeds the weighted average cost of capital through the cycle; and
- Make disciplined capital allocation decisions between reinvestment, debt reduction and distribution of surplus capital to shareholders while maintaining an optimal capital structure.

Surplus capital is determined on a forward looking basis, which is the difference between the projected net debt position and the target net debt position whilst ROIC remains above 10 per cent.

The Qantas Group maintains access to a broad range of debt markets, both secured and unsecured. The Qantas Group maintains a prudent liquidity policy that ensures adequate coverage of liquidity requirements while considering a range of adverse scenarios.

The Group responded quickly to increase liquidity following the impact of COVID-19 on the business, raising $1.75 billion in new debt funding since 31 December 2019. The Group continues to have no financial covenants on the new debt raising.

In March 2020, the Group cancelled the off-market share buy-back announced in February 2020, which preserved $150 million in cash. In June 2020, the Group revoked the interim dividend, announced in February 2020 and deferred in March 2020, avoiding cash outflow of $201 million. Decisions on future shareholder distributions will continue to be made in line with the Group's Financial Framework.

On 25 June 2020, the Group announced a fully underwritten Institutional Placement (Placement) to raise approximately $1.36 billion and a non-underwritten retail Share Purchase Plan for eligible existing shareholders.

The Placement was completed prior to 30 June 2020 with 372.7 million shares (approximately 25 per cent increase to total shares on issue) issued at $3.65 per share. This transaction was recorded in Issued Capital and received in Cash within the Consolidated Balance Sheet for the year ended 30 June 2020.

Proceeds from the equity raising will be used to accelerate the Group's recovery, strengthen its balance sheet and position it to capitalise on opportunities aligned with its strategy.

As at 30 June 2020, including the completion of the underwritten Placement, the Group's available liquidity was $4.5 billion, including $3.5 billion of cash and cash equivalents and $1 billion undrawn facility.

As at 30 June 2020, Net Debt (as measured by the Group's Financial Framework) was $4.7 billion with no major debt maturities until June 2021 and no financial covenants on its debt.

Subsequent to year end, the retail Share Purchase Plan was completed resulting in the issuance of 22.5 million shares at $3.18 per share (totalling $71.7 million). This transaction will be recognised within the 2020/21 financial year.

The Group continues to hold an investment grade credit rating from Moody's (Baa2).

At the present time, the Group continues to consider that COVID-19 will not impact the Group's ability to continue as a going concern or to pay its debt as and when they become due and payable.

iii. Impact on Accounting Judgements and Estimates

COVID-19, together with the Group's immediate actions and responses and the strategy within the Recovery Plan have influenced certain accounting judgements and estimates impacting the Consolidated Financial Statements for the year ended 30 June 2020.

The Group's Recovery Plan has been the primary reference where forward assumptions are required to support judgements and estimates, in addition to any previously existing sources of information.

Given the significance of the impact of COVID-19 on the Group, the judgements and estimates informed by the Recovery Plan are in some circumstances materially different from judgements made in previous financial years. There are uncertainties about future economic and market conditions which will impact the assumptions in the Recovery Plan.

1 Net debt includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework. Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. The residual value of capitalised aircraft lease liabilities denominated in foreign currencies are translated at the long-term exchange rate.

Notes to the Preliminary Final Report continued
For the year ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) IMPACT OF COVID-19 ON FINANCIAL REPORTING (CONTINUED)

The Recovery Plan assumptions have impacted key judgements and estimates within the following areas of the Financial Report:

Area of Financial Report	Impact on Judgements and Estimates
Impairment Testing	The Recovery Plan informed forecast cash flow used in the determination of the recoverability amount of cash generating units (CGUs) using the Value in Use method. The Recovery Plan informed other asset specific impairments where assets will be idle or abandoned. The carrying values of investments have also been significantly impacted by COVID-19, requiring judgement of recoverable amounts. Refer to Note 6 for further details on impairment testing.
Fleet Strategy	The Recovery Plan informed judgements around fleet strategy during the three-year plan. This has included around 100 aircraft to be grounded for up to 12 months (some for longer, including the A380 fleet which will be grounded for the foreseeable future), early retirement of the 747 fleet, deferral of A321neo and 787-9 fleet deliveries and assumptions around aircraft lease returns provisions.
Provision for redundancies	The Recovery Plan informed the recognition of redundancy provisions as at 30 June 2020 for the restructuring announced on 25 June 2020.
Hedge designation and hedge accounting	The Recovery Plan informed key inputs to hedging designation and hedge accounting requirements including forecast fuel consumption and forecast income and expenditure denominated in foreign currencies. Refer to Note 14 for details on hedge designation and hedge accounting.
Provision for Employee Entitlements	The Recovery Plan informed judgements around the expected pattern of usage of leave provisions, which impacted the measurement of provisions for annual leave and long-service leave.
Balance Sheet Presentation	The Recovery Plan informed assumptions around the presentation of balance sheet items, particularly in relation to presentation as current or non-current for Qantas Points, revenue received in advance and refund liabilities.
Revenue Recognition (Impact of breakage Assumptions)	The significant impact of COVID-19 together with strategies within the Recovery Plan informed assumptions around customer and member behaviour and customer engagement strategies which impacted assumptions around breakage.
Income Tax	The Recovery Plan informed judgement around the recognition and recoverability of a net Deferred Tax Asset relating to income tax losses. Refer to Note 8 for details on Income Tax and Deferred Tax Assets.

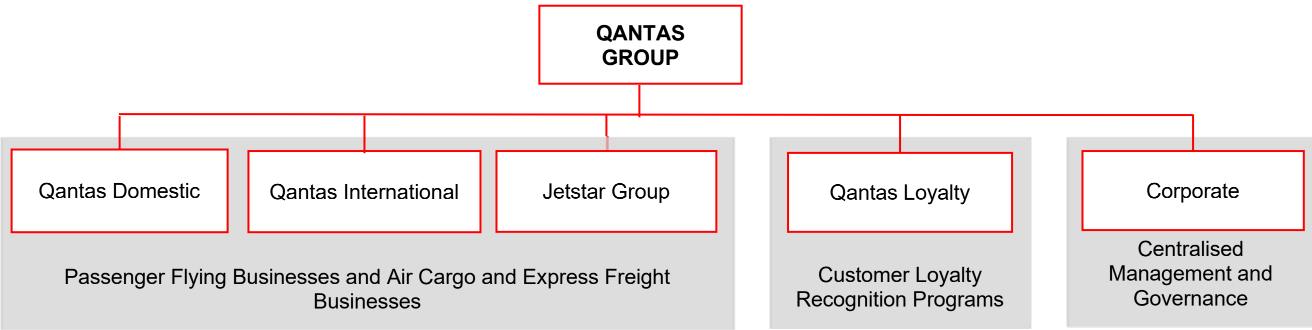
Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL

(A) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



i. Underlying EBIT

Underlying EBIT is the primary reporting measure used by the Qantas Group's Chief Operating Decision-making Bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments.

Underlying EBIT is calculated using a consistent methodology as Underlying PBT as outlined below (refer to section B) but excluding the impact of net finance costs.

ii. Analysis by Operating Segment

2020 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	4,334	5,849	2,897	1,106	7	64	14,257
Inter-segment revenue and other income	338	228	109	118	-	(793)	-
Total segment revenue and other income	**4,672**	**6,077**	**3,006**	**1,224**	**7**	**(729)**	**14,257**
Share of net (loss)/profit of investments accounted for under the equity method	3	3	(59)	-	-	-	(53)
Underlying EBITDA	**896**	**841**	**421**	**390**	**(117)**	**(15)**	**2,416**
Depreciation and amortisation[2]	(723)	(785)	(447)	(49)	(17)	-	(2,021)
Underlying EBIT	**173**	**56**	**(26)**	**341**	**(134)**	**(15)**	**395**
Net finance costs					(271)		(271)
Underlying PBT					**(405)**		**124**
ROIC %[3]							**5.8%**

1 Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 5) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
2 Depreciation and amortisation differs from the depreciation and amortisation recognised in the Consolidated Income Statement due to items not included in Underlying PBT. Refer to Note 2(B).
3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

ii. Analysis by Operating Segment (continued)

2019 (restated)[1] $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	5,730	7,125	3,823	1,488	4	(204)	17,966
Inter-segment revenue and other income	368	295	138	166	-	(967)	-
Total segment revenue and other income	**6,098**	**7,420**	**3,961**	**1,654**	**4**	**(1,171)**	**17,966**
Share of net profit of investments accounted for under the equity method	8	9	6	-	-	-	23
Underlying EBITDA	**1,503**	**1,045**	**836**	**414**	**(156)**	**(98)**	**3,544**
Depreciation and amortisation[3]	(725)	(722)	(436)	(38)	(15)	-	(1,936)
Underlying EBIT	**778**	**323**	**400**	**376**	**(171)**	**(98)**	**1,608**
Net finance costs					(282)		(282)
Underlying PBT					**(453)**		**1,326**
ROIC %[4]							**19.2%**

1 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the full retrospective method of adoption and adopted the IFRIC agenda decision in relation to fair value hedges ("IFRIC Fair Value hedging agenda decision") retrospectively. The comparative period presented above has been restated accordingly. Refer to Note 18 for further information.
2 Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 5) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
3 Depreciation and amortisation differs from the depreciation and amortisation recognised in the Consolidated Income Statement due to items not included in Underlying PBT. Refer to Note 2(B).
4 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

Passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Freight revenue primarily arises within Qantas International, except when belly space is utilised in Qantas Domestic and Jetstar Group.

Marketing revenue and redemption revenue in relation to the issuance and redemption of Qantas Points is recognised within the Qantas Loyalty segment. Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation. Redemption revenue arising from Qantas Group flight redemptions is recognised within Net Passenger Revenue on consolidation. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Qantas Point issuances and redemptions.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Store redemptions and other carrier redemptions is recognised in the Consolidated Income Statement net of related costs, as the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within Other Revenue and Income.

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT BEFORE TAX

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. 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 Qantas Group.

