QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

ABN 16 009 661 901

ASX CODE: QAN

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Results for Announcement to the Market

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

	December 2019 $M	December 2018 (restated) $M	Change $M	Change %
Revenue and other income	9,464	9,206	258	2.8%
Statutory profit after tax	445	463	(18)	(3.9%)
Statutory profit after tax attributable to members of Qantas	445	463	(18)	(3.9%)
Underlying profit before tax	771	775	(4)	(0.5%)

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) Dividends disclosed and paid

In February 2020, the Directors declared a fully franked interim dividend of 13.5 cents per ordinary share, totalling $201 million. The record date for determining entitlements to the interim dividend is 3 March 2020. The dividend will be paid on 9 April 2020.

During the half-year ended 31 December 2019, the Group paid a fully franked dividend of 13 cents per ordinary share, totalling $204 million on 23 September 2019.

(B) Other shareholder distributions

In February 2020, the Directors announced an off-market share buy-back of up to $150 million. The Qantas Group has the ability to purchase a maximum of 43.7 million of its own shares at this time, without shareholder approval.

During the half-year ended 31 December 2019, 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).

EXPLANATION OF RESULTS

Please refer to the Review of Operations for explanation of the results.

This information should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2019. This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

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

Other Information

		December 2019	June 2019 (restated)
Net assets per ordinary share[1]	$	1.84	1.92
Net tangible assets per ordinary share[1,2]	$	1.42	1.58

		December 2019	December 2018 (restated)
Basic earnings per share (Statutory earnings per share)[3]	cents	28.8	27.9
Diluted earnings per share[3]	cents	28.8	27.8
Underlying earnings per share[4]	cents	34.3	31.3

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

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

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 2019 %	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	15	15
Jetstar Japan Co. Ltd.	33	33
Jetstar Pacific Airlines Aviation Joint Stock Company	30	30
PT Holidays Tours & Travel	37	37

1 Based on number of shares outstanding at the end of the period.
2 Net tangible assets is calculated as net assets adjusted for intangible assets and deferred taxes.
3 Based on the weighted average number of shares outstanding during the period excluding unallocated treasury shares.
4 Underlying earnings per share is calculated as Underlying Profit Before Tax less tax expense (based on the Group's effective tax rate of 31.3 per cent (2018: 33.0 per cent)) divided by the weighted average number of shares outstanding during the period excluding unallocated treasury shares.

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2019 and the Independent Auditor's Review Report thereon.

Directors

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

Name	Period of Directorship
Richard Goyder, AO *Chairman*	*Current, appointed 17 November 2017 – appointed Chairman 26 October 2018*
Alan Joyce, AC *Chief Executive Officer*	*Current, appointed 28 July 2008 – appointed Chief Executive Officer 28 November 2008*
Maxine Brenner	*Current, appointed 29 August 2013*
Richard Goodmanson	*Ceased, appointed 19 June 2008 and ceased 25 October 2019*
Jacqueline Hey	*Current, appointed 29 August 2013*
Belinda Hutchinson, AM	*Current, appointed 12 April 2018*
Michael L'Estrange, AO	*Current, appointed 7 April 2016*
Antony Tyler	*Current, appointed 26 October 2018*
Paul Rayner	*Current, appointed 16 July 2008*
Todd Sampson	*Current, appointed 25 February 2015*
Barbara Ward, AM	*Current, appointed 19 June 2008*

Review of Operations

For the half-year ended 31 December 2019

RESULT HIGHLIGHTS

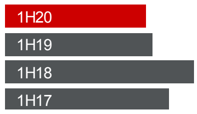
Underlying Profit Before Tax

771 $M

1H20	**771**
1H19	775
1H18	959
1H17	852

Statutory Profit After Tax

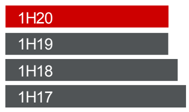
445 $M



1H20	**445**
1H19	463
1H18	595
1H17	515

Twelve month Return on Invested Capital

19.6 %



1H20	**19.6%**
1H19	19.5%
1H18	20.7%
1H17	21.7%

The Qantas Group applied AASB 16 *Leases* from 1 July 2019. The results for the six months to 31 December 2018 have been restated on the same basis for comparison purposes.

The Qantas Group reported an Underlying Profit Before Tax[1] (PBT) of $771 million for the six months ended 31 December 2019, a decrease of $4 million from the first half of 2018/19 as revenue strength substantially offset the 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. Having now returned the Domestic Terminals at our major airports to the airport operators, the Group was also subject to a structural change to its revenue and costs, amounting to a $55 million reduction to earnings in this half. The Group received compensation for this mandatory transfer of ownership, with proceeds from the transaction already returned to shareholders through dividends and buy-backs. After successive years of material increases in fuel costs, the increase was limited to $12 million in the half.

The Group's Statutory Profit Before Tax of $648 million decreased by $43 million from the first half of 2018/19 which benefited from the net gain on the sale of the catering business and the reversal of the impairment of an associate totalling $88 million. The Group's Statutory Profit After Tax was $445 million.

The Statutory result for the first half of 2019/20 included $123 million of net costs which were not included in Underlying PBT. These costs included transformation costs such as those associated with the continuing introduction of the Dreamliner fleet, redundancies and discretionary non-executive employee bonuses. This compares with $84 million of net costs which were not included in Underlying PBT from the first half of 2018/19 where similar costs for transformation and discretionary bonuses were substantially offset by the gains mentioned above. As a result of accounting standard changes, items not included in Underlying PBT in the first half of 2018/19 also included a $47 million charge for unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision.

The fundamentals of the Group's airline businesses remain strong with revenue increases helping to deliver resilient earnings in the face of temporary headwinds. The strategy to grow and diversify earnings at Qantas Loyalty continues to deliver, with earnings momentum resulting in double digit EBIT growth and another record result.

Financial highlights for the first half 2019/20 are:

- Statutory earnings per share of 28.8 cents per share, reflecting current earnings and the accretive benefit of the share buy-backs
- Continued strong Group Return on Invested Capital (ROIC)[2] of 19.6 per cent compared with 19.5 per cent for the same time in 2018/19
- All operating segments delivering ROIC greater than the Group's Weighted Average Cost of Capital (WACC)[3]
- Record results for Qantas Loyalty and resilient performance from the Group's airlines
- Ongoing transformation is on track to deliver gross benefits greater than $400 million in 2019/20 with $188 million delivered as at 31 December 2019.

The balance sheet remains strong with net debt[4] at $5.3 billion, towards the lower end of the target net debt range of $5.1 billion to $6.3 billion. The Group's strong cash flow generation ability delivered $1.48 billion in operating cash flow, higher than the prior corresponding period due to temporary working capital movements and timing of option premium outflows offsetting the $296 million increase in Australian tax instalments. $1.3 billion was invested in the business and $647 million of surplus capital returned to shareholders through a 13 cents per share fully franked dividend, totalling $204 million and an off-market share buy-back of $443 million.

With all the targets of the Group's Financial Framework met, a disciplined approach to capital investment and strong net free cash flow of $213 million, the Board resolved to distribute up to a further $351 million of surplus capital to shareholders, through an increase in the base dividend per half to 13.5 cents per share fully franked interim dividend (totalling $201 million) and an additional off-market share buy-back of up to $150 million.

1 Underlying Profit Before Tax (Underlying PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar 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 Profit/(Loss) Before Tax on page 12.
2 Return on Invested Capital is calculated as ROIC EBIT for the 12 months ended 31 December, 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 of the Consolidated Interim Financial Report for detail.
3 Weighted Average Cost of Capital is calculated on a pre-tax basis.
4 Net debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.

Review of Operations continued

For the half-year ended 31 December 2019

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[5], the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC[6] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a net debt range of $5.1 billion to $6.3 billion[7]	Deliver ROIC > 10 per cent[8] through the cycle	Grow Invested Capital with disciplined investment, return surplus capital

MAINTAINABLE EPS[9] GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure

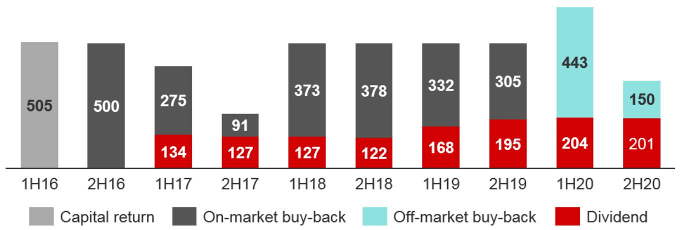
- The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. This results in a net debt range of between $5.1 billion and $6.3 billion, based on the current Average Invested Capital of approximately $8.4 billion. It is defined as net debt/ROIC EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure lowers the Group's cost of capital, preserves financial strength and therefore enhances long-term shareholder value.
- Net debt was $5.3 billion as at 31 December 2019, at the lower end of the Group's target range.
- Capital allocation decisions, including distributions to shareholders, are sized to ensure net debt remains within the target net debt range on a forward looking basis.
- 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

The rolling twelve month Return on Invested Capital (ROIC) of 19.6 per cent was above the Group's threshold ROIC of 10 per cent. The current Average Invested Capital is approximately $8.4 billion.

