QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

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 2017 $M	December 2016 $M	Change $M	Change %
Revenue and other income	8,660	8,184	476	5.8
Statutory profit after tax	607	515	92	17.9
Statutory profit after tax attributable to members of Qantas	607	515	92	17.9
Underlying profit before tax	976	852	124	14.6

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) Dividends disclosed and paid

In February 2018, the Directors declared an unfranked interim dividend of seven cents per ordinary share, totalling $122 million. The record date for determining entitlements to the interim dividend is 8 March 2018. The dividend will be paid on 12 April 2018.

During the period ended 31 December 2017, the Group paid an unfranked dividend of seven cents per ordinary share, totalling $127 million on 13 October 2017.

(B) Other shareholder distributions

In February 2018, the Directors announced an on-market share buy-back of up to $378 million.

During the half-year ended 31 December 2017, the Group completed an on-market share buy-back of $373 million, which was announced in August 2017. The Group purchased 63.1 million ordinary shares on issue at an average share price of $5.91.

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 2017. 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 2017	June 2017
Net assets per ordinary share[1]	$	2.15	1.96
Net tangible assets per ordinary share[1]	$	1.90	1.59

		December 2017	December 2016
Basic/diluted earnings per share (Statutory Earnings per share)[2]	cents	34.0	27.3
Underlying Earnings per share[3]	cents	38.7	32.5

1 Based on number of shares outstanding at the end of the period.
2 Based on the weighted average number of shares outstanding during the period.
3 Underlying Earnings per share is calculated as Underlying PBT less tax expense (based on the Group's effective tax rate of 29.2 percent (2016: 27.9 percent)) divided by the weighted average number of shares outstanding during the period (consistent with the Statutory Earnings per share calculation).

Other Information continued

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

Loyalty Magic Pty Ltd (deregistered on 4 September 2017).

Accumulate Loyalty Services Limited (disposed on 31 October 2017).

Qantas Ventures Pty Limited (a wholly owned controlled entity incorporated on 2 November 2017).

QF 738 Leasing 5 Pty Limited (deregistered on 3 January 2018)[1].

QF 744 Leasing 3 Pty Limited (deregistered on 3 January 2018)[1].

QF A332 Leasing 3 Pty Limited (deregistered on 3 January 2018)[1].

1 Application was lodged with ASIC to deregister these companies in October 2017.

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 2017 %	June 2017 %
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 Limited	18	18
Jetstar Japan Co., Ltd.	33	33
Jetstar Pacific Airlines Aviation Joint Stock Company	30	30
PT Holidays Tours & Travel	37	37
Data Republic	14	15

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2017 and the Independent Auditor's Review Report thereon.

Directors

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

Name	Period of Directorship
Leigh Clifford, AO *Chairman*	*Current, appointed 9 August 2007 – appointed Chairman 14 November 2007*
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	*Current, appointed 19 June 2008*
Richard Goyder	*Current, appointed 17 November 2017*
Jacqueline Hey	*Current, appointed 29 August 2013*
Michael L'Estrange, AO	*Current, appointed 7 April 2016*
William Meaney	*Current, appointed 15 February 2012*
Paul Rayner	*Current, appointed 16 July 2008*
Todd Sampson	*Current, appointed 25 February 2015*
Barbara Ward, AM	*Current, appointed 19 June 2008*

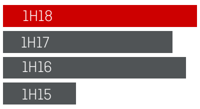
Review of Operations

For the half-year ended 31 December 2017

RESULT HIGHLIGHTS

Underlying Profit Before Tax

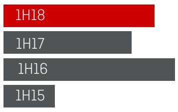
976 $M



1H18	**976**
1H17	852
1H16	921
1H15	367

Statutory Profit After Tax

607 $M



1H18	**607**
1H17	515
1H16	688
1H15	206

Twelve-month Return on Invested Capital

20.9 %

1H18	**20.9%**
1H17	21.7%
1H16	22.8%
1H15	4.1%

The Qantas Group reported a record Underlying Profit Before Tax[1] of $976 million for the six months ended 31 December 2017, an increase of $124 million from the first-half of 2016/17. The Group's Statutory Profit After Tax of $607 million increased by $92 million from the first-half of 2016/17, with the Statutory result for the first-half of 2017/18 including $119 million of costs which were not included in Underlying PBT. These costs included transformation costs such as those associated with the introduction of the Dreamliner and redundancies as well as the non-executive employee bonuses for the successful completion of the Qantas Transformation Program.