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group Revenue for 2019/20 as recognised within Underlying PBT is down $3.7 billion compared to 2018/19 which is consistent with the impact on Statutory Loss primarily due to the impact of COVID-19.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19 including a reduction in flight capacity domestically and internationally (including a reduction in costs from fuel and variable cost reductions), workforce stand downs and operational cost-out measures have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures including the Australian Aviation Financial Relief Package, JobKeeper Payment, Minimum Viable Network flights and International Freight Assistance Mechanism payments together with costs to operate or payments to employees are also recorded in Underlying PBT.

Items which are identified by Management and reported to the CODM 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 revenues or expenses relating to business activities in other reporting periods, transformational/restructuring initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT BEFORE TAX (CONTINUED)

The impact of COVID-19 and the Group's Recovery Plan have resulted in items not included in Underlying PBT, including asset impairments (including the A380 fleet), recovery plan restructuring costs including redundancies and de-designated hedging due to a significant decrease in flying activity. These are in addition to transformation costs directly incurred to enable the delivery of transformation benefits.

	2020 $M	2019 (restated) $M
RECONCILIATION OF UNDERLYING PBT TO STATUTORY (LOSS)/PROFIT BEFORE TAX		
Underlying PBT	**124**	**1,326**
Items not included in Underlying PBT		
– Transformation costs and discretionary bonus for non-executive employees	(191)	(254)
– Recovery Plan restructuring costs	(642)	-
– (Impairment)/reversal of impairment of assets and related costs	(1,428)	39
– De-designation of fuel and foreign exchange hedges	(571)	-
– Net gain on disposal of assets	-	192
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair value hedging agenda decision	-	(105)
– Other	-	(6)
Total items not included in Underlying PBT	**(2,832)**	**(134)**
Statutory (Loss)/Profit Before Income Tax Expense	**(2,708)**	**1,192**

In the 2020 financial year, the items outside of Underlying PBT included:

Item outside of Underlying PBT	Description
Transformation costs and discretionary bonus for non-executive employees	$191 million included redundancy and related costs of $44 million, fleet restructuring costs of $62 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet), other upfront costs of $55 million directly incurred to enable the delivery of transformation benefits and $30 million of discretionary bonus for non-executive employees which will be paid to non-executive employees after the employees post-wage freeze collective agreement is voted upon and approved.
Recovery Plan restructuring costs	$642 million included people restructuring costs of $575 million and fleet restructuring costs of $67 million resulting from the announced COVID-19 Recovery Plan. People restructuring costs include redundancy costs related to the announced restructure, and the remeasurement of employee entitlement provisions because of rightsizing and restructuring strategies in the Recovery Plan. Fleet restructuring costs resulted from changes to fleet strategy as a result of the Recovery Plan.
Impairment of assets and related costs	Impairments of assets and related costs includes: – $1,087 million impairment of the Group's A380 fleet, including spares, inventories and related onerous contracts. With the impact of COVID-19 and the closure of international borders, the Group's A380 fleet is expected to be grounded for the foreseeable future – $23 million impairment relating to the early retirement of the Group's 747 fleet – $150 million impairment of property, plant and equipment, intangible assets and other assets not expected to be recovered in the Recovery Plan – $25 million impairment of the Group's investment in Jetstar Pacific – $73 million impairment of Goodwill and indefinite lived intangible assets in Jetstar Asia – $70 million impairment of the Group's investment in Helloworld. Refer to Note 6 for details on impairment of assets and related costs.
De-designation of fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments*are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively, and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity in the last quarter of the 2019/20 financial year and into the 2020/21 financial year, has resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. De-designation of fuel and foreign exchange hedges of $571 million has been recognised immediately in the Consolidated Income Statement. Refer to Note 14 for further details on de-designation of fuel and foreign exchange hedges.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT BEFORE TAX (CONTINUED)

The 2019 financial year included the following items (restated where relevant for the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision):

Item outside of Underlying PBT	Description
Transformation costs and discretionary bonuses for non-executive employees	$254 million included redundancy and related costs of $65 million, fleet restructuring costs of $107 million (primarily related to costs for the introduction of the 789 Dreamliners and retirement of the 747 fleet), other upfront costs of $55 million directly incurred to enable the delivery of transformation benefits and $27 million of discretionary bonuses to non-executive employees which will be paid to non-executive employees after the employees post-wage freeze collective agreement is voted upon and approved.
Reversal of impairment of associate	$39 million relating to the Group's investment in Helloworld Travel Limited. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.
Net gain on disposal of assets	Net gain on disposal of assets of $192 million is comprised of: – Net gain on disposal of a controlled entity of $47 million arising from the sale of the Qantas Catering business. – Net gain on disposal of Airport Terminal assets of $141 million primarily relating to the gain on disposal of Melbourne Domestic Terminal assets. – Net gain on partial disposal associate of $4 million relating to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018.
Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision	Following the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision, the Group put in place accounting hedge designations to manage the foreign exchange movements resulting from the revaluation of certain foreign currency interest-bearing liabilities and lease liabilities. In accordance with AASB 9, these designations apply prospectively from 1 July 2019. For comparative periods before the designation (which have been restated for the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision) the foreign exchange movements were recognised immediately in the Consolidated Income Statement. As the difference between reporting periods arose due to the timing of accounting hedge designations, the impact on the Consolidated Income Statement in the comparative period has been recognised outside of Underlying PBT to ensure comparability.

(C) RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC %) is a non-statutory measure and is the primary financial return measure of the Group. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital.

i. ROIC EBIT

ROIC EBIT is derived by adjusting Underlying EBIT for the period to exclude leased aircraft depreciation under AASB 16 and include notional depreciation for these aircraft to account for them as if they were owned.

In addition, for non-aircraft leases, ROIC EBIT is reduced for the full lease payments rather than depreciation under AASB 16 to account for these items as a service cost. The objective of these adjustments is to show an EBIT result which is indifferent to the financing or ownership structure of aircraft assets and that treats non-aircraft leases as a service cost rather than debt repayment.

	2020 $M	2019 (restated) $M
ROIC EBIT		
Underlying EBIT	**395**	**1,608**
Add back: Lease depreciation under AASB 16	402	351
Less: Notional Depreciation[1]	(108)	(114)
Less: Cash expenses for non-aircraft leases	(225)	(187)
ROIC EBIT	**464**	**1,658**

1 For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated notionally in accordance with the Group's accounting policies with the calculated depreciation reported above known as notional depreciation. Where leased aircraft were classified as finance leases under the previous accounting standard (AASB 117), the capitalised amount and notional depreciation for ROIC is consistent with the recognised accounting values.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

ii. Average Invested Capital

The objective of the Group's Financial Framework is to show Invested Capital which is indifferent to financing or ownership structures of aircraft assets (leased versus owned). Invested Capital includes the net assets of the business other than cash, debt, other financial assets/(liabilities), tax balances and right of use assets (leased aircraft, property and other assets measured under AASB 16).

To account for the capital invested in leased aircraft, Invested Capital includes an amount representing the capitalised value of leased aircraft assets as if they were owned. Invested Capital includes the full capital held in leased aircraft, which is a non-statutory adjustment, as in accordance with Australian Accounting Standards (AASB 16 *Leases*) right of use assets are only measured with reference to the lease term.

Average Invested Capital is equal to the average of the monthly Invested Capital for the year.

	2020 $M	2019 (restated) $M
INVESTED CAPITAL		
Receivables (current and non-current)	646	1,178
Inventories	306	364
Other assets (current and non-current)	562	680
Investments accounted for under the equity method	59	217
Property, plant and equipment	11,726	12,776
Intangible assets	1,050	1,225
Assets classified as held for sale	58	1
Payables (current and non-current)	(2,450)	(2,366)
Provisions (current and non-current)	(2,190)	(1,442)
Revenue received in advance (current and non-current)	(5,040)	(5,880)
Capitalised aircraft leased assets[1]	1,301	1,424
Invested Capital as at 30 June	**6,028**	**8,177**
Average Invested Capital for the year ended 30 June	**8,055**	**8,631**

1 For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies with the calculated depreciation reported above known as notional depreciation. The carrying value (AUD market value less accumulated notional depreciation) is reported within Invested Capital as capitalised aircraft leased assets. Where leased aircraft were classified as Finance Leases under the previous accounting standard (AASB 117), the capitalised amount and notional depreciation for ROIC is consistent with the recognised accounting values.

iii. ROIC %

	2020 %	2019 (restated) %
ROIC %[1]	**5.8**	**19.2**

1 ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital for the year.

iv. ROIC (Statutory EBIT) %

	2020 %	2019 (restated) %
ROIC (Statutory EBIT)%[1]	**(29.4)**	**17.7**

1 ROIC (Statutory EBIT) % is calculated by replacing Underlying EBIT with Statutory EBIT, maintaining a consistent methodology to ROIC % as outlined in Section C (i) to (iii).

v. Underlying Earnings per Share

	2020 cents	2019 (restated) cents
Underlying earnings per share[1]	**5.9**	**57.3**

Underlying earnings per share is calculated as Underlying PBT less tax expense based on the Group's effective tax rate of (27.5) per cent (2019: 29.5 per cent) divided by the weighted average number of shares during the year, excluding unallocated treasury shares.

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For the year ended 30 June 2020

3 EARNINGS PER SHARE

	2020 cents	2019 (restated) cents
Basic earnings per share[1]	**(129.6)**	**51.5**
Diluted earnings per share[2]	**(129.6)**	**51.3**

1 Weighted average number of shares used in basic earnings per share calculation of 1,516 million (2019: 1,631 million) excludes unallocated treasury shares.
2 Weighted average number of shares used in basic and diluted earnings per share calculation is the same for financial year 2019/20. Weighted average number of shares used in diluted earnings per share calculation of 1,516 million (2019: 1,639 million) excludes unallocated treasury shares and prior year also includes the effect of share rights expected to vest (using treasury stock method).