Disciplined Allocation of Capital

Track Record of Delivering Shareholder Returns ($M)



The Qantas Group takes a disciplined approach to allocating capital with the aim to grow Invested Capital, returning any surplus capital to shareholders.

- Net Capital Expenditure[10] of $1.3 billion was invested during the first half of 2019/20.
- During the first half of 2019/20, the Group paid a fully franked dividend of 13 cents per ordinary share, totalling $204 million and returned $443 million to shareholders through an off-market share buy-back. This resulted in a further 5.1 per cent reduction in shares on issue in the half.

In February 2020, the Directors declared a fully franked interim dividend of 13.5 cents per ordinary share, totalling $201 million and announced an additional off-market share buy-back of up to $150 million.

Maintainable EPS Growth Over the Cycle

Statutory earnings per share was 28.8 cents per share for the first half of 2019/20. The increase in earnings per share from the first half of 2018/19 was driven by the reduction in weighted average shares on issue since December 2018 offsetting the four per cent decrease in Statutory Profit After Tax.

5 Target Total Shareholder Return within the top quartile of the ASX100 and global listed airline peer group as stated in the 2019 Annual Report, with reference to the 2019-2021 Long Term Incentive Plan (LTIP).
6 Weighted Average Cost of Capital, calculated on a pre-tax basis.
7 Based on the 12 month Average Invested Capital of approximately $8.4 billion.
8 Target of 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.
9 Earnings per share.
10 Net Capital Expenditure is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $1,262 million (excluding aircraft lease refinancing) and the impact to Invested Capital of commencing/returning leases. During the first half of 2019/20 there were no new aircraft leases entered into and no returns of leased aircraft.

Review of Operations continued

For the half-year ended 31 December 2019

GROUP PERFORMANCE

The Qantas Group reported a solid result of an Underlying PBT of $771 million for the first half of 2019/20, one per cent lower than the first half of 2018/19. Revenue substantially offset the temporary headwinds totalling $119 million including the impact of protests in Hong Kong, subdued demand in global freight markets, other increases in costs associated with foreign exchange rates on non-fuel costs as well as a $55 million reduction to earnings in this half associated with the transfer of ownership of the Group's major domestic terminals to the airport operators. After allowing for the accounting treatment for the discount rate changes on provisions, the result would have been relatively flat year on year.

Net passenger revenue increased by three per cent, offsetting the majority of the higher costs. This was achieved through Unit Revenue increases, supported by increased yields and higher load factors and higher ancillary revenue in both the domestic and selected international markets. The benefits of transformation and other non-passenger related revenues also assisted.

Group Underlying Income Statement Summary[11]	December 2019 $M	December 2018 (restated) $M	Change $M	Change %
Net passenger revenue	8,305	8,027	278	3
Net freight revenue	496	525	(29)	(6)
Other revenue and income	663	654	9	1
Revenue and Other Income	**9,464**	**9,206**	**258**	**3**
Operating expenses (excluding fuel)	(5,593)	(5,347)	(246)	(5)
Fuel	(1,975)	(1,963)	(12)	(1)
Depreciation and amortisation	(1,006)	(983)	(23)	(2)
Share of net profit of investments accounted for under the equity method	10	3	7	>100
Total Expenditure	**(8,564)**	**(8,290)**	**(274)**	**(3)**
Underlying EBIT	**900**	**916**	**(16)**	**(2)**
Net finance costs	(129)	(141)	12	9
Underlying PBT	**771**	**775**	**(4)**	**(1)**

Operating Statistics		December 2019	December 2018 (restated)	Change	Change %
Available Seat Kilometres (ASK)[12]	M	76,880	76,854	26	0.0
Revenue Passenger Kilometres (RPK)[13]	M	65,437	64,958	479	0.7
Passengers carried	'000	28,876	28,500	376	1.3
Revenue seat factor[14]	%	85.1	84.5	0.6pts	n/a
Operating margin[15]	%	9.5	10.0	(0.5)pts	n/a
Unit Revenue (RASK)[16]	c/ASK	9.19	8.94	0.25	2.8
Total unit cost[17]	c/ASK	(8.18)	(7.93)	(0.25)	(3.2)
Ex-fuel unit cost[18]	c/ASK	(5.60)	(5.43)	(0.17)	(3.1)

Group capacity (Available Seat Kilometres) was flat, and demand (measured by Revenue Passenger Kilometres) increased by 0.7 per cent, resulting in a 0.6 percentage point increase in revenue seat factor. Group Unit Revenue increased 2.8 per cent in the first half of 2019/20 supported by transformation, capacity discipline and increased load factors in the competitive domestic and international markets. Group Domestic Unit Revenue was up 0.5 per cent and Group International Unit Revenue was up 4.8 per cent.

11 Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT. Refer to the reconciliation on page 12.
12 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
13 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
14 Revenue seat factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
15 Operating margin is Group Underlying EBIT divided by Group total revenue.
16 Unit Revenue (RASK) is ticketed passenger revenue divided by Available Seat Kilometre (ASK).
17 Total unit cost is Underlying PBT less ticketed passenger revenue per ASK.
18 Ex-fuel unit cost is measured as Underlying PBT less ticketed passenger revenue, fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in foreign exchange rates and discount rates on provisions per ASK.

Review of Operations continued

For the half-year ended 31 December 2019

Subsequent to the close of the first half 2019/20, the Group has been impacted by the evolving situation surrounding the Coronavirus and the unprecedented travel bans imposed by various governments. As a result of the fall in demand and intakes together with the uncertainty surrounding the timing of any rebound, the Group took immediate steps to bring forward the exit of the Beijing service and suspended Shanghai services until 29 March 2020. The Group is continuing to monitor the impact of the Coronavirus on air travel demand and in response, has announced plans to reduce capacity across the domestic and international network with the flexibility to extend these reductions, or to reinstate in response to demand or competitive environment. With net debt at the lower end of the net debt range, high liquidity and low refinancing risk the Group retains significant financial flexibility to respond to any potential decline in earnings beyond our expectations.

CASH GENERATION

Cash Flow Summary	December 2019 $M	December 2018 (restated) $M	Change $M	Change %
Operating cash flows	1,475	1,435	40	3
Investing cash flows (excluding aircraft operating lease refinancing)	(1,262)	(1,036)	(226)	(22)
Net free cash flow	**213**	**399**	**(186)**	**(47)**
Aircraft operating lease refinancing	-	(88)	88	100
Financing cash flows	(624)	(513)	(111)	(22)
Cash at beginning of period	2,157	1,694	463	27
Effect of foreign exchange on cash	(1)	2	(3)	>(100)
Cash at end of period	**1,745**	**1,494**	**251**	**17**

Debt Analysis	December 2019 $M	June 2019 $M	Change $M	Change %
Net on balance sheet debt[19]	3,641	2,980	661	22
Capitalised aircraft lease liabilities[20]	1,632	1,730	(98)	(6)
Net debt[21]	**5,273**	**4,710**	**563**	**12**

Operating cash flows for the first half 2019/20 were $1.48 billion, $40 million higher than the first half 2018/19, reflecting timing differences associated with temporary working capital movements and outflows for the Group's fuel cost hedging program that offset the $296 million increase in Australian tax instalments. Investing cash outflows were $1.3 billion.

Net Capital Expenditure[22] of $1.3 billion included investment in replacement fleet such as final delivery payments for three 787-9s delivered to Qantas International and customer experience initiatives including lounges, A380 reconfigurations and Wi-Fi installation on the Qantas Domestic fleet.

Financing cash flows included the drawdown of a new 10-year A$425 million Medium Term Note (AMTN), offset by scheduled debt repayments of $189 million, lease principal repayments of $205 million, a dividend of $204 million and an off-market share buy-back of $443 million.

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 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 any changes in market conditions and the competitive landscape by deploying a number of strategies including fleet redeployment, refurbishment, renewal and retirement.

19 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents.
20 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 the 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.
21 Net debt is a non-statutory measure. It includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework.
22 Net Capital Expenditure is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $1,262 million (excluding aircraft lease refinancing) and the impact to Invested Capital of commencing/returning aircraft leases. During the first half of 2019/20 there were no new aircraft leases entered into and no returns of leased aircraft.