The Group emerged from the Qantas Transformation Program in a position of strength with a transformed cost base, a restructured network and a strong balance sheet. The restructured business has been able to deliver another record financial performance, effectively managing the increase in fuel costs with record results in Qantas Domestic, Jetstar Group, Qantas Loyalty and Group Domestic[2]. The international businesses have performed well, holding their own despite increases in competitor capacity and fuel costs. Financial highlights for the first half 2017/18 are:

- Statutory earnings per share up 25 per cent to a record 34.0 cents per share, reflecting higher earnings and the accretive benefit of the on-market share buy-back
- Continued strong Group Return on Invested Capital (ROIC)[3] of 20.9 per cent
- All operating segments delivering ROIC greater than their Weighted Average Cost of Capital (WACC)[4]
- Ongoing transformation on track to deliver gross benefits of greater than $400 million in 2017/18 with $181 million delivered to 31 December 2017

The financial framework remains core to the Qantas Group strategy. The balance sheet continues to strengthen with net debt[5] at $5.1 billion, towards the bottom of the $5.0 billion to $6.2 billion target range. The highest ever operating cash flow for any half year period allowed $962 million to be invested in the business and $500 million of surplus capital to be returned to shareholders through a $127 million seven cents per share dividend and an on-market share buy-back of $373 million.

With all the targets of the Group's financial framework met, disciplined approach to capital investment and strong net free cash flow, the Board resolved to distribute a further $500 million of surplus capital to shareholders, through a seven cent per share unfranked dividend totaling $122 million and an additional on-market share buy-back of up to $378 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 13.
2 Group Domestic includes Qantas Domestic and Jetstar Domestic.
3 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 for the period to exclude non-cancellable aircraft operating lease rentals and include notional depreciation for these aircraft to account for them as if they are owned aircraft.
4 Weighted Average Cost of Capital is calculated on a pre-tax basis.
5 Net debt under the Group's Financial Framework includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities.

Review of Operations continued

For the half-year ended 31 December 2017

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 growth over the cycle, to achieve total Shareholder Return (TSR) in the top quartile of the ASX100 and a basket of global airlines[6]. The Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure
   ✓ **Minimise cost of capital by targeting a net debt range of $5.0b to $6.2b**

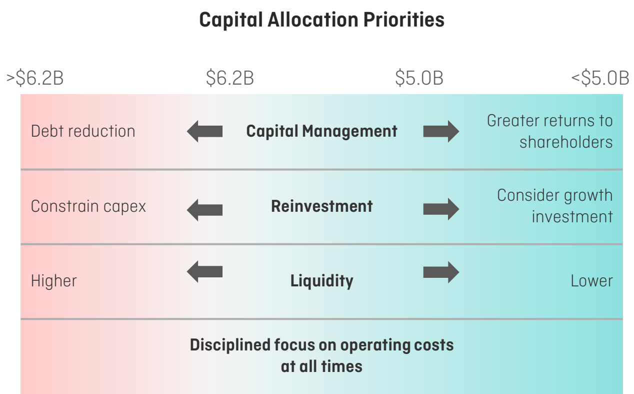
2. ROIC > WACC Through the Cycle
   ✓ **Deliver ROIC > 10% through the cycle**

3. Disciplined Allocation of Capital
   ✓ **Grow invested capital with disciplined investment, return surplus capital**

MAINTAINABLE EPS GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURN IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure



- The Group's Financial Framework targets an optimal capital structure with a net debt range of between $5.0 billion and $6.2 billion, based on the current Average Invested Capital of approximately $9 billion, a minimum ROIC return of 10 per cent and net debt/ROIC EBITDA range of 2.0-2.5 times. This capital structure lowers the Group's cost of capital, preserves financial strength and therefore enhances long-term shareholder value.
- Net debt was $5.1 billion as at 31 December 2017, 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. Within this range, the Group's cost of capital is minimised and balance sheet strength maintained.
- The Group's optimal capital structure is consistent with investment grade credit metrics. The Group is rated BBB- with Standard & Poor's and Baa2 with Moody's Investor Services.

6 Target Total Shareholder Return within the top quartile of the ASX100 and global listed airline peer group as stated in the 2017 Annual Report, with reference to the 2017-2019 Long Term Incentive Plan (LTIP).

Review of Operations continued

For the half-year ended 31 December 2017

ROIC > WACC Through the Cycle

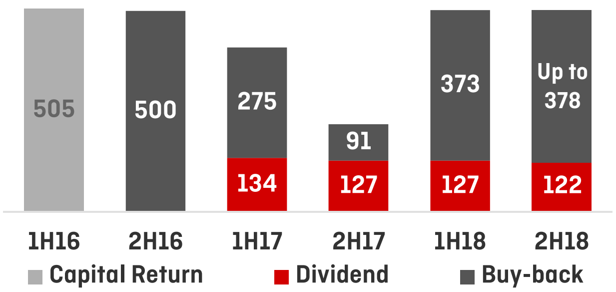
Twelve-month Return on Invested Capital

20.9 %

1H18	**20.9%**
1H17	21.7%
1H16	22.8%
1H15	4.1%

The rolling twelve month Return on Invested Capital (ROIC) of 20.9 per cent was above the Group's threshold ROIC of 10 per cent. The current Average Invested Capital is approximately $9 billion.