	$M	$M
Statutory (loss)/profit attributable to members of Qantas	**(1,964)**	**840**

	Number M	Number M
NUMBER OF SHARES		
Issued shares as at 1 July	1,571	1,684
Shares bought back and cancelled	(80)	(113)
Capital raising[1]	373	-
Issued shares as at 30 June	**1,864**	**1,571**
Weighted average number of shares for the year	**1,518**	**1,634**

1 The issued shares at 30 June 2020 includes the capital raising completed in June 2020 and shares issued on 1 July 2020. These shares have not been included in the weighted average number of shares used for calculating earnings per share.

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2020 $M	2019 $M
Net passenger and freight revenue		
Australia	9,262	11,897
Overseas	3,966	4,770
Total net passenger and freight revenue	**13,228**	**16,667**
Other revenue and income	1,029	1,299
Total revenue and other income	**14,257**	**17,966**

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

(B) OTHER REVENUE AND INCOME

	2020 $M	2019 (restated) $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	467	481
Qantas Store and other redemption revenue[1,2]	96	99
Third party services revenue	263	350
Other income	203	369
Total other revenue and income	**1,029**	**1,299**

1 Frequent Flyer redemption revenue excludes redemptions on Qantas Group flights which are reported as Net Passenger Revenue in the Consolidated Income Statement.
2 Where the Group acts as an agent for redemptions, an adjustment is made within consolidation eliminations to present these redemptions on a net basis.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

5 OTHER EXPENDITURE

	2020 $M	2019 (restated) $M
Commissions and other selling costs	506	733
Computer and communication	489	488
Capacity hire (excluding lease components)	268	312
Property occupancy and utility expenses	176	218
Marketing and advertising	160	199
Discretionary bonus to non-executive employees	30	27
Discount rate changes impact on provisions	7	92
Other	314	525
Total other expenditure	**1,950**	**2,594**

6 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF ASSETS AND RELATED COSTS

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS

Given the significant impact of COVID-19, Management has assessed that there are indicators of impairment of the Group's CGUs and has undertaken the following:

- Reassessed the identification of the Group's CGUs;
- Completed an impairment test of the Group's CGUs; and
- Tested specific individual assets for impairment where they are not expected to contribute to the cash flows of the CGUs under the Recovery Plan.

i. Reassessment of Identification of CGUs

The identification of an asset's CGU is a critical judgement in performing an impairment test. CGUs are the lowest identifiable group of assets that generates largely independent cash inflows and are determined based on how performance is monitored and how decisions to acquire and dispose of the Group's assets and operations are made.

Given the significant impacts of COVID-19, Management reviewed the identification of CGUs with regards to airlines within the Jetstar Group. The closure of international borders and different considerations for re-opening, together with differences in recovery profile for each individual airline has impacted the Group's assessment of the smallest identifiable group of assets that generate largely independent cash inflows. As a result, the Group has assessed Jetstar Japan, Jetstar Asia, Jetstar Pacific and Jetstar Australia/New Zealand as separate CGUs in the 2019/20 financial year.

The identified CGUs by Operating Segment for the 2019/20 financial year and for the 2018/19 financial year are outlined in the table below.

Operating Segment	CGUs identified Financial year 2019/20	CGUs identified Financial year 2018/19
Qantas Domestic	Qantas Domestic CGU	Qantas Domestic CGU
Qantas International	Qantas International CGU	Qantas International CGU
	Qantas Freight CGU	Qantas Freight CGU
Jetstar Group	Jetstar Asia CGU	Jetstar Group CGU
	Jetstar Pacific CGU	
	Jetstar Japan CGU	
	Jetstar Australia/New Zealand CGU	
Qantas Loyalty	Qantas Loyalty CGU	Qantas Loyalty CGU

ii. Impairment Testing

AASB 136 *Impairment of Assets* requires the assessment at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset where possible, otherwise, the recoverable amount of the CGU to which the asset belongs to shall be determined.

Value in use is the present value of the future cash inflows expected to be derived from an asset or CGU.

Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the incremental costs directly attributed to disposal.

Where the carrying value of the asset exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount through the recognition of an impairment loss.

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For the year ended 30 June 2020

6 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF ASSETS AND RELATED COSTS (CONTINUED)

Impairment Test of Individual Assets (where not expected to contribute to the cash flows of the CGUs under the Recovery Plan)

Aircraft and related spares, inventory and contractual commitments

With the impact of COVID-19 and the closure of international borders, the Group's A380 fleet is expected to be grounded for the foreseeable future. The A380 fleet, however, does not meet the requirements to be classified as Assets Held for Sale as they are not available for sale. Given the significant uncertainty around the return to service of the fleet, the cash flows of the Qantas International CGU within the Recovery Plan do not include cash flows relating to the A380 assets. The A380 fleet has therefore been tested for impairment outside of the Qantas International CGU.

The recoverable amount of the A380 fleet was determined using a fair value less costs of disposal model. The fair value less costs of disposal was estimated based on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), translated at 30 June 2020 AUD/USD exchange rates. The Group has made necessary adjustments to these valuations for the level of maintenance life remaining on the aircraft.

The recoverable amount of the A380 fleet, including spares and inventory and the impact of onerous contractual obligations is below their carrying value. The carrying value has been impaired to the recoverable amount.

The Group has also announced the early retirement of the remaining 747 fleet. The 747 fleet has been recognised as Assets Held for Sale as at 30 June 2020 and impaired to their fair value less costs to sell as their sale is highly probable.

The impaired carrying value of the A380 fleet and 747 fleet are not allocated to the Qantas International CGU and therefore have no further impact on the assessment of impairment for the remaining Qantas International CGU assets outlined below.

Property, Plant & Equipment and Intangible Assets under construction

The Group's response to COVID-19 within the Recovery Plan has included a reduction in forward capital expenditure. This has changed previous assumptions with regards to Property, Plant & Equipment and Intangible Assets under construction. Where the Group is no longer expected to complete Property, Plant & Equipment and Intangible Assets under construction and these assets have no alternative use under the Recovery Plan, these assets are tested for impairment separately. Where the definition of an 'asset' under AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* is no longer met, or the recoverable amount is below the carrying value, an impairment has been recognised.

Impairment Test of CGUs

The impairment test for CGUs includes the allocation of assets to identified CGUs and the determination of the recoverable amount of the CGU based on their value in use. Outlined below are the significant assumptions applied in the determination of recoverable amount.

Significant Assumption	How it was Determined
Calculation of recoverable amount	The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast in the Recovery Plan.
Individual assets tested separately	Assets that have been tested for impairment individually are not allocated to CGUs. As outlined above, the impaired carrying value of the A380 fleet and 747 fleet are not allocated to the Qantas International CGU and therefore have not impacted the assessment of impairment for the remaining Qantas International CGU assets.
Recovery Plan	The Group's Recovery Plan was developed with reference to expected demand scenarios domestically and internationally. The Recovery Plan includes the strategy to rightsize and restructure the business to accelerate recovery and to partially offset revenue lost as a result of the impact of COVID-19. The Recovery Plan targets $15 billion in benefits over three years comprising: – $2.4 billion of restructuring benefits, with some benefits to continue to flow in future years – Initial $2.6 billion rightsizing initiatives to reduce the workforce and supplier costs whilst activity is low – $4.0 billion in direct savings as a result of activity reductions – $6.0 billion of activity-based fuel savings The long-term annual ongoing restructuring benefit to the Group of the Recovery Plan is estimated to be $1 billion from FY23 onwards. The Group estimates total costs of $1 billion to deliver the ongoing restructuring and rightsizing benefits. The restructuring plan includes a range of capital expenditure and fleet decisions to improve cash flow such as: – Qantas' A380 fleet (12 aircraft) will be grounded for the foreseeable future – A321neo and 787-9 fleet deliveries have been deferred to meet the Group's requirements
Period of cash flows forecast	The Group's Recovery Plan is a three-year plan. For the purposes of performing an impairment test using value in use under AASB 136, the Group has made adjustments to the Recovery Plan as necessary for committed transformation initiatives at 30 June 2020. The third year of the Recovery Plan has been used to inform the determination of the terminal year. Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flow forecast under the Recovery Plan for these uncertainties rather than adjusting the discount rate.

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For the year ended 30 June 2020

6 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF ASSETS AND RELATED COSTS (CONTINUED)

Cash flows	Cash flows were projected based on the Board-approved Recovery Plan. Cash flows to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Cash outflows include capital and maintenance expenditure for the purchase of aircraft and other property, plant and equipment. These cash outflows do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently.
Impact of COVID-19 on substantial operations	As the impact of COVID-19 continues to evolve, it is extremely challenging to predict the full extent and duration of the impact on the Group's operations. Under the Group's Recovery Plan, the Group has assumed that domestic operations will recover to their pre-COVID-19 levels by the end of FY21. International recovery is anticipated to be slower, with only approximately 50 per cent of pre-COVID-19 capacity expected in FY22. Changes in the duration and impact of COVID-19 may change these assumptions.
Discount rate	A pre-tax discount rate of 10 per cent per annum has been used in discounting the projected cash flows of the CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2019: 10 per cent per annum). Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flows under the Recovery Plan for these uncertainties rather than the discount rate.
Foreign exchange rate used	AUD/USD: 0.69
Sensitivity to significant changes in assumptions	Pre-COVID-19, the Group was reporting ROIC in excess of the Group's Weighted Average Cost of Capital. For example, the 12-month ROIC as at 31 December 2019 was 19.6 per cent, and as at 30 June 2019 was 19.2 per cent, compared to the Group's WACC of 10 per cent. This, combined with an assessment of other factors under AASB 136, evidenced that pre-COVID-19 there were no indicators of impairment of the Group's CGUs. *Sensitivity to changes in cash flows (CGUs other than Jetstar CGUs in Asia)* The terminal year in the impairment test is informed by reference to pre-COVID-19 performance of the CGUs and has the most material impact on the determination of the recoverable amount and of the surplus between the recoverable amount and carrying value of CGUs. The earlier years in the Recovery Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. As such, reasonable possible changes in the short-term to the timing of domestic and international recovery are unlikely to result in impairment of the CGUs assuming that the overall recovery expectations of returning to pre-COVID-19 levels remain. The terminal value cash flow is in excess of the break-even cash flow and reasonable possible changes in this assumption do not result in impairment. *Sensitivity to changes in cash flows (Jetstar CGUs in Asia)* As outlined below, the Group recognised impairment of the Goodwill and indefinite lived intangible assets in the Jetstar Asia CGU. This impairment resulted from the recoverable amount being below the carrying value of assets allocated to the CGU. Reasonable possible changes in forecast cash flows would further reduce the estimated recoverable amount below the remaining carrying value of the CGU. Goodwill and indefinite lived intangible assets have been fully impaired, so any further impairment would be assessed for allocation to Property, Plant & Equipment. AASB 136 requires that any allocation of CGU impairment should not reduce the asset below its individual fair value less costs of disposal. Given the remaining Property, Plant & Equipment assets in this CGU, any allocation of impairment under these sensitivity scenarios would not be expected to be material to the Group. The carrying values of the Jetstar Pacific and Jetstar Japan CGUs at 30 June 2020 are nil.