Review of Operations continued

For the half-year ended 31 December 2019

During the half, the Group continued to cross utilise the A330-200 and 737-800 aircraft between Qantas Domestic and Qantas International and increased utilisation of F100 and 717 aircraft to optimise capacity to match demand. The Jetstar Cabin Enhancement Program for the domestic fleet is now complete. The Group also took delivery of the three additional 787-9 aircraft for Qantas International, taking that fleet to a total of 11 aircraft and retired one 747-400. As at 31 December 2019, the Qantas Group fleet[23] totalled 316 aircraft, 51 per cent of which is unencumbered (with an approximate value of $4.9 billion[24]), including all the Qantas International 787-9 aircraft.

SEGMENT PERFORMANCE

Segment Performance Summary	December 2019 $M	December 2018 (restated) $M	Change $M	Change %
Qantas Domestic	465	478	(13)	(3)
Qantas International	122	119	3	3
Jetstar Group	220	253	(33)	(13)
Qantas Loyalty	196	175	21	12
Corporate	(87)	(91)	4	4
Unallocated/Eliminations[25]	(16)	(18)	2	11
Underlying EBIT	**900**	**916**	**(16)**	**(2)**
Net finance costs	(129)	(141)	12	9
Underlying PBT	**771**	**775**	**(4)**	**(1)**

QANTAS DOMESTIC

Revenue

3,218 $M

1H20	**3,218**
1H19	3,230
1H18	3,057
1H17	2,916

Underlying EBIT

465 $M

1H20	**465**
1H19	478
1H18	449
1H17	371

Operating Margin

14.4 %

1H20	**14.4%**
1H19	14.8%
1H18	14.7%
1H17	12.7%

Metrics		December 2019	December 2018	Change
ASKs	M	17,437	17,314	0.7%
Seat factor	%	79.9	79.6	0.3pts

Qantas Domestic reported a first half Underlying EBIT of $465 million, down 2.7 per cent from the first half of 2018/19 in mixed demand conditions. Unit Revenue was up 0.9 per cent in flat market capacity settings, driven by transformation and resources sector revenue growth[26] and a modest uptick in demand in the second quarter. Capacity increased 0.7 per cent, including the 12 per cent increase in capacity to support the growing resources sector in Western Australia. Seat factor improved by 0.3 percentage points. Qantas Domestic maintained a leadership position in the corporate market while growing its share of the Small to Medium Enterprise (SME) market. Operating margins remained strong at 14.4 per cent.

Qantas Domestic continues to focus on customer experience with:

- Highest on time performance for domestic market[27] for three out of six months for the half as the overall industry was impacted by weather events
- Moved three A320s to Western Australia resources market with plans to further increase the fleet.

23 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia, Qantas Freight and Network Aviation and excludes aircraft operated by Jetstar Japan and Jetstar Pacific.
24 Based on AVAC market values.
25 Unallocated/Eliminations represents unallocated costs 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 and changes in presentation of income/expenses where the determination of whether the Group is acting principal or agent is made on consolidation.
26 Resource market ticketed passenger revenue compared to 1H19. Based on Qantas internal reporting.
27 On time performance (OTP) of Qantas Domestic operations. Measured as departures within 15 minutes of scheduled departure time for the first half of 2019/20. Source: BITRE.

Review of Operations continued

For the half-year ended 31 December 2019

QANTAS INTERNATIONAL

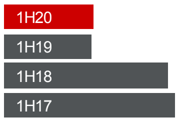
Revenue

3,843 $M

1H20	**3,843**
1H19	3,693
1H18	3,460
1H17	3,204

Underlying EBIT

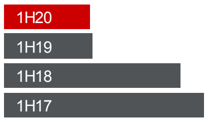
122 $M



1H20	**122**
1H19	119
1H18	224
1H17	235

Operating Margin

3.2 %



1H20	**3.2%**
1H19	3.2%
1H18	6.5%
1H17	7.3%

Metrics		December 2019	December 2018	Change
ASKs	M	34,613	35,151	(1.5%)
Seat factor	%	86.5	85.5	1.0pts

Earnings grew by 2.5 per cent for Qantas International despite the $65 million impact of subdued demand to Hong Kong and on freight markets. Unit Revenue growth was strong at 6.0 per cent, as the competitive environment eased, as competitor capacity contracted by 1.7 per cent in the half. The restructured London services continued to perform well with network leading customer advocacy scores and leading profitability. Underlying EBIT was $122 million and operating margin was 3.2 per cent. Qantas International capacity declined by 1.5 per cent with Revenue Passenger Kilometres down 0.4 per cent and a 1.0 percentage point increase in seat factor.

In the strategy to build a resilient Qantas International, 2019/20 is a transition year with the expansion of the 787-9 Dreamliner fleet while continuing to operate the 747-400 fleet. In the half, Qantas International took delivery of three additional 787-9 aircraft taking that fleet to a total of 11, improving the premium seat mix with benefits to flow into the second half of 2019/20. The success of the Perth to London direct route gives confidence in the strategy to pursue long haul routes that provide a unique competitive advantage, allowing the Group to use its domestic network to create an onshore hub in Perth. The A380 fleet is undergoing reconfiguration with a resulting 27 per cent increase in premium seat mix. Three reconfigured A380 aircraft entered into service during the half.

During the first half of 2019/20, the Group selected the A350 as the preferred aircraft for the Project Sunrise mission, the high level design of the cabin configuration was completed and the Group is making good progress as it works to achieve regulatory approvals for ultra-long haul flying. The final go/no-go decision has been deferred until the end of March 2020 pending negotiations with the pilot workgroup.

The focus on strengthening airline partnerships continued in the half with the commencement of operation of the anti-trust immunised partnership with American Airlines in October 2019. The partnership was expanded to 240 city pairs covering 109 unique destinations in the USA.

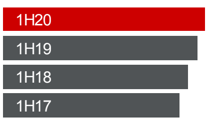
During the first half of 2019/20, the freight business suffered a decline in earnings as the trade war between China and the USA spread to Europe subduing global trade flows.

Qantas International is continuing its investment in customer experience with the:
– New Singapore First lounge which opened at the end of 2019
– A380 cabin upgrades underway.

JETSTAR GROUP

Revenue

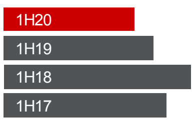
2,120 $M



1H20	**2,120**
1H19	2,048
1H18	1,949
1H17	1,859

Underlying EBIT

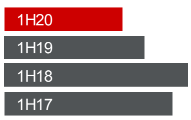
220 $M



1H20	**220**
1H19	253
1H18	315
1H17	275

Operating Margin

10.4 %



1H20	**10.4%**
1H19	12.4%
1H18	16.2%
1H17	14.8%

Metrics		December 2019	December 2018	Change
ASKs	M	24,830	24,389	1.8%
Seat factor	%	86.9	86.6	0.3pts

Review of Operations continued

For the half-year ended 31 December 2019

A strong international and ancillary revenue growth performance was offset by weaker domestic leisure demand, higher fuel costs, foreign exchange impacts and Protected Industrial Action at the Jetstar Group, with earnings falling 13 per cent to $220 million in the first half of 2019/20.

Jetstar's domestic business was impacted by leisure demand softness in flat market capacity and the Protected Industrial Action in December 2019.

Jetstar's international business performance was underpinned by a 3.9 per cent increase in capacity due to lower maintenance activity. After careful consideration the Jetstar Group exited the underperforming New Zealand regional business reinforcing the focus on maximising returns. Five Q300 aircraft have been returned to the Group for redeployment or sale.

In the first half of 2019/20, the profitability of Jetstar's Asian airlines portfolio was also impacted by higher fuel costs and higher airport charges and taxes. Jetstar Japan remained profitable, successfully navigating higher fuel costs and a series of natural disasters. Operational highlights included the expansion of its fleet by two A320s, ordering A321LR NEO's for delivery in 2020 and retaining its leadership position[28] in the low-cost carrier domestic Japan market. Jetstar Pacific (Vietnam) has been impacted by aggressive capacity expansion by competitors while Jetstar Asia continues to face challenges from increasing airport charges.

Jetstar continues to invest in customer experience, digital transformation and operational improvements. Key highlights include:

– Ancillary revenue strength driven by baggage product optimisation and increased catering and bundles
– Club Jetstar grew members[29] by 10 per cent
– Almost two-thirds of fares[30] sold for under $100, maintaining affordability in the low fares segment.

QANTAS LOYALTY

Revenue

872 $M

1H20	**872**
1H19	809
1H18	747
1H17	743

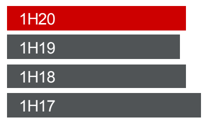
Underlying EBIT

196 $M

1H20	**196**
1H19	175
1H18	168
1H17	181

Operating Margin

22.5 %



1H20	**22.5%**
1H19	21.6%
1H18	22.5%
1H17	24.4%

Metrics		December 2019	December 2018	Change
QFF members	M	13.2	12.6	5.4%

Qantas Loyalty continued to grow and diversify its earnings through both the coalition and new businesses. Underlying EBIT was a record $196 million, up 12 per cent compared to the first half of 2018/19.

As the benefits of the program reset gathered momentum, the coalition business fundamentals remained strong:

– Record points were earned across Financial Services products with diversification into superannuation and mortgages
– Co-branded credit card growth continues to outpace the market[31]
– Increase in members engaged in the Woolworths partnership post the program reset
– Announced 'Everyday' earn fuel partner
– Qantas Business Rewards membership growth[32] of 26 per cent, which supports the airline's SME strategy. There are now over 60 partners in the program.

New business momentum is gathering with the scaling up of revenue from these businesses contributing to the overall EBIT growth. The Qantas Premier portfolio continued to grow with more than 100 per cent growth across cards in market and total spend. Also, through the first half of 2019/20, Qantas Loyalty launched Qantas Car Insurance, expanding on the existing insurance portfolio of travel, health and life.

28 Measured as a percentage of market share based on ASKs. Source: Diio Mi.
29 Members growth between 30 June 2019 and 31 December 2019.
30 Airfares sold within the Jetstar Group including Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific (Vietnam), rolling 12 months January 2019 to December 2019.
31 Qantas Points earning credit cards includes co-branded credit cards and Qantas Premier cards. Based on RBA credit and card charges statistics at December 2019 and Qantas internal analysis.
32 Members growth between 31 December 2018 and 31 December 2019.

Review of Operations continued

For the half-year ended 31 December 2019

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Profit Before Tax was $648 million for the half-year ended 31 December 2019.

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 primary reporting measure of the Qantas International, Qantas Domestic, 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.

	December 2019 $M	December 2018 (restated) $M
Reconciliation of Underlying PBT to Statutory Profit Before Tax		
Underlying PBT	**771**	**775**
Items not included in Underlying PBT		
– Transformation costs	(117)	(104)
– Discretionary bonuses to non-executive employees	(6)	(19)
– Net gain on disposal of a controlled entity	-	45
– Net gain on disposal/reversal of impairment of associate	-	43
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision	-	(47)
– Other	-	(2)
Total items not included in Underlying PBT	**(123)**	**(84)**
Statutory Profit Before Income Tax Expense	**648**	**691**

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, major transformational/restructuring initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

In the first half of 2019/20, these included:

- Transformation costs of $117 million included redundancy and related costs of $37 million, fleet restructuring costs of $48 million (primarily related to costs of the introduction of the 789 Dreamliners and the retirement of the 747 fleet) and other upfront costs of $32 million directly incurred to enable the delivery of transformation benefits. Included in fleet restructuring costs are $21 million of non-cash accelerated depreciation and inventory write-downs.
- Discretionary bonuses to non-executive employees of $6 million which are paid to non-executive employees after the employee's post wage freeze collective agreement is voted upon and approved.

The first half of 2018/19 included the following items (restated where relevant for the adoption of AASB 16 *Leases* and the IFRIC Fair Value hedging agenda decision):

- Net gain on disposal of a controlled entity of $45 million which related to the sale of Qantas Catering completed in 2018/19.
- Net gain on disposal/reversal of impairment of associate of $43 million which relates to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018 and reversed previously recognised impairment. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.
- 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 *Financial Instruments*, 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.

Review of Operations continued

For the half-year ended 31 December 2019

MATERIAL BUSINESS RISKS

The aviation industry is subject to a number of inherent risks. These include, but are not limited to, 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, war or an epidemic. Qantas is exposed to a number of specific business risks which may impact the achievement of the Group's strategy and financial prospects. The Group's focus is on continuously improving the controls to manage these risks as the context of these risks typically does not significantly change compared with the previous year. The Qantas Group continues to operate in a domestic and international environment where elevated political risk for the business will be the norm. The increased level of unpredictability makes it imperative that the Group continues to plan for wide ranges of scenarios and risks to ensure its robustness.

Competitive intensity: Market capacity growth ahead of underlying demand impacts industry profitability.

- Australia's liberal aviation policy settings have attracted offshore competitors to the Australian international aviation market, predominantly state-sponsored airlines. Qantas remains focused on building key strategic airline partnerships with strong global partners and optimising its network. Qantas brings domestic strength and the unrivalled customer offering of Qantas Loyalty. Qantas International continues to build a resilient and sustainable business through transformation.
- The Australian domestic aviation market is highly competitive. The Qantas Group's market-leading domestic position and dual brand strategy allow Qantas to effectively mitigate the impact of market changes. This strategy leverages Qantas Domestic (including QantasLink) to serve business and premium leisure customers and Jetstar to serve price-sensitive customers. Qantas Domestic continues to focus on managing its cost base through sustainable transformation initiatives to ensure it remains competitive, while maintaining a revenue premium. Jetstar is working to maintain its lowest seat cost and yield advantage. These priorities result in Qantas Domestic and Jetstar Domestic delivering the highest Underlying EBITs in their respective markets, enabling the Group to retain Underlying EBIT share in excess of capacity share.

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 Qantas Group manages these risks through a comprehensive hedging program. Fuel price is 100 per cent hedged for the remainder of 2019/20. For 2019/20, the Group's hedging profile is positioned such that 2019/20 fuel costs before announced capacity reductions is expected to be $3.85[33] billion with an average 45 per cent participation rate[34] to lower fuel prices. Complementing the hedging program, increased focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty.

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 and privacy 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.

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 on 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 on www.qantas.com.au.

33 As at 14 February 2020. The year ending 30 June 2020 assumes forward market rates of Jet Fuel (USD 67.86/bbl and AUD/USD 0.6721). Actual fuel costs for the year ending 30 June 2020 could also be impacted by changes in refiner margins.
34 Participation from current market Brent prices down USD10/bbl for the remainder of 2019/20.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Directors have received the Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001.

The Lead Auditor's Independence Declaration is set out on page 41 and forms part of the Directors' Report for the half-year ended 31 December 2019.

ROUNDING

Qantas is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

ASIC GUIDANCE

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

In line with previous years and in accordance with the Corporations Act 2001, the Directors' Report is unaudited. Notwithstanding this, the Directors' Report (including the Review of Operations) contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half-year ended 31 December 2019 which has been reviewed by the Group's Independent Auditor.

Signed pursuant to a Resolution of the Directors:

RICHARD GOYDER, AO
Chairman

ALAN JOYCE, AC
Chief Executive Officer

Sydney
20 February 2020

Consolidated Income Statement

For the half-year ended 31 December 2019

	Notes	December 2019 $M	December 2018 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		8,305	8,027
Net freight revenue		496	525
Other revenue and income	4	663	654
Revenue and other income		**9,464**	**9,206**
EXPENDITURE			
Manpower and staff-related		2,212	2,205
Aircraft operating variable		2,262	1,992
Fuel		1,975	1,963
Depreciation and amortisation		1,025	1,025
Share of net profit of investments accounted for under the equity method		(10)	(3)
Other	5	1,223	1,192
Expenditure		**8,687**	**8,374**
Statutory profit before income tax expense and net finance costs		**777**	**832**
Finance income		20	23
Finance costs		(149)	(164)
Net finance costs		**(129)**	**(141)**
Statutory profit before income tax expense		**648**	**691**
Income tax expense	6	(203)	(228)
Statutory profit for the period		**445**	**463**
Attributable to:			
Members of Qantas		445	463
Non-controlling interests		-	-
Statutory profit for the period		**445**	**463**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic earnings per share (cents)		**28.8**	**27.9**
Diluted earnings per share (cents)		**28.8**	**27.8**

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 10 for further information.

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

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2019

	December 2019 $M	December 2018 (restated)[1] $M
Statutory profit for the period	**445**	**463**
Items that may subsequently be reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	41	(140)
Transfer of hedging gains from hedge reserve to the Consolidated Income Statement, net of tax[2]	(69)	(186)
Recognition of effective cash flow hedges on capitalised assets, net of tax	(26)	(13)
Net changes in hedge reserve for time value of options, net of tax	(9)	(156)
Foreign currency translation of controlled entities	2	1
Foreign currency translation of investments accounted for under the equity method	4	3
Share of other comprehensive income/(loss) of investments accounted for under the equity method	3	(11)
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial losses, net of tax	(45)	(91)
Other comprehensive loss for the period	**(99)**	**(593)**
Total comprehensive income/(loss) for the period	**346**	**(130)**

Attributable to:		
Members of Qantas	346	(130)
Non-controlling interests	-	-
Total comprehensive income/(loss) for the period	**346**	**(130)**

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 10 for further information.