(B) CARRYING VALUE OF GOODWILL AND INDEFINITE LIVED INTANGIBLE ASSETS[1]

The following CGUs have goodwill and other intangible assets with indefinite useful lives as follows:

	2020 $M	2019 $M
Goodwill		
Qantas Domestic	10	10
Qantas Loyalty	12	12
Qantas Freight	49	49
Jetstar Group	n/a	138
Jetstar Australia and New Zealand	91	n/a
Jetstar Asia	-	n/a
Total goodwill	**162**	**209**

1 Upon reassessing CGUs, the Goodwill of Jetstar Group CGU in 2019 of $138 million was allocated to Jetstar Australia and New Zealand of $91 million and Jetstar Asia of $47 million. The other intangible assets with indefinite useful lives of Jetstar Group CGU in 2019 of $28 million was allocated to Jetstar Australia and New Zealand of $1 million and Jetstar Asia of $27 million. Refer to Note 6(C) for subsequent impairment of Jetstar Asia CGU after foreign exchange movements.

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6 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF ASSETS AND RELATED COSTS (CONTINUED)

	2020 $M	2019 $M
Other intangible assets with indefinite useful lives		
Qantas International	35	35
Jetstar Group	n/a	28
Jetstar Australia and New Zealand	1	n/a
Jetstar Asia	-	n/a
Total other intangible assets with indefinite useful lives	**36**	**63**

(C) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. Impairment of Individual Assets (where not expected to contribute to the cash flows of the CGU's under the Recovery Plan)

The Group recognised an impairment of $1,254 million (2019: $nil) in respect of identified specific assets and liabilities which do not contribute to the cash flows of the Group's CGUs under the Group's Recovery Plan. The remaining carrying value of these assets is not included in the assets and liabilities of the CGU impairment tests. As a result of the impairment recognised in respect of the A380s the remaining carrying value of the aircraft and engines (including related engineering spares and inventory) is $611 million at 30 June 2020.

ii. CGU Impairments

The Group recognised an impairment of $73 million (2019: $nil) in respect of the Goodwill and indefinite lived intangible assets recognised in the Jetstar Asia CGU. The Group recognised an impairment of $25 million in relation to its investment in Jetstar Pacific due to the announced exit of the business reducing the carrying value of Jetstar Pacific to $nil.

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/New Zealand and Jetstar Japan CGUs during the year ended 30 June 2020 (2019: nil).

iii. Other Impairments

Investments accounted for under the equity method

The Group recognised an impairment of $70 million in relation to its investment in Helloworld Ltd. (ASX: HLO) due to the significant and prolonged impact of COVID-19 on the business. The impairment recognised was determined with reference to the volume weighted average price (VWAP) in the last quarter of the 2019/20 financial year.

Other assets

The Group recognised an impairment related to other assets of $34 million.

iv. Summary of Impairments and Liabilities recognised

	2020 $M	2019 $M
Impairment of individual assets and recognition of liabilities which do not contribute to the Group's Recovery Plan		
Impairment of A380s, related spares and inventory	1,018	-
Impairment of 747s on transfer to Assets Held for Sale	23	-
Impairment of intangible assets under construction	40	-
Impairment of property, plant and equipment under construction and recognition of exit costs	47	-
Impairment of software intangibles	57	-
Total specific asset impairments	**1,185**	**-**
Onerous contractual commitments relating to A380s	69	-
Total onerous contractual commitments	**69**	**-**
Total specific asset impairment and recognition of liabilities which do not contribute to the Group's Recovery Plan	**1,254**	**-**
CGU Impairment		
Jetstar Asia Goodwill	47	-
Jetstar Asia indefinite lived intangible assets	26	-
Investment in Jetstar Pacific accounted for under the equity method	25	
Total CGU Impairment	**98**	**-**
Other Impairment/(reversal) of impairment		
Impairment/(reversal) of impairment in Helloworld accounted for under the equity method	70	(39)
Other assets	34	-
Total other impairment	**104**	**(39)**
Total impairment/(reversal of impairment) of assets and related costs	**1,456**	**(39)**

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For the year ended 30 June 2020

7 NET GAIN ON DISPOSAL OF ASSETS

	2020 $M	2019 (restated) $M
Net gain on disposal of property, plant and equipment	(7)	(33)
Net gain on disposal of Airport Terminal Assets	-	(141)
Net gain on partial disposal of associate	-	(4)
Net gain on disposal of a controlled entity	-	(47)
Total net gain on disposal of assets	**(7)**	**(225)**

8 INCOME TAX BENEFIT/(EXPENSE)

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2020 $M	2019 (restated) $M
Current income tax expense		
Current income tax – Australia	-	(253)
Current income tax – foreign	(4)	(5)
Total current income tax expense	**(4)**	**(258)**
Deferred income tax benefit/(expense)		
Origination and reversal of temporary differences	675	(75)
Benefit/(utilisation) of tax losses	86	(3)
Current year deferred income tax benefit/(expense)	**761**	**(78)**
Adjustments for the prior year	(13)	(16)
Total deferred income tax benefit/(expense)	**748**	**(94)**
Total income tax benefit/(expense) in the Consolidated Income Statement	**744**	**(352)**

(B) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY (LOSS)/PROFIT BEFORE INCOME TAX

	2020 $M	2019 (restated) $M
Statutory (loss)/profit before income tax benefit/(expense)	**(2,708)**	**1,192**
Income tax benefit/(expense) using the domestic corporate tax rate of 30 per cent	812	(358)
Adjusted for:		
Differences in (loss)/income from investments accounted for under the equity method	(20)	3
Non-deductible losses for foreign branches	(5)	(9)
Non-deductible losses for controlled entities	(19)	(8)
Write-down of investments and non-deductible CGU impairments	(29)	-
Non-assessable gain on property, plant and equipment	-	27
Other net non-assessable items	6	9
Under provision from prior periods	(1)	(16)
Income tax benefit/(expense)	**744**	**(352)**

(C) INCOME TAX RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 $M	2019 $M
Income tax on:		
Cash flow hedges	76	111
Defined benefit actuarial losses	17	52
Fair value gains on investments	(2)	(2)
Income tax benefit recognised directly in the Consolidated Statement of Comprehensive Income	**91**	**161**

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For the year ended 30 June 2020

8 INCOME TAX BENEFIT/(EXPENSE) (CONTINUED)

(D) RECONCILIATION OF INCOME TAX BENEFIT/ (EXPENSE) TO INCOME TAX RECEIVABLE/(PAYABLE)

	2020 $M	2019 (restated) $M
Income tax benefit/(expense)	**744**	**(352)**
Adjusted for temporary differences		
Receivables	29	(4)
Inventories	(2)	(5)
Investments accounted for under the equity method	(23)	12
Property, plant and equipment and intangible assets	(400)	167
Right of use assets	(4)	(8)
Payables	15	25
Revenue received in advance	(80)	(17)
Interest-bearing liabilities	12	41
Lease liabilities	(16)	4
Other financial assets/(liabilities)	20	(72)
Provisions	(237)	(16)
Other items	11	(52)
Temporary differences	**(675)**	**75**
Adjustments for the prior year	13	16
Tax on taxable income	**82**	**(261)**
Tax losses utilised (Australian)	-	3
Tax losses recognised (Australian)[1]	(86)	-
Tax instalments paid[2]	141	145
Income tax receivable/(payable)	**137**	**(113)**

1 A deferred tax asset of $86 million has been recognised for income tax losses, and is expected to be recovered in future periods.
2 Australian income tax payments in the Consolidated Cash Flow Statement total $255 million, comprising $141 million Australian income tax instalments referable to 2019/20 and $114 million referable to 2018/19. In addition, the Group paid $4 million in foreign income taxes.

Income tax paid and payable was less than 30 per cent of the Qantas Group's Statutory (Loss)/Profit Before Tax due to temporary differences of $(675) million (2019: $75 million) that result in differences between taxable income, and Statutory (Loss)/Profit Before Tax. These differences will reverse in future periods.

(E) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2020 $M	2019 $M
Tax losses available to be utilised in current year	-	(10)
Total tax losses brought forward	**-**	**(10)**
Tax losses utilised against current taxable income	-	10
Tax losses recognised[1]	(86)	-
Tax losses carried forward to be utilised in future years	**(86)**	**-**

1 A deferred tax asset of $86 million has been recognised for income tax losses, and is expected to be recovered in future periods.

9 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

	Amount per Ordinary Share cents	Franked Amount per Ordinary Share cents	Dividend Declared $M	Payment Date
2019 final dividend	13.0	13.0	204	September 2019

(A) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2020, the Group paid a fully franked dividend of 13 cents per ordinary share, totalling $204 million on 23 September 2019.

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9 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS (CONTINUED)

(B) OTHER SHAREHOLDER DISTRIBUTIONS

During the year ended 30 June 2020, the Group completed an off-market share buy-back of $443 million, which was announced in August 2019. The Group purchased 79.7 million ordinary shares on issue at a discounted share price of $5.56 (market price $6.47 at 14 per cent buy-back discount).

In February 2020, the Group announced a fully franked dividend of 13.5 cents per ordinary share and an off-market share buy-back of up to $150 million. To preserve liquidity in response to the impact of COVID-19, the off-market share buy-back was subsequently cancelled in March 2020 and the interim dividend was subsequently revoked in June 2020.

10 CAPITAL

	2020 $M	2019 $M
Opening balance: 1,570,505,939 (2019: 1,683,567,880) ordinary shares, fully paid	1,871	2,508
Shares bought back during the period: 79,712,857 (2019: 113,061,941) ordinary shares	(95)	(637)
Capital raising: 372,698,270 (2019: nil) ordinary shares	1,328	-
Closing balance: 1,863,491,352 (2019: 1,570,505,939) ordinary shares	**3,104**	**1,871**

On 26 June 2020, the Group completed a fully underwritten Institutional Placement of 372.7 million new shares to institutional investors at a price of $3.65 per placement share. The shares were issued on 1 July 2020.

Subsequent to year end, the Group completed a retail Share Purchase Plan resulting in the issuance of 22.5 million shares at $3.18 per share totalling $71.7 million. This will be recognised in Issued Capital in the 2020/21 financial year.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of wind-up, Qantas ordinary shareholders rank after all creditors and are fully entitled to any residual proceeds on liquidation.

11 REVENUE RECEIVED IN ADVANCE

	2020 $M			2019 (restated) $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	2,031	-	2,031	3,167	-	3,167
Unredeemed Frequent Flyer revenue	617	2,200	2,817	1,060	1,402	2,462
Other revenue received in advance	136	56	192	187	64	251
Total revenue received in advance	**2,784**	**2,256**	**5,040**	**4,414**	**1,466**	**5,880**

Unavailed passenger revenue relates to sales to passengers in advance of the date of passenger travel. The balance includes tickets relating to travel with a travel date subsequent to year end and tickets which have been transferred to a travel credit as a result of flight cancellations from border closures and other restrictions due to the impact of COVID-19. Travel credits are available to be used for future flights and in certain circumstances are eligible for refund. Where customers have made refund claims by 30 June 2020 these are no longer classified as unavailed passenger revenue and are reported as payables in the Consolidated Balance Sheet.

Notwithstanding that travel credits may not be expected to be utilised in the next 12 months, unavailed passenger revenue is classified as current on the basis that the Group does not have an unconditional right to defer usage of the ticket for at least 12 months.

12 CASH AND CASH EQUIVALENTS AND INTEREST-BEARING LIABILITIES

(A) CASH AND CASH EQUIVALENTS

	2020 $M	2019 $M
Cash balances	249	318
Cash at call	733	309
Short-term money market securities and term deposits	2,538	1,530
Total cash and cash equivalents	**3,520**	**2,157**

Cash and cash equivalents comprise cash at bank and cash on hand, cash at call and short-term money market securities and term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Short-term money market securities of $76 million (2019: $234 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

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12 CASH AND CASH EQUIVALENTS AND INTEREST-BEARING LIABILITIES (CONTINUED)

(B) INTEREST-BEARING LIABILITIES

	2020 $M			2019 (restated) $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	362	1,742	2,104	259	867	1,126
Bank loans – unsecured	-	320	320	-	318	318
Other loans – secured	110	2,615	2,725	104	2,217	2,321
Other loans – unsecured	396	1,148	1,544	247	1,125	1,372
Total interest-bearing liabilities	**868**	**5,825**	**6,693**	**610**	**4,527**	**5,137**

13 PROVISIONS

	2020 $M			2019 (restated) $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	351	-	351	348	-	348
Long service leave	469	61	530	410	49	459
Redundancies and other employee benefits	569	-	569	140	-	140
Total employee benefits	**1,389**	**61**	**1,450**	**898**	**49**	**947**
Onerous contracts	65	4	69	-	2	2
Make good on leased assets	23	469	492	16	324	340
Insurance, legal and other	62	117	179	53	100	153
Total other provisions	**150**	**590**	**740**	**69**	**426**	**495**
Total provisions	**1,539**	**651**	**2,190**	**967**	**475**	**1,442**

14 DE-DESIGNATION OF FUEL AND FOREIGN EXCHANGE HEDGES

The Qantas Group is subject to financial risks which are an inherent part of operations of an airline. The Qantas Group manages these risk exposures using various financial instruments, governed by a set of policies approved by the Board. The Qantas Group's policy is not to enter into, issue or hold derivative financial instruments for speculative trading purposes.

The Group is exposed to fuel price risk with exposure of future AUD fuel to unfavourable USD-denominated price movements and foreign exchange movements. The Group uses cash flow hedges to manage the risk to USD price movements through options and swaps on jet kerosene, gasoil and crude oil, and to manage the risk of foreign exchange through foreign exchange contracts and currency options.

Hedge accounting is applied when the requirements of AASB 9 are met. Where the forecast fuel purchase transaction is no longer expected to occur, the hedge accounting is discontinued prospectively, and the amount accumulated in equity is reclassified to the Consolidated Income Statement.

The Group has applied judgement referencing the inputs of the Recovery Plan in assessing whether forecast purchases are still expected to occur. Given the significant decrease in flying activity in the last quarter of the 2019/20 financial year, which is expected to continue into the 2020/21 financial year, $571 million of hedge losses were de-designated and recognised immediately in the Consolidated Income Statement. The amount recognised in the Consolidated Income Statement includes foreign exchange movements since de-designation. Prospective changes in fair value of de-designated hedging will be accounted for through the Consolidated Income Statement.

Hedge reserve balance
Designated hedging deemed effective (where fuel consumption is probable to occur), remains deferred in reserves. The volume of fuel hedging that continues to meet hedge designation requirements is aligned with capacity and fuel consumption assumptions in the Group's Recovery Plan. Designated hedging continues to be deferred in reserves and will be recognised in the Consolidated Income Statement in the same reporting period as the fuel expense being hedged.

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15 GOVERNMENT GRANTS AND ASSISTANCE

To mitigate the impact of COVID-19, Governments have provided businesses, and specifically the aviation sector, various support packages in the form of rebates and other financial assistance. The Group has recognised Government grants and assistance where there is reasonable assurance that the Group will comply with the associated conditions and the grants/assistance will be received.

Packages	Description
Minimum Viable Network and Government repatriation flights *Recognised within Net Passenger Revenue*	This package is underwritten by the Australian Government. The Group operated a series of domestic, regional and international flights on behalf of the Federal Government to maintain critical links that had been made commercially unviable by COVID-related travel restrictions. The international network included flights to London, Los Angeles, Auckland and Hong Kong. Within Australia it includes a baseline network of domestic passenger flights servicing the most critical metropolitan and regional routes while providing freight belly space capacity. In addition, the Federal Government commissioned Qantas to conduct various charter repatriation flights and rescue flights. The Minimum Viable Network and Government repatriation flights were operated on a fee-for-service basis, with fare revenue offsetting the cost to the taxpayer. Income of $192 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
International Freight Assistance Mechanism *Recognised within Net Freight Revenue*	This mechanism is intended to restore critical global supply chains which have been heavily impacted by COVID-19 containment measures around the world and ensures exporters maintain connectivity to strategic markets. On 3 July 2020, the Government announced an extension of the program to the end of 2020. Income of $20 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
JobKeeper Payment *Recognised within manpower and staff-related expenses*	Intended to help keep more Australians in jobs and support businesses affected by the significant economic impact of COVID-19. The existing JobKeeper Payment will remain in place until 27 September 2020. On 21 July 2020, the Government announced the extension of the JobKeeper payment to 28 March 2021 at modified rates and eligibility. The JobKeeper payment is recorded net of manpower related expenses. As one of the most heavily impacted companies, the Qantas Group collected $267 million in JobKeeper payments, the majority of which was paid directly to employees on stand down and the rest used to subsidise wages of those still working.
Singapore Job Support Scheme *Recognised within manpower and staff-related expenses*	The Job Support Scheme provides wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents) during this period of economic uncertainty. Payments under the scheme offset and protected local employees' wages of $5 million.
Australian Airline Financial Relief Package[1] *Recognised within Aircraft Operating Variable expenses*	Includes the refunding and ongoing waiving of a range of Government charges on the industry including aviation fuel excise, Airservices Australia charges on domestic airline operations and domestic and regional aviation security charges. Applicable charges applying to flights between 1 February 2020 and 31 December 2020 are eligible for consideration in accordance with the eligibility criteria and related information set out in the grant opportunity guidelines. Under this package, the Group received direct benefits of $36 million in the financial year.
New Zealand Aviation Relief Package *Recognised within Aircraft Operating Variable expenses*	Includes financial support to airlines to pay passenger-based Government charges and to cover Airways related fees from 1 March 2020 to 31 August 2020 in response to the COVID-19 crisis. Benefits of $5 million was recognised in the Consolidated Income Statement, offsetting related costs.

1 The Australian Airline Financial Relief Package also provided support to other suppliers of the Group (including Government-owned corporations). As a result of this support, the providers have provided waivers to the Group of $52 million up to 30 June 2020.

16 CAPITAL COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2020 are $9,028 million (2019: $9,550 million). The Group has certain rights within its aircraft purchase contracts which can defer the capital expenditure commitments.

The Group's capital expenditure commitments are predominantly denominated in US dollars. Commitments reported above are translated to the Group's Australian dollar presentational currency at the 30 June 2020 closing exchange rate of $0.69 (30 June 2019: $0.69).

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17 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows. The fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The fair value of options is determined using standard valuation techniques. Other financial assets and liabilities represent the fair value of investments and derivative financial instruments recognised on the Consolidated Balance Sheet.