2 These amounts were allocated to revenue of $1 million (2018: nil million), fuel expenditure of $(99) million (2018: ($266) million) and income tax expense of $29 million (2018: $80 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 31 December 2019

	December 2019 $M	June 2019 (restated)[1] $M
CURRENT ASSETS		
Cash and cash equivalents	1,745	2,157
Receivables	968	1,101
Other financial assets	207	334
Inventories	379	364
Assets classified as held for sale	16	1
Other	247	231
Total current assets	**3,562**	**4,188**
NON-CURRENT ASSETS		
Receivables	116	77
Other financial assets	144	184
Investments accounted for under the equity method	222	217
Property, plant and equipment	13,097	12,776
Right of use assets	1,591	1,419
Intangible assets	1,263	1,225
Other	360	449
Total non-current assets	**16,793**	**16,347**
Total assets	**20,355**	**20,535**
CURRENT LIABILITIES		
Payables	2,358	2,366
Revenue received in advance	4,260	4,414
Interest-bearing liabilities	619	610
Lease liabilities	480	459
Other financial liabilities	63	89
Provisions	941	967
Income tax liabilities	4	113
Total current liabilities	**8,725**	**9,018**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,503	1,466
Interest-bearing liabilities	4,767	4,527
Lease liabilities	1,435	1,293
Other financial liabilities	31	48
Provisions	508	475
Deferred tax liabilities	650	694
Total non-current liabilities	**8,894**	**8,503**
Total liabilities	**17,619**	**17,521**
Net assets	**2,736**	**3,014**
EQUITY		
Issued capital	1,776	1,871
Treasury shares	(52)	(152)
Reserves	(43)	111
Retained earnings	1,052	1,181
Equity attributable to the members of Qantas	**2,733**	**3,011**
Non-controlling interests	3	3
Total equity	**2,736**	**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 10 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 half-year ended 31 December 2019

December 2019 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	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 INCOME/(LOSS) FOR THE PERIOD									
Statutory profit for the period	-	-	-	-	-	-	445	-	445
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	41	-	-	-	-	41
Transfer of hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(69)	-	-	-	-	(69)
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(26)	-	-	-	-	(26)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(9)	-	-	-	-	(9)
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(45)	-	-	(45)
Foreign currency translation of controlled entities	-	-	-	-	2	-	-	-	2
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	4	-	-	-	4
Share of other comprehensive income/(loss) of investments accounted for under the equity method	-	-	-	4	-	(1)	-	-	3
Total other comprehensive income/(loss) for the period	**-**	**-**	**-**	**(59)**	**6**	**(46)**	**-**	**-**	**(99)**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(59)**	**6**	**(46)**	**445**	**-**	**346**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(95)	-	-	-	-	-	(348)	-	(443)
Dividends paid	-	-	-	-	-	-	(204)	-	(204)
Treasury shares acquired	-	(5)	-	-	-	-	-	-	(5)
Share-based payments	-	-	19	-	-	-	-	-	19
Shares vested and transferred to employees	-	105	(74)	-	-	-	(22)	-	9
Total contributions by and distributions to owners	**(95)**	**100**	**(55)**	**-**	**-**	**-**	**(574)**	**-**	**(624)**
Total transactions with owners	**(95)**	**100**	**(55)**	**-**	**-**	**-**	**(574)**	**-**	**(624)**
Balance as at 31 December 2019	**1,776**	**(52)**	**46**	**(23)**	**8**	**(74)**	**1,052**	**3**	**2,736**

1 Other Reserves includes the Defined Benefit Reserve ($79) 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 10 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 half-year ended 31 December 2019

December 2018 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	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 PERIOD									
Statutory profit for the period	-	-	-	-	-	-	463	-	463
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(140)	-	-	-	-	(140)
Transfer of hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(186)	-	-	-	-	(186)
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	-	-	-	(156)	-	-	-	-	(156)
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(91)	-	-	(91)
Foreign currency translation of controlled entities	-	-	-	-	1	-	-	-	1
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	3	-	-	-	3
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(11)	-	-	-	-	(11)
Total other comprehensive (loss)/income for the period	**-**	**-**	**-**	**(506)**	**4**	**(91)**	**-**	**-**	**(593)**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**(506)**	**4**	**(91)**	**463**	**-**	**(130)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(332)	-	-	-	-	-	-	-	(332)
Dividends paid	-	-	-	-	-	-	(168)	-	(168)
Treasury shares acquired	-	(56)	-	-	-	-	-	-	(56)
Share-based payments	-	-	26	-	-	-	-	-	26
Shares vested and transferred to employees	-	54	(51)	-	-	-	(2)	-	1
Total contributions by and distributions to owners	**(332)**	**(2)**	**(25)**	**-**	**-**	**-**	**(170)**	**-**	**(529)**
Total transactions with owners	**(332)**	**(2)**	**(25)**	**-**	**-**	**-**	**(170)**	**-**	**(529)**
Balance as at 31 December 2018	**2,176**	**(117)**	**81**	**(206)**	**(12)**	**(2)**	**1,002**	**3**	**2,925**

1 Other Reserves includes the Defined Benefit Reserve ($4) million and the Fair Value Reserve of $2 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 10 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 half-year ended 31 December 2019

	December 2019 $M	December 2018 (restated)[1] $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	9,874	9,548
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees)	(7,983)	(7,986)
Cash generated from operations	**1,891**	**1,562**
Cash payments to employees for redundancies and related costs	(22)	(11)
Discretionary bonus payments to non-executive employees	(2)	(15)
Interest received	18	20
Interest paid (interest-bearing liabilities)	(75)	(81)
Interest paid (lease liabilities)	(50)	(51)
Dividends received from investments accounted for under the equity method	13	10
Australian income taxes paid	(296)	-
Foreign income taxes (paid)/refunded	(2)	1
Net cash from operating activities	**1,475**	**1,435**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(1,246)	(1,176)
Interest paid and capitalised on qualifying assets	(26)	(21)
Proceeds from disposal of a controlled entity	-	139
Proceeds from disposal of property, plant and equipment	12	11
Proceeds from disposal of shares in associate	-	11
Payments for investments accounted for under the equity method	(2)	-
Net cash used in investing activities (excluding aircraft operating lease refinancing)	(1,262)	(1,036)
Aircraft operating lease refinancing	-	(88)
Net cash used in investing activities	**(1,262)**	**(1,124)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share buy-back	(443)	(332)
Payments for treasury shares	(5)	(56)
Proceeds from interest-bearing liabilities	422	445
Repayments of interest-bearing liabilities	(189)	(215)
Repayments of lease liabilities	(205)	(187)
Dividends paid to shareholders	(204)	(168)
Net cash used in financing activities	**(624)**	**(513)**
Net decrease in cash and cash equivalents held	**(411)**	**(202)**
Cash and cash equivalents held at the beginning of the period	2,157	1,694
Effects of exchange rate changes on cash and cash equivalents	(1)	2
Cash and cash equivalents at the end of the period	**1,745**	**1,494**

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 10 for further information.

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

Condensed Notes to the Consolidated Interim Financial Report

For the half-year ended 31 December 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the Qantas Sale Act.

The Consolidated Interim Financial Report of Qantas for the half-year ended 31 December 2019 comprises Qantas Group and its controlled entities (together referred to as the Qantas Group) and the Qantas Group's interest in investments accounted for using the equity method. The Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2019 is available at www.qantas.com.au or upon request from the registered office of Qantas Group at 10 Bourke Road, Mascot NSW 2020, Australia.

This Consolidated Interim Financial Report for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 20 February 2020.

(B) STATEMENT OF COMPLIANCE

The Consolidated Interim Financial Report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board (AASB). The Financial Report of the Qantas Group also complies with International Accounting Standard IAS 34 Interim Financial Reporting.

The Consolidated Interim Financial Report does not include all of the information required for an Annual Financial Report and should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2019. This report should also be read in conjunction with any public announcements made by Qantas Group in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The Consolidated Interim Financial Report is presented in Australian dollars, which is the functional currency of the Qantas Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Qantas is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

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

The accounting policies adopted in the preparation of the Consolidated Interim Financial 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 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 10.

(D) 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).

(E) 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* and the IFRIC Fair Value hedging agenda decision as outlined above).