	June 2020				June 2019 (restated)			
	Carrying Amount Held at				Carrying Amount Held at			
$M	Fair Value Through Profit And Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value	Fair Value Through Profit And Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value
Cash and cash equivalents	-	-	3,520	3,522	-	-	2,157	2,162
Receivables	-	-	646	646	-	-	1,178	1,178
Other financial assets[1]	251	104	-	355	422	96	-	518
Financial asset	**251**	**104**	**4,166**	**4,523**	**422**	**96**	**3,335**	**3,858**
Payables	-	-	2,450	2,450	-	-	2,366	2,366
Interest-bearing liabilities	-	-	6,693	7,450	-	-	5,137	5,607
Other financial liabilities[1]	285	-	-	285	137	-	-	137
Financial liabilities	**285**	**-**	**9,143**	**10,185**	**137**	**-**	**7,503**	**8,110**

1 Other financial assets and liabilities represent the fair value of equity investments and derivative financial instruments recognised on the Consolidated Balance Sheet. Derivative financial instruments have been measured at fair value using Level 2 inputs in estimating their fair values. Equity instruments have been measured at fair value using Level 1 or Level 2 inputs in estimating their fair value.

During the year, the Group recognised fair value changes in relation to listed and unlisted equity investments, net of tax in Other Comprehensive Income of ($16) million (2019: $4 million). The Group recognised fair value changes, net of tax of $7 million (2019: $3 million) in respect of listed equity investments using Level 1 inputs. The Group recognised fair value changes, net of tax of ($23) million (2019: $1 million) in respect of unlisted equity investments using Level 2 inputs.

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18 AASB 16 LEASES AND IFRIC AGENDA DECISION IN RELATION TO THE TREATMENT OF FAIR VALUE HEDGES OF FOREIGN CURRENCY RISK AND NON-FINANCIAL ASSETS (IFRIC FAIR VALUE HEDGING AGENDA DECISION)

Adoption of AASB 16 Leases

AASB 16 *Leases* replaces AASB 117 *Leases,* AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 - *Operating Leases - Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The Group adopted AASB 16 from 1 July 2019. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model, similar to the accounting for finance leases under AASB 117.

Summary of Impact of AASB 16

Under AASB 16, at the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e. lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. right of use asset).

- Lease liabilities are initially measured at the present value of lease payments over the lease term.
- Right of use assets are measured at an amount equal to the lease liability (adjusted for any lease payments made at or before the commencement date), an initial estimate of restoration or return costs that arise at lease commencement (with the corresponding amount recognised as a provision under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*), less any lease incentives received.

Lessees separately recognise the interest expense on the lease liability and depreciation expense on the right of use asset. Interest expense is highest in the beginning of the lease term, decreasing towards the end of the lease term as the lease liability is amortised.

Previously under AASB 117, the Group's leases were classified as either finance or operating leases. Operating leases (primarily aircraft and property) were not recognised on the Consolidated Balance Sheet. Payments made under operating leases (net of any incentives received from the lessor) were recognised in the Consolidated Income Statement on a straight- line basis over the term of the lease.

The adoption of AASB 16 did not require any changes to the recognition or measurement of leases previously recognised as Finance Leases under AASB 117. Leases previously classified as finance lease assets and finance lease liabilities have been transferred to right of use assets and lease liabilities respectively on adoption of AASB 16.

Under AASB 16, within the Consolidated Cash Flow Statement, lease payments are split between interest paid (recognised in Operating Cash Flows) and repayments of lease liabilities (recognised in Financing Cash Flows). Previously under AASB 117, all lease payments for operating leases were recognised as an outflow within Operating Cash Flows. Lease payments for finance leases were split between interest payments and finance lease principal repayments which is unchanged under AASB 16.

Under AASB 16, the initial estimate of the present value of the expected aircraft restoration or return costs that arise at lease commencement is included within the right of use asset at the inception of the lease with an associated provision. This has resulted in the earlier recognition of lease return provisions which is reflected in the AASB 16 remeasurements. Provisions for expected aircraft restoration or return costs that do not arise at lease commencement continue to be recognised over the lease term. The Group identifies lease return obligations and estimates the cost of meeting these obligations at the end of the lease term using observable data and forward-looking judgements. Previously under AASB 117, a provision to meet expected aircraft restoration or return costs was recognised over the lease term.

Transition

The Group adopted AASB 16 using the full retrospective method from 1 July 2019. Under this approach, the Group's lease liabilities, right of use assets and other related balances are measured as if AASB 16 had applied from the lease commencement date of each relevant lease in place at 1 July 2018. This has resulted in the restatement of the Consolidated Balance Sheet as at 30 June 2018 and 30 June 2019, and of the Consolidated Income Statement and the Consolidated Cash Flow Statement for year ended 30 June 2019.

The Group elected to use the exemptions proposed by the standard on short-term leases and lease contracts for which the underlying asset is of low value.

The Group's restated Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and earnings per share which reflect the adoption of AASB 16 are presented in Note 18(A) to 18(D).

The Group's revised accounting policies for leases under AASB 16 are provided in Note 18(E).

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18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

Capital Management

The Group's Financial Framework is outlined in Note 17(C) of the Annual Report for the year ended 30 June 2019 and is unchanged by the adoption of AASB 16. The Framework includes maintaining an optimal capital structure that minimises the cost of capital by holding an appropriate level of net debt. The appropriate level of net debt reflects the Qantas Group's size, measured by Invested Capital. This is consistent with investment grade credit metrics.

The adoption of AASB 16 increased both total assets and total liabilities recognised on the Consolidated Balance Sheet resulting in a change to the reconciliation between the Consolidated Balance Sheet and net debt under the Group's Financial Framework.

Net debt is a non-statutory measure which includes on balance sheet interest-bearing liabilities (which does not include lease liabilities under AASB 16) and Capitalised Aircraft Lease Liabilities measured under the Group's Financial Framework.

Capitalised Aircraft Lease Liabilities are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis akin to a finance lease. The residual value of the Capitalised Aircraft Lease Liability denominated in a foreign currency is translated at a long-term exchange rate.

This measurement of Capitalised Aircraft Lease Liabilities differs from the lease liability recognised on the Consolidated Balance Sheet under AASB 16 which measures lease liabilities as the present value of lease payments over the lease term. Given lease terms are usually shorter than the useful life of an aircraft, the lease liability recognised at lease commencement under AASB 16 (present value of lease payments over the lease term) is generally lower than the Capitalised Aircraft Lease Liability included in net debt under the Group's Financial Framework (full fair value of the aircraft).

The measurement of net debt under the Group's Financial Framework remains consistent following the adoption of AASB 16 and is reconciled as follows:

- Net debt includes on balance sheet interest-bearing liabilities (which does not include Lease Liabilities) and Capitalised Aircraft Lease Liabilities as outlined above;
- Non-aircraft leases continue to be treated as a service cost rather than being separated into interest payments and debt repayments (ROIC EBIT is adjusted to account for the full cash expense of non-aircraft leases); and
- Upon adoption of AASB 16, finance leases which were previously classified as interest-bearing liabilities have been reclassified to lease liabilities on the Consolidated Balance Sheet. Accordingly, Capitalised Aircraft Lease Liabilities under the Group's Financial Framework have been increased to include finance leases, with no net impact to the Group's net debt.
- The target net debt range of $4.5 billion to $5.6 billion is based on Invested Capital at 30 June 2020 of $6.0 billion.

	Metric $B	June 2020 $B	June 2019 $B
Net debt	**4.5 to 5.6**	**4.7**	**4.7**

IFRIC Fair Value hedging agenda decision

In September 2019, the IFRS Interpretations Committee (IFRIC) published a final agenda decision in relation to the treatment of fair value hedges of foreign currency risk on non-financial assets. IFRIC introduced new guidance and requirements in order to hedge exposure to foreign currency risk in the fair value of non-financial assets.

The Group had historically used certain US dollar denominated interest-bearing liabilities as the hedging instrument in fair value hedges of the foreign currency risk of certain non-financial assets (US dollar foreign currency risk in owned aircraft that are recognised as property, plant and equipment in Australian dollars).

As a result of the agenda decision and new guidance, the Group is required to retrospectively apply the decision as a change in accounting policy by removing the fair value hedge relationship. This has resulted in the restatement of the Consolidated Balance Sheet as at 30 June 2018 and 30 June 2019, and of the Consolidated Income Statement and the Consolidated Cash Flow Statement for year ended 30 June 2019.

Revised hedge designations

From 1 July 2019, the Group has applied alternative hedging designations, in line with the Group's Risk Management Framework, which are unaffected by the IFRIC Fair Value hedging agenda decision.

The Group has designated certain US dollar denominated interest-bearing liabilities as a hedging instrument in cash flow hedges of future corresponding foreign currency revenues in a cash flow hedge relationship. The effective portion of the foreign exchange revaluation of the interest-bearing liability is recognised in 'Other Comprehensive Income' and is recycled to the Consolidated Income Statement within Net Passenger Revenue when the hedged item is realised. In accordance with AASB 9, this hedge relationship was designated prospectively from 1 July 2019. For the comparative periods before this designation (year ended 30 June 2019) the foreign exchange movements on foreign currency denominated interest-bearing liabilities are recognised in the Consolidated Income Statement within Other Expenses.