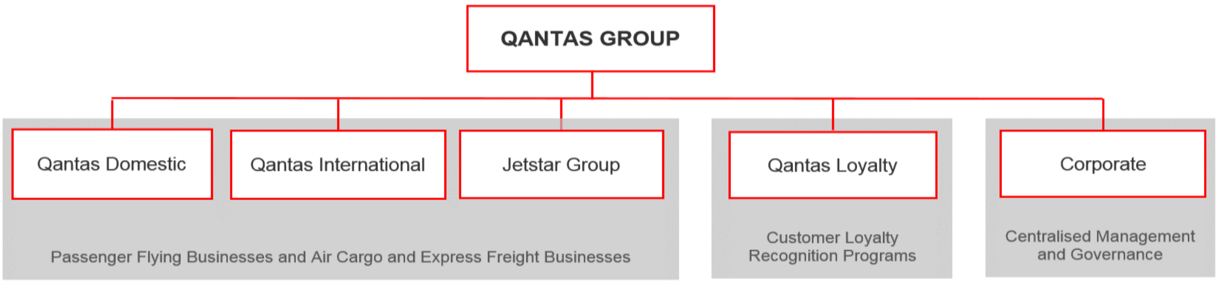
Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

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

December 2019 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	3,015	3,689	2,045	787	3	(75)	9,464
Inter-segment revenue and other income	203	154	75	85	-	(517)	-
Total segment revenue and other income	**3,218**	**3,843**	**2,120**	**872**	**3**	**(592)**	**9,464**
Share of net profit of investments accounted for under the equity method	4	5	1	-	-	-	10
Underlying EBITDA	**821**	**518**	**443**	**219**	**(79)**	**(16)**	**1,906**
Depreciation and amortisation[2]	(356)	(396)	(223)	(23)	(8)	-	(1,006)
Underlying EBIT	**465**	**122**	**220**	**196**	**(87)**	**(16)**	**900**
Net finance costs					(129)		(129)
Underlying PBT					**(216)**		**771**
Twelve Month ROIC %[3]							**19.6%**

1 Unallocated/Eliminations represents unallocated costs 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 a 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).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

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

ii. Analysis by Operating Segment (CONTINUED)

December 2018 (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	3,036	3,526	1,974	726	2	(58)	9,206
Inter-segment revenue and other income	194	167	74	83	-	(518)	-
Total segment revenue and other income	**3,230**	**3,693**	**2,048**	**809**	**2**	**(576)**	**9,206**
Share of net profit of investments accounted for under the equity method	4	4	(5)	-	-	-	3
Underlying EBITDA	**857**	**477**	**471**	**195**	**(83)**	**(18)**	**1,899**
Depreciation and amortisation[3]	(379)	(358)	(218)	(20)	(8)	-	(983)
Underlying EBIT	**478**	**119**	**253**	**175**	**(91)**	**(18)**	**916**
Net finance costs					(141)		(141)
Underlying PBT					**(232)**		**775**
Twelve Month ROIC %[4]							**19.5%**

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 10 for further information.

2 Unallocated/Eliminations represents unallocated costs 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 a 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 bellyspace 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 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.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX	December 2019 $M	December 2018 (restated) $M
Underlying PBT	**771**	**775**
Items not included in Underlying PBT		
– Transformation costs	(117)	(104)
– Discretionary bonuses to non-executive employees	(6)	(19)
– Net gain on disposal of a controlled entity	-	45
– Net gain on disposal/reversal of impairment of associate	-	43
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision	-	(47)
– Other	-	(2)
Total items not included in Underlying PBT	**(123)**	**(84)**
Statutory Profit Before Income Tax Expense	**648**	**691**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

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)

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, major transformational/restructuring initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

In the first half of 2019/20, these included:

- Transformation costs of $117 million included redundancy and related costs of $37 million, fleet restructuring costs of $48 million (primarily related to costs of the introduction of the 789 Dreamliners and the retirement of the 747 fleet) and other upfront costs of $32 million directly incurred to enable the delivery of transformation benefits. Included in fleet restructuring costs are $21 million of non-cash accelerated depreciation and inventory write-downs.
- Discretionary bonuses to non-executive employees of $6 million which are paid to non-executive employees after the employee's post wage freeze collective agreement is voted upon and approved.

The first half of 2018/19 included the following items (restated where relevant for the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision):

- Net gain on disposal of a controlled entity of $45 million which related to the sale of Qantas Catering completed in 2018/19.
- Net gain on disposal/reversal of impairment of associate of $43 million which relates to the Group's investment in Helloworld Travel Limited. The Group sold 2 million shares for $5.50 per share in September 2018 and reversed previously recognised impairment. The reversal of the impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.
- 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 *Financial Instruments,* 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 the Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital for the period.

Twelve month ROIC % is the ROIC EBIT for the twelve months ended 31 December divided by the Average Invested Capital for the period 1 January to 31 December.

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 adjustment 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.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

i. ROIC EBIT (CONTINUED)

	Twelve months to 31 December 2019 $M	Twelve months to 31 December 2018[2] $M
Underlying EBIT		
- For the six months ended 30 June	692	701
- For the six months ended 31 December	900	916
Total Underlying EBIT for the period	**1,592**	**1,617**
Add back: Non-cancellable aircraft lease rentals for the six months ended 30 June 2018	-	131
Add back: Lease depreciation under AASB 16	370	179
Less: Notional depreciation[1]	(109)	(117)
Less: Cash payments for non-aircraft leases	(206)	(94)
ROIC EBIT for the twelve months ended 31 December	**1,647**	**1,716**
Average Invested Capital for the twelve months ended 31 December	**8,387**	**8,782**
ROIC %[3]	**19.6%**	**19.5%**

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.

2 ROIC EBIT has been restated from 1 July 2018 as a result of adoption of AASB 16 *Leases* and IFRIC Fair Value hedging agenda decision.

3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

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 period.

INVESTED CAPITAL	December 2019 $M	December 2018 (restated) $M
Receivables (current and non-current)	1,084	1,063
Inventories	379	367
Other assets (current and non-current)	607	648
Investments accounted for under the equity method	222	185
Property, plant and equipment	13,097	13,082
Intangible assets	1,263	1,161
Assets classified as held for sale	16	1
Payables	(2,358)	(2,291)
Provisions (current and non-current)	(1,449)	(1,271)
Revenue received in advance (current and non-current)	(5,763)	(5,519)
Capitalised aircraft leased assets[1]	1,369	1,433
Invested Capital as at 31 December	**8,467**	**8,859**
Average Invested Capital for the twelve months ended	**8,387**	**8,782**

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.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

iii. ROIC %

	December 2019 %	December 2018 (restated) %
Twelve month ROIC%[1]	**19.6**	**19.5**

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

iv. ROIC (Statutory EBIT) %

	2019 %	2018 %
Twelve month ROIC (Statutory EBIT)%[1]	**17.6**	**17.5**

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

	December 2019 cents	December 2018 (restated) cents
Underlying earnings per share[1]	**34.3**	**31.3**

1 Underlying earnings per share is calculated as Underlying PBT less tax expense based on the Group's effective tax rate of 31.3 per cent (2018: 33.0 per cent) divided by the weighted average number of shares during the year, excluding unallocated treasury shares.

3 EARNINGS PER SHARE

	December 2019 cents	December 2018 (restated) cents
Basic earnings per share[1]	**28.8**	**27.9**
Diluted earnings per share[2]	**28.8**	**27.8**

1 Weighted average number of shares used in basic earnings per share calculation of 1,543 million (2018: 1,660 million) excludes unallocated treasury shares.

2 Weighted average number of shares used in diluted earnings per share calculation of 1,547 million (2018: 1,665 million) excludes unallocated treasury shares and includes the effect of share rights expected to vest (using treasury stock method).

	$M	$M
Statutory profit attributable to members of Qantas	**445**	**463**

	Number M	Number M
NUMBER OF SHARES		
Issued shares as at 1 July	1,571	1,684
Shares bought back and cancelled	(80)	(58)
Issued shares as at 31 December	**1,491**	**1,626**
Weighted average number of shares as at 31 December	**1,545**	**1,662**

4 REVENUE AND OTHER INCOME

The Group's operations and main revenue streams are consistent with those described in the Group's annual consolidated financial statements for the year ended 30 June 2019.

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	December 2019 $M	December 2018 $M
Net passenger and freight revenue		
Australia	6,302	6,182
Overseas	2,499	2,370
Total net passenger and freight revenue	**8,801**	**8,552**
Other revenue and income	663	654
Total revenue and other income	**9,464**	**9,206**

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.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

4 REVENUE AND OTHER INCOME (CONTINUED)

(B) OTHER REVENUE AND INCOME

	December 2019 $M	December 2018 (restated) $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	283	246
Qantas store and other redemption revenue[1,2]	44	37
Third Party Services Revenue	175	198
Other income	161	173
Total other revenue and income	**663**	**654**

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.

5 OTHER EXPENDITURE

	December 2019 $M	December 2018 (restated) $M
Commissions and other selling costs	367	370
Computer and communication	270	241
Capacity hire (excluding lease component)	146	152
Property occupancy and utility expenses	88	122
Marketing and advertising	105	92
Discretionary bonuses to non-executive employees	6	19
Discount rate changes impact on provisions	18	15
Redundancies and related costs	38	9
Net gain on disposal of property, plant and equipment	(2)	(7)
Net gain on disposal of a controlled entity	-	(45)
Net gain on disposal/reversal of impairment of associate	-	(43)
Other	187	267
Total other expenditure	**1,223**	**1,192**

6 INCOME TAX EXPENSE

(A) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX

	December 2019 $M	December 2018 (restated) $M
Statutory profit before income tax expense	**648**	**691**
Income tax expense using the domestic corporate tax rate of 30 per cent	(194)	(207)
Adjusted for:		
(Non-deductible) share of net profit of investments accounted for under the equity method	-	(2)
(Non-deductible losses)/non-assessable profits for foreign branches and controlled entities	(8)	(8)
Other net (non-deductible) items	-	(4)
(Under) provision from prior periods	(1)	(7)
Income tax expense	**(203)**	**(228)**

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

	December 2019 $M	December 2018 $M
Cash flow hedges	27	217
Defined benefit actuarial losses	19	39
Income tax benefit directly recognised in the Consolidated Statement of Comprehensive Income	**46**	**256**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

7 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) DIVIDENDS DECLARED AND PAID

In February 2020, the Directors declared a fully franked interim dividend of 13.5 cents per ordinary share, totalling $201 million. The record date for determining entitlements to the interim dividend is 3 March 2020. The dividend will be paid on 9 April 2020.

During the half-year ended 31 December 2019, the Group paid a fully franked dividend of 13 cents per ordinary share, totalling $204 million on 23 September 2019.

(B) OTHER SHAREHOLDER DISTRIBUTIONS

In February 2020, the Directors announced an off-market share buy-back of up to $150 million. The Qantas Group has the ability to purchase a maximum of 43.7 million of its own shares at this time, without shareholder approval (to remain within the limit of 10 per cent of shares bought back in the preceding 12 months, per the Corporations Act).

The Group will determine the size of the buy-back at the end of the tender period, depending on relevant factors such as the market price of shares at the relevant time, shareholder demand, market conditions, available franking credits, the Group's forecast earnings, capital requirements and the requirements of its Constitution and applicable laws. For illustrative purposes, if the total spend by the Group is $150 million and assuming a buy-back price of $5.59 (being a 14 per cent discount to an assumed market price of $6.50), the Group would buy-back 26.8 million shares. The Group can vary the size of the buy-back, or decide not to buy back any shares, at its discretion. Refer to the buy-back booklet for further information.

During the half-year ended 31 December 2019, 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).

8 COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 31 December 2019 are $9,363 million (30 June 2019: $9,550 million).

The Group's capital expenditure commitments are predominantly denominated in US dollars. Reported capital expenditure commitments are translated to the Australian dollar presentational currency at the 31 December 2019 closing exchange rate of $0.69 (30 June 2019: $0.69).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

9 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.

	December 2019				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	-	-	1,745	1,749	-	-	2,157	2,162
Receivables	-	-	1,084	1,084	-	-	1,178	1,178
Other financial assets[1]	253	98	-	351	422	96	-	518
Financial assets	**253**	**98**	**2,829**	**3,184**	**422**	**96**	**3,335**	**3,858**
Payables	-	-	2,358	2,358	-	-	2,366	2,366
Interest-bearing liabilities	-	-	5,386	5,864	-	-	5,137	5,607
Other financial liabilities[1]	94	-	-	94	137	-	-	137
Financial liabilities	**94**	**-**	**7,744**	**8,316**	**137**	**-**	**7,503**	**8,110**

1 Other financial assets and liabilities represent the fair value of 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.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 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, the Consolidated Income Statement and the Consolidated Cash Flow Statement for the half-year ended 31 December 2018 and the 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 10(A) to 10(D).

The Group's revised accounting policies for leases under AASB 16 are provided in Note 10(E).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (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 asset and total liabilities recognised on the Consolidated Balance Sheet and therefore the reconciliation between the Consolidated Balance Sheet and net debt under the Group's Financial Framework has changed.

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 payment for 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 $5.1 billion to $6.3 billion is based on the Average Invested Capital of $8.4 billion.

	Metric $B	December 2019 $B	December 2018 $B
Net debt	**5.1 to 6.3**	**5.3**	**5.2**

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, the Consolidated Income Statement and the Consolidated Cash Flow Statement for the half-year ended 31 December 2018 and the 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 (half-year ended 31 December 2018 and 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'.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (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**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (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**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (CONTINUED)

(B) CONSOLIDATED INCOME STATEMENT RESTATEMENT

The impact on the Consolidated Income Statement for the six months ended 31 December 2018 is:

	31 December 2018 $M	AASB 16 Remeasurements $M	IFRIC Fair Value Hedges $M	31 December 2018 (restated) $M
REVENUE AND OTHER INCOME				
Net passenger revenue	8,027	-	-	8,027
Net freight revenue	525	-	-	525
Other revenue and income	654	-	-	654
Revenue and other income	**9,206**	**-**	**-**	**9,206**
EXPENDITURE				
Manpower and staff-related	2,205	-	-	2,205
Aircraft operating variable	1,987	5	-	1,992
Fuel	1,963	-	-	1,963
Depreciation and amortisation	856	173	(4)	1,025
Non-cancellable aircraft operating lease rentals	135	(135)	-	-
Share of net profit of investments accounted for under the equity method	(13)	10	-	(3)
Other[1]	1,247	(77)	22	1,192
Expenditure	**8,380**	**(24)**	**18**	**8,374**
Statutory profit before income tax expense and net finance costs	826	24	(18)	832
Finance income	23	-	**-**	23
Finance costs	(114)	(50)	**-**	(164)
Net finance costs	**(91)**	**(50)**	**-**	**(141)**
Statutory profit before income tax expense	**735**	**(26)**	**(18)**	**691**
Income tax expense	(237)	4	5	(228)
Statutory profit for the period	**498**	**(22)**	**(13)**	**463**

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (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 Reclassifications $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)
Other[1]	2,485	(140)	50	2,395
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 period	**891**	**(22)**	**(29)**	**840**

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (CONTINUED)

(C) CASHFLOW RESTATEMENT

The impact on the Consolidated Cash Flow Statement for the six months ended 31 December 2018 is:

	31 December 2018 $M	AASB 16 Remeasurements $M	IFRIC Fair Value Hedges $M	31 December 2018 (restated) $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	9,548	-	-	9,548
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and discretionary bonus payments to non-executive employees)	(8,215)	229	-	(7,986)
Cash generated from operations	**1,333**	**229**	**-**	**1,562**
Cash payments to employees for redundancies and related costs	(11)	-	-	(11)
Discretionary bonus payments to non-executive employees	(15)	-	-	(15)
Interest received	20	-	-	20
Interest paid (interest-bearing liabilities)	(84)	3	-	(81)
Interest paid (lease liabilities)	-	(51)	-	(51)
Dividends received from investments accounted for under the equity method	10	-	-	10
Foreign income taxes refunded	1	-	-	1
Net cash from operating activities	**1,254**	**181**	**-**	**1,435**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment and intangible assets	(1,176)	-	-	(1,176)
Interest paid and capitalised on qualifying assets	(21)	-	-	(21)
Proceeds from disposal of a controlled entity	139	-	-	139
Proceeds from disposal of property, plant and equipment	11	-	-	11
Proceeds from disposal of shares in associate	11	-	-	11
Net cash used in investing activities (excluding aircraft operating lease refinancing)	(1,036)	-	-	(1,036)
Aircraft operating lease refinancing	(88)	-	-	(88)
Net cash used in investing activities	**(1,124)**	**-**	**-**	**(1,124)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for share buy-back	(332)	-	-	(332)
Payments for treasury shares	(56)	-	-	(56)
Proceeds from interest-bearing liabilities	445	-	-	445
Repayments of interest-bearing liabilities	(221)	6	-	(215)
Repayments of lease liabilities	-	(187)	-	(187)
Dividends paid to shareholders	(168)	-	-	(168)
Net cash used in financing activities	**(332)**	**(181)**	**-**	**(513)**
Net decrease in cash and cash equivalents held	**(202)**	**-**	**-**	**(202)**
Cash and cash equivalents held at the beginning of the period	1,694	-	-	1,694
Effects of exchange rate changes on cash and cash equivalents	2	-	-	2
Cash and cash equivalents at the end of the period	**1,494**	**-**	**-**	**1,494**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (CONTINUED)

(C) CASHFLOW RESTATEMENT (CONTINUED)

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 Fair 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 (excluding aircraft operating lease refinancing)	(1,563)	-	-	(1,563)
Aircraft operating lease refinancing	(88)	-	-	(88)
Net cash used in investing activities	**(1,651)**	**-**	**-**	**(1,651)**
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)
Net cash used in financing activities	**(705)**	**(357)**	**-**	**(1,062)**
Net decrease in cash and cash equivalents held	**451**	**-**	**-**	**451**
Cash and cash equivalents 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**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (CONTINUED)

(D) EARNINGS PER SHARE

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

	31 December 2018 $M	Remeasurements $M	31 December 2018 (restated) $M
Basic earnings per share (cents)	30.0	(2.1)	27.9
Diluted earnings per share (cents)	30.0	(2.2)	27.8

	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.