Notes to the Preliminary Final Report continued
For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT

The impact on the Consolidated Balance Sheet as at 30 June 2018 is:

	30 June 2018 $M	AASB 16 Remeasurements $M	IFRIC Fair Value Hedges $M	30 June 2018 (restated) $M
CURRENT ASSETS				
Cash and cash equivalents	1,694	-	-	1,694
Receivables	840	-	-	840
Other financial assets	474	-	-	474
Inventories	351	-	-	351
Assets classified as held for sale	118	-	-	118
Other	161	(5)	-	156
Total current assets	**3,638**	**(5)**	**-**	**3,633**
NON-CURRENT ASSETS				
Receivables	110	-	-	110
Other financial assets	112	-	-	112
Investments accounted for under the equity method	222	(56)	-	166
Property, plant and equipment	12,851	(52)	(108)	12,691
Right of use assets	-	1,448	-	1,448
Intangible assets	1,113	-	-	1,113
Other	601	-	-	601
Total non-current assets	**15,009**	**1,340**	**(108)**	**16,241**
Total assets	**18,647**	**1,335**	**(108)**	**19,874**
CURRENT LIABILITIES				
Payables	2,139	(3)	-	2,136
Revenue received in advance	4,099	-	-	4,099
Interest-bearing liabilities	404	(12)	-	392
Lease liabilities	-	434	-	434
Other financial liabilities	34	-	-	34
Provisions	853	15	-	868
Income tax liabilities	7	-	-	7
Liabilities classified as held for sale	64	-	-	64
Total current liabilities	**7,600**	**434**	**-**	**8,034**
NON-CURRENT LIABILITIES				
Revenue received in advance	1,446	-	-	1,446
Interest-bearing liabilities	4,344	(81)	-	4,263
Lease liabilities	-	1,332	-	1,332
Other financial liabilities	25	-	-	25
Provisions	367	44	-	411
Deferred tax liabilities	910	(99)	(32)	779
Total non-current liabilities	**7,092**	**1,196**	**(32)**	**8,256**
Total liabilities	**14,692**	**1,630**	**(32)**	**16,290**
Net assets	**3,955**	**(295)**	**(76)**	**3,584**
EQUITY				
Issued capital	2,508	-	-	2,508
Treasury shares	(115)	-	-	(115)
Reserves	479	-	-	479
Retained earnings	1,080	(295)	(76)	709
Equity attributable to the members of Qantas	**3,952**	**(295)**	**(76)**	**3,581**
Non-controlling interests	3	-	-	3
Total equity	**3,955**	**(295)**	**(76)**	**3,584**

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT (CONTINUED)

The impact on the Consolidated Balance Sheet as at 30 June 2019 is:

	30 June 2019 $M	AASB 16 Remeasurements $M	IFRIC Fair Value Hedges $M	30 June 2019 (restated) $M
CURRENT ASSETS				
Cash and cash equivalents	2,157	-	-	2,157
Receivables	1,101	-	-	1,101
Other financial assets	334	-	-	334
Inventories	364	-	-	364
Assets classified as held for sale	1	-	-	1
Other	236	(5)	-	231
Total current assets	**4,193**	**(5)**	**-**	**4,188**
NON-CURRENT ASSETS				
Receivables	77	-	-	77
Other financial assets	184	-	-	184
Investments accounted for under the equity method	272	(55)	-	217
Property, plant and equipment	12,977	(52)	(149)	12,776
Right of use assets	-	1,419	-	1,419
Intangible assets	1,225	-	-	1,225
Other	449	-	-	449
Total non-current assets	**15,184**	**1,312**	**(149)**	**16,347**
Total assets	**19,377**	**1,307**	**(149)**	**20,535**
CURRENT LIABILITIES				
Payables	2,371	(5)	-	2,366
Revenue received in advance	4,414	-	-	4,414
Interest-bearing liabilities	635	(25)	-	610
Lease liabilities	-	459	-	459
Other financial liabilities	89	-	-	89
Provisions	954	13	-	967
Income tax liabilities	113	-	-	113
Total current liabilities	**8,576**	**442**	**-**	**9,018**
NON-CURRENT LIABILITIES				
Revenue received in advance	1,466	-	-	1,466
Interest-bearing liabilities	4,589	(62)	-	4,527
Lease liabilities	-	1,293	-	1,293
Other financial liabilities	48	-	-	48
Provisions	415	60	-	475
Deferred tax liabilities	847	(109)	(44)	694
Total non-current liabilities	**7,365**	**1,182**	**(44)**	**8,503**
Total liabilities	**15,941**	**1,624**	**(44)**	**17,521**
Net assets	**3,436**	**(317)**	**(105)**	**3,014**
EQUITY				
Issued capital	1,871	-	-	1,871
Treasury shares	(152)	-	-	(152)
Reserves	111	-	-	111
Retained earnings	1,603	(317)	(105)	1,181
Equity attributable to the members of Qantas	**3,433**	**(317)**	**(105)**	**3,011**
Non-controlling interests	3	-	-	3
Total equity	**3,436**	**(317)**	**(105)**	**3,014**

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(B) CONSOLIDATED INCOME STATEMENT RESTATEMENT (CONTINUED)

The impact on the Consolidated Income Statement for the year ended 30 June 2019 is:

	30 June 2019 $M	AASB 16 Remeasurements $M	IFRIC Fair Value Hedges $M	30 June 2019 (restated) $M
REVENUE AND OTHER INCOME				
Net passenger revenue	15,696	-	-	15,696
Net freight revenue	971	-	-	971
Other revenue and income	1,299	-	-	1,299
Revenue and other income	**17,966**	**-**	**-**	**17,966**
EXPENDITURE				
Manpower and staff-related	4,268	-	-	4,268
Aircraft operating variable	4,010	-	-	4,010
Fuel	3,846	-	-	3,846
Depreciation and amortisation	1,665	340	(9)	1,996
Non-cancellable aircraft operating lease rentals	264	(264)	-	-
Share of net profit of investments accounted for under the equity method	(22)	(1)	-	(23)
Impairment/(reversal of impairment) of assets and related costs	(39)	-	-	(39)
Redundancies and related costs	65	-	-	65
Net gain on disposal of assets	(217)	(8)	-	(225)
Other[1]	2,676	(132)	50	2,594
Expenditure	**16,516**	**(65)**	**41**	**16,492**
Statutory profit before income tax expense and net finance costs	**1,450**	**65**	**(41)**	**1,474**
Finance income	47	-	-	47
Finance costs	(232)	(97)	-	(329)
Net finance costs	**(185)**	**(97)**	**-**	**(282)**
Statutory profit before income tax expense	**1,265**	**(32)**	**(41)**	**1,192**
Income tax expense	(374)	10	12	(352)
Statutory profit for the year	**891**	**(22)**	**(29)**	**840**

1 Other includes the impact from non-aircraft rentals, capacity hire, foreign exchange movements, other leases and other reclassifications.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(C) CONSOLIDATED CASH FLOW RESTATEMENT

The impact on the Consolidated Cash Flow Statement for the year ended 30 June 2019 is:

	30 June 2019 $M	AASB 16 Remeasurements $M	IFRIC Value Hedges $M	30 June 2019 (restated) $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	19,050	-	-	19,050
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees)	(15,876)	451	-	(15,425)
Cash generated from operations	**3,174**	**451**	**-**	**3,625**
Cash payments to employees for redundancies and related costs	(58)	-	-	(58)
Discretionary bonus payments to non-executive employees	(25)	-	-	(25)
Interest received	41	-	-	41
Interest paid (interest-bearing liabilities)	(168)	7	-	(161)
Interest paid (lease liabilities)	-	(101)	-	(101)
Dividends received from investments accounted for under the equity method	11	-	-	11
Australian income taxes paid	(156)	-	-	(156)
Foreign income taxes paid	(12)	-	-	(12)
Net cash from operating activities	**2,807**	**357**	**-**	**3,164**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment and intangible assets	(1,944)	-	-	(1,944)
Interest paid and capitalised on qualifying assets	(42)	-	-	(42)
Payments for investments held at fair value	(60)	-	-	(60)
Proceeds from disposal of property, plant and equipment	333	-	-	333
Proceeds from disposal of a controlled entity	139	-	-	139
Proceeds from disposal of shares in associate	11	-	-	11
Net cash used in investing activities	**(1,563)**			**(1,563)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for share buy-back	(637)	-	-	(637)
Payments for treasury shares	(98)	-	-	(98)
Proceeds from interest-bearing liabilities	1,137	-	-	1,137
Repayments of interest-bearing liabilities	(744)	11	-	(733)
Repayments of lease liabilities	-	(368)	-	(368)
Dividends paid to shareholders	(363)	-	-	(363)
Aircraft lease refinancing	(88)	-	-	(88)
Net cash used in financing activities	**(793)**	**(357)**	**-**	**(1,150)**
Net decrease in cash and cash equivalents held	**451**	**-**	**-**	**451**
Cash and cash equivalent held at the beginning of the period	1,694	-	-	1,694
Effects of exchange rate changes on cash and cash equivalents	12	-	-	12
Cash and cash equivalents at the end of the period	**2,157**	**-**	**-**	**2,157**

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(D) EARNINGS PER SHARE

The impact on basic and diluted earnings per share is as follows:

	30 June 2019 $M	Remeasurements $M	30 June 2019 (restated) $M
Basic earnings per share (cents)	54.6	(3.1)	51.5
Diluted earnings per share (cents)	54.4	(3.1)	51.3

(E) LEASE ACCOUNTING POLICIES UNDER AASB 16

The Group predominantly leases aircraft and engines, domestic and international properties, air freighters and equipment. Lease contracts are typically entered into for fixed periods but may have extension options.

i. Initial Recognition

Leases (other than those described below) are recognised as a lease liability with a corresponding right of use asset at the date at which the leased asset is available for use by the Group.

Scope

AASB 16 applies to contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from the use of the asset throughout the period of use.

Short-term leases (lease term of 12 months or fewer from the commencement date and which do not contain a purchase option) and leases of low-value assets are not recognised as lease liabilities. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the Consolidated Income Statement as incurred.

For contracts that include lease components and non-lease components, these are separated based on their relative stand-alone selling prices. The lease component is recognised as a lease under AASB 16 and the non-lease component is recognised as an expense in the Consolidated Income Statement as incurred. This includes, for example, certain capacity hire arrangements where a third party provides aircraft (lease component) to the Group together with other services such as crew and maintenance (non-lease components).

Lease liability

At the lease commencement date, lease liabilities are initially measured at the present value of lease payments over the lease term.

Lease payments include fixed payments (less any lease incentives receivable), variable payments that are based on an index or a rate (initially measured using the index or rate as at the commencement date) and, where relevant, the exercise price of a purchase option (where reasonably certain that option will be exercised).