<u>Scope</u>

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 less from the commencement date and that 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).

<u>Lease liability</u>

At 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.

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.

<u>Right of use asset</u>

At 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.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (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 *Financial Instruments,* the hedge relationship was designated prospectively from 1 July 2019. For the comparative periods before this designation (half-year ended 31 December 2018 and 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. IFRIC agenda decision on the lease term of cancellable or renewable leases

In November 2019, the IFRS Interpretations Committee (IFRIC) issued an agenda decision providing additional guidance on how to determine the lease term under AASB 16 of a cancellable lease or a renewable lease (including 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).

The IFRIC agenda decision provided additional guidance that when determining the enforceable period of the lease, an entity 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. If the entity concludes that the contract is enforceable beyond the notice period of a cancellable lease (or the initial period of a renewable lease), it then assesses whether it is reasonably certain not to exercise the option to terminate the lease.

The Group has leases which contain the right to use the asset after the contractual lease expiry date unless cancelled by either party (for example, property leases containing holdover clauses that may apply at lease expiry), including some leases which have expired and are cancellable by both the lessor and lessee (for example, property occupancy holdover agreements are in effect). These leases will need to be identified and assessed under the new guidance on a full retrospective basis.

Within the Interim Financial Report for the half-year ended 31 December 2019, where leases have not expired and the Group has rights to occupy the property after the contractual lease expiry date unless cancelled by either party (for example, the lease contains holdover clauses that may apply at lease expiry), the Group's assessment of lease term has only considered the contractual lease term together with any contractual extension options. Where leases have expired and the Group continues to use the asset (for example, continues to occupy the property under holdover arrangements), the Group accounts for lease payments as an expense as incurred.

The application of the additional guidance could result in an increase in lease liabilities and right of use assets (due to longer estimated lease terms) and the separate recognition of depreciation expense and interest expense.

The agenda decision has no formal effective date however the International Accounting Standards Board expects that preparers are entitled to sufficient time to determine and implement any change.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2019

10 AASB 16 LEASES (CONTINUED)

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

As the agenda decision was finalised in November 2019 and given the complexity of implementing AASB 16 on a full retrospective basis, assessing large volume of leases with different terms and conditions and the requirement for judgment and estimate, the Group is continuing to assess the potential impact of the agenda decision. The Group will adopt the agenda decision and make any adjustments, if required, as soon as practicable with any adjustments required to be recognised retrospectively as a change in accounting policy.

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 lease liabilities and the movements during the period are:

	Right of use assets $M	Lease liabilities $M
Balance as at 30 June 2019	**1,419**	**1,752**
Additions/modifications/remeasurements	366	366
Depreciation expense	(198)	-
Interest expense	-	50
Payments	-	(255)
Other movements	4	2
Balance as at 31 December 2019	**1,591**	**1,915**

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

	December 2019 $M	December 2018 (restated) $M
Lease expense for short-term leases (included in Other Expenses)	5	15
Lease expense (variable) not included in lease liabilities (included in Other Expenses)	-	6

The Group's short-term lease commitments as at 31 December 2019 are $1 million (30 June 2019: $5 million).

11 POST BALANCE DATE EVENTS

Subsequent to 31 December 2019, the Group has been impacted by the evolving situation surrounding the Coronavirus and the unprecedented travel bans imposed by various governments. As a result of the fall in demand and intakes and the uncertainty surrounding the timing of any rebound, the Group took immediate steps to bring forward the exit of its services to Beijing and suspended its services to Shanghai until 29 March 2020. The Group is continuing to monitor the impact of the Coronavirus on air travel demand and in response, has announced plans to reduce capacity across the domestic and international network with the flexibility to extend these reductions, or to reinstate in response to demand or competitive environment. This has no material effect on the Consolidated Interim Financial Report as at 31 December 2019.

Other than as noted above and as noted in Note 7 – Dividends and Other Shareholder Distributions, there has not arisen in the interval between 31 December 2019 and the date of this Report any other event that would have a material effect on the Consolidated Interim Financial Report as at 31 December 2019.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG
Sydney
20 February 2020

Andrew Yates
Partner

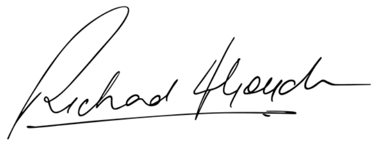
DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

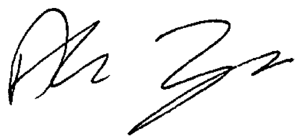
(a) the Consolidated Interim Financial Report and notes set out on pages 15 to 40 are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the financial position of the Qantas Group as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
   ii. complying with *Australian Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that Qantas Airways Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:



RICHARD GOYDER, AO
Chairman



ALAN JOYCE, AC
Chief Executive Officer

Sydney
20 February 2020

Independent Auditor's Review Report

To the members of Qantas Airways Limited

Conclusion

We have reviewed the accompanying Consolidated **Interim Financial Report** of Qantas Airways Limited (Interim Financial Report).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the **Interim Period** ended on that date; and

ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- the Consolidated Balance Sheet as at 31 December 2019;
- the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the Interim Period ended on that date;
- notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' declaration.

The **Group** comprises Qantas Airways Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the six months ending on 31 December 2019.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the Interim Period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Qantas Airways Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim period consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG
Sydney
20 February 2020

Andrew Yates
Partner

Operational Statistics

For the half-year ended 31 December 2019

(unaudited)		December 2019	December 2018	Change
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC (INCLUDING QANTASLINK)				
Passengers carried	'000	11,640	11,417	2.0%
Revenue Passenger Kilometres (RPK)	M	13,927	13,788	1.0%
Available Seat Kilometres (ASK)	M	17,437	17,314	0.7%
Revenue seat factor	%	79.9	79.6	0.3pts
JETSTAR DOMESTIC				
Passengers carried	'000	7,255	7,208	0.7%
Revenue Passenger Kilometres (RPK)	M	8,528	8,511	0.2%
Available Seat Kilometres (ASK)	M	9,668	9,693	(0.3%)
Revenue seat factor	%	88.2	87.8	0.4pts
GROUP DOMESTIC				
Group Domestic Available Seat Kilometres	M	27,105	27,007	0.4%
Group Domestic Unit Revenue				0.5%
QANTAS INTERNATIONAL				
Passengers carried	'000	4,448	4,428	0.5%
Revenue Passenger Kilometres (RPK)	M	29,938	30,044	(0.4%)
Available Seat Kilometres (ASK)	M	34,613	35,151	(1.5%)
Revenue seat factor	%	86.5	85.5	1.0pts
JETSTAR INTERNATIONAL				
Passengers carried	'000	3,263	3,238	0.8%
Revenue Passenger Kilometres (RPK)	M	9,674	9,389	3.0%
Available Seat Kilometres (ASK)	M	11,161	10,740	3.9%
Revenue seat factor	%	86.7	87.4	(0.7pts)
JETSTAR ASIA				
Passengers carried	'000	2,270	2,209	2.8%
Revenue Passenger Kilometres (RPK)	M	3,370	3,226	4.5%
Available Seat Kilometres (ASK)	M	4,001	3,956	1.1%
Revenue seat factor	%	84.2	81.5	2.7pts
GROUP INTERNATIONAL				
Group International Available Seat Kilometres	M	49,775	49,847	(0.1%)
Group International Unit Revenue				4.8%
QANTAS GROUP OPERATIONS				
Passengers carried	'000	28,876	28,500	1.3%
Revenue Passenger Kilometres (RPK)	M	65,437	64,958	0.7%
Available Seat Kilometres (ASK)	M	76,880	76,854	0.0%
Revenue seat factor	%	85.1	84.5	0.6pts
Group Unit Revenue	c/ASK	9.19	8.94	2.8%
Aircraft in service at end of period	#	316	315	1 aircraft
EMPLOYEES				
Full-time equivalent employees at end of period (FTE)	#	29,586	29,359	227