The lease term includes the non-cancellable period for which the Group has contracted to lease the asset, together with any option terms to extend the lease if reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if reasonably certain not to be exercised. When determining the lease term for cancellable leases or renewable leases the Group considers both the broader economics of the contract (and not only contractual termination payments) and whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Such leases include, for example, leases which have expired and are legally cancellable by both the lessor and lessee and/or leases which contain holdover arrangements which allow the lessee to continue to occupy the property beyond the lease end date until the arrangement is cancelled by either the lessee or the lessor.

Lease payments are discounted using the Group's incremental borrowing rate where the interest rate in the lease is not readily determined. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in an economic environment with similar terms and conditions.

Right of use asset

At the lease commencement date, right of use assets are measured at an amount equal to the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date), and an initial estimate of the present value of restoration or return costs that arise at lease commencement (with the corresponding amount recognised as a provision under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets),* less any lease incentives received.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(E) LEASE ACCOUNTING POLICIES UNDER AASB 16 (CONTINUED)

ii. Subsequent Measurement

Lease liability
Lease payments are allocated between principal and interest payments. The interest expense is recognised in the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities denominated in currencies other than the Group's functional currency are translated to Australian dollars at each reporting date, however, the right of use asset is recognised at the foreign exchange rate at initial recognition.

From 1 July 2019, in accordance with the Group's Treasury Risk Management Policy, certain foreign currency lease liabilities (for example, aircraft leases denominated in US dollars) have been designated as a hedging instrument of future corresponding foreign currency revenues (for example, US dollar revenues) in a cash flow hedge relationship. The effective portion of the foreign exchange revaluation of the lease liability is recognised in Other Comprehensive Income and is recycled to the Consolidated Income Statement within Net Passenger Revenue when the hedged item is realised.

In accordance with AASB 9, the hedge relationship was designated prospectively from 1 July 2019. For the comparative periods before this designation (year ended 30 June 2019) the foreign exchange movements on lease liabilities recognised upon adoption of AASB 16 are recognised in the Consolidated Income Statement within 'Other Expenses'.

The lease liability is remeasured where there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of amounts expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option (reassessed where there is a significant event or change in circumstances that is within the Group's control and affects the ability to exercise, or not to exercise, an option). Where the lease liability is remeasured in this way, a corresponding adjustment is recognised to the right of use asset or is recorded in the Consolidated Income Statement if the carrying amount of the right of use asset has been reduced to zero.

Right of use assets
Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right of use asset is adjusted for certain changes in the lease liability.

iii. Amendment to AASB 16

In May 2020, the IASB issued amendments to AASB 16 to provide an optional relief to lessees from applying AASB 16's guidance on lease modification accounting for rent concessions if they are a direct consequence of COVID-19 and meet certain conditions specified in the amendment. The practical expedient allows the lessee to recognize a forgiveness of waiver of lease payments as a variable lease payment in the income statement and a corresponding derecognition of the part of the lease liability that has been extinguished by the forgiveness or waiver of lease payments. The practical expedient also provides guidance on accounting for rent deferrals whereby a change in lease payment that reduces the payment in one period and proportionally increases the payment in another does not extinguish the lessee's lease liability nor changes the consideration for the lease. The lessee would continue to recognise lease payment deferrals within the lease liability.

The Group has determined that it meets the conditions to apply the practical expedient and has applied the practical expedient in accounting for rent concessions. The impact of the application of this practical expedient is disclosed in Note 18 (F).

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(E) LEASE ACCOUNTING POLICIES UNDER AASB 16 (CONTINUED)

iv. Lease Revenue

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

Where the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right to use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term within Net Freight Revenue and Other Revenue and Income.

(F) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

The carrying amounts of the Group's right of use assets and the movements during the year are:

	2020 $M			2019 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Aircraft	2,604	(1,994)	610	2,465	(1,781)	684
Property	1,527	(845)	682	1,377	(737)	640
Other	334	(186)	148	205	(110)	95
Total right of use assets	**4,465**	**(3,025)**	**1,440**	**4,047**	**(2,628)**	**1,419**

2020 $M	Opening Net Book Value	Additions/ modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book Value
Aircraft	684	147	-	(214)	(7)	610
Property	640	177	(25)	(127)	17	682
Other	95	129	-	(61)	(15)	148
Total right of use assets	**1,419**	**453**	**(25)**	**(402)**	**(5)**	**1,440**

2019 $M	Opening Net Book Value	Additions/ modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book Value
Aircraft	785	88	-	(215)	26	684
Property	582	172	-	(114)	-	640
Other	81	35	-	(22)	1	95
Total right of use assets	**1,448**	**295**	**-**	**(351)**	**27**	**1,419**

1 Transfers include transfers from/(to) lease receivables where the Group is a sub-lessor.
2 Other movements include foreign exchange movements, changes in the measurement of make good assets, and impairments of right of use assets.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2020

18 AASB 16 LEASES AND IFRIC FAIR VALUE HEDGING AGENDA DECISION (CONTINUED)

(F) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

The carrying amounts of the Group's lease liabilities and the movements during the year are:

2020 $M	Opening Balance	Additions/ modifications/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	830	147	(242)	36	2	-	773
Property	825	177	(142)	55	2	(14)	903
Other	97	129	(65)	5	-	-	166
Total lease liabilities	**1,752**	**453**	**(449)**	**96**	**4**	**(14)**	**1,842**

1 Lease repayments of $449 million includes $367 million principal repayments and $82 million interest repayments. The lease repayments exclude deferred lease repayments of $60 million.
2 Other movements include rental waivers of $13 million, foreign exchange movements and gains on early termination of leases.

2019 $M	Opening Balance	Additions/ modifications/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	917	88	(275)	46	54	-	830
Property	765	172	(166)	52	10	(8)	825
Other	82	35	(28)	3	5	-	97
Total lease liabilities	**1,764**	**295**	**(469)**	**101**	**69**	**(8)**	**1,752**

1 Lease repayments of $469 million includes $368 million principal repayments and $101 million interest repayments.
2 Other movements include foreign exchange movements and early termination of leases.

Set out below are the amounts recognised in the Consolidated Income Statement:

	June 2020 $M	June 2019 (restated) $M
Lease expense for short-term leases (included in Other Expenses)	5	19
Variable Lease expenses not included in lease liabilities (included in Other Expenses)	-	12
Rental waivers (included in Other Expenses)	13	-

19 POST BALANCE SHEET DATE EVENTS

The retail Share Purchase Plan was completed on 10 August 2020, resulting in the issuance of 22.5 million shares at $3.18 per share (totalling $71.7 million). This transaction will be recognised within the 2020/21 financial year.

Subsequent to the end of the financial year, various Australian State Governments have reimposed restrictions on interstate travel or imposed expanded localised lockdowns.

The New South Wales Government introduced restrictions on visitors from Victoria. The Queensland Government reimposed restrictions on visitors from New South Wales and Australian Capital Territory in addition to existing restrictions on visitors from Victoria. The Victorian Government imposed stage four lockdowns on Greater Melbourne, together with stage three lockdowns on regional Victoria. These Government restrictions have impacted demand for domestic travel and the Group has responded by adjusting capacity.

Subsequent to year end, the Australian Federal Government announced the extension of JobKeeper payment support for an additional six months covering October 2020 to March 2021.

The Group’s Recovery Plan is a three-year plan, and while these post-balance date events have impacted the timing of demand recovery, this is expected to have a short-term impact and not change materially the overall assumptions across the three-year plan.

Operational Statistics

For the year ended 30 June 2020

(unaudited)		June 2020	June 2019	Change
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC (INCLUDING QANTASLINK)				
Passengers carried	'000	16,344	21,989	(25.7%)
Revenue passenger kilometres (RPK)	M	19,552	26,339	(25.8%)
Available seat kilometres (ASK)	M	25,773	33,866	(23.9%)
Revenue seat factor	%	75.9	77.8	(1.9)pts
JETSTAR DOMESTIC				
Passengers carried	'000	10,243	14,153	(27.6%)
Revenue passenger kilometres (RPK)	M	11,879	16,459	(27.8%)
Available seat kilometres (ASK)	M	13,709	18,888	(27.4%)
Revenue seat factor	%	86.7	87.1	(0.4)pts
GROUP DOMESTIC				
Group Domestic Available Seat Kilometres	M	39,482	52,754	(25.2%)
Group Domestic Unit Revenue				(0.7%)
QANTAS INTERNATIONAL				
Passengers carried	'000	6,289	8,822	(28.7%)
Revenue passenger kilometres (RPK)	M	42,460	59,808	(29.0%)
Available seat kilometres (ASK)	M	50,484	69,571	(27.4%)
Revenue seat factor	%	84.1	86.0	(1.9)pts
JETSTAR INTERNATIONAL				
Passengers carried	'000	4,564	6,386	(28.5%)
Revenue passenger kilometres (RPK)	M	13,603	18,302	(25.7%)
Available seat kilometres (ASK)	M	16,180	21,157	(23.5%)
Revenue seat factor	%	84.1	86.5	(2.4)pts
JETSTAR ASIA				
Passengers carried	'000	3,035	4,463	(32.0%)
Revenue passenger kilometres (RPK)	M	4,533	6,584	(31.2%)
Available seat kilometres (ASK)	M	5,724	7,948	(28.0%)
Revenue seat factor	%	79.2	82.8	(3.6)pts
GROUP INTERNATIONAL				
Group International Available Seat Kilometres	M	72,388	98,676	(26.6%)
Group International Unit Revenue				2.6%
QANTAS GROUP OPERATIONS				
Passengers carried	'000	40,475	55,813	(27.5%)
Revenue passenger kilometres (RPK)	M	92,027	127,492	(27.8%)
Available seat kilometres (ASK)	M	111,870	151,430	(26.1%)
Revenue seat factor	%	82.3	84.2	(1.9)pts
Group Unit Revenue	c/ASK	8.99	8.85	1.5%
Aircraft at end of the year	#	314	314	-