Disciplined Allocation of Capital



The Qantas Group takes a disciplined approach to allocating capital with the aim to grow invested capital and return surplus capital to shareholders.

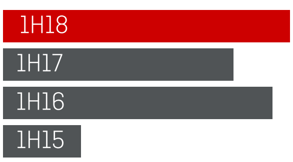
— Net capital expenditure[7] of $962 million was invested during the first half of 2017/18.
— The Group paid an unfranked dividend of seven cents per ordinary share, totalling $127 million and returned $373 million to shareholders through an on-market share buy-back. This resulted in a further 3.5 per cent reduction in shares on issue (20.5 per cent reduction since June 2015).

In February 2018, the Directors declared an unfranked interim dividend of seven cents per ordinary share, totalling $122 million and announced an additional on-market share buy-back of up to $378 million.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share

34.0 cents



1H18	**34.0**
1H17	27.3
1H16	31.9
1H15	9.2

Statutory earnings per share was a record 34.0 cents per share for the first half of 2017/18. The 25 per cent increase in earnings per share from the first-half of 2016/17 was driven by an increase in Statutory Profit After Tax and a 5.4 per cent reduction in the weighted average shares on issue since 31 December 2016.

7 Net capital expenditure is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $962 million (excluding aircraft operating lease refinancing) and the impact to Invested Capital of commencing/returning aircraft operating leases. During the first-half of 2017/18 there were no new operating aircraft leases entered into and no returns of operating leased aircraft.

Review of Operations continued

For the half-year ended 31 December 2017

Underlying PBT

The Qantas Group reported an Underlying PBT of $976 million for the first half of 2017/18, an increase of 15 per cent compared to the first half of 2016/17. This record result was driven by continued capacity discipline in the domestic market, ongoing transformation benefits, investing in product advantage to support the revenue premium and a network strategy that ensures the right aircraft flies the right route at the right time.

Net passenger revenue increased by six per cent primarily through increased Group flying activity and Unit Revenue increases in the domestic market. The benefits of transformation assisted in partially offsetting the impact of inflation, expenses associated with the increase in flying activity and the non-cash impact of discount rate changes on certain provisions and increased standing charges.

Group Underlying Income Statement Summary[8]	**December 2017 $M**	**December 2016 $M**	**Change $M**	**Change %**
Net passenger revenue	7,493	7,064	429	6
Net freight revenue	440	416	24	6
Other revenue	727	704	23	3
Revenue and Other Income	**8,660**	**8,184**	**476**	**6**
Operating expenses (excluding fuel)	(5,183)	(4,885)	(298)	(6)
Fuel	(1,547)	(1,489)	(58)	(4)
Depreciation and amortisation	(747)	(677)	(70)	(10)
Non-cancellable aircraft operating lease rentals	(141)	(192)	51	27
Share of net profit of investments accounted for under the equity method	21	8	13	>100
Total Expenditure	**(7,597)**	**(7,235)**	**(362)**	**(5)**
Underlying EBIT	**1,063**	**949**	**114**	**12**
Net finance costs	(87)	(97)	10	10
Underlying PBT	**976**	**852**	**124**	**15**

Operating Statistics		**December 2017**	**December 2016**	**Change**	**Change %**
Available Seat Kilometres (ASK)[9]	M	77,240	75,732	1,508	2
Revenue Passenger Kilometres (RPK)[10]	M	64,512	61,348	3,164	5
Passengers carried	'000	28,138	27,379	759	3
Revenue seat factor[11]	%	83.5	81.0	2.5pts	3
Operating margin[12]	%	12.3	11.6	0.7 pts	6
Unit Revenue (RASK)[13]	c/ASK	8.37	8.09	0.28	3
Total unit cost[14]	c/ASK	(7.11)	(6.97)	(0.14)	(2)
Ex-fuel unit cost[15]	c/ASK	(5.12)	(5.01)	(0.11)	(2)

Group capacity (Available Seat Kilometres) increased by two per cent, and demand (measured by Revenue Passenger Kilometres) increased by five per cent, resulting in a three percentage point increase in Revenue Seat Factor. Group Unit Revenue increased three per cent in the first-half of 2017/18 supported by transformation, domestic capacity discipline and increased load factors in a competitive international market. Group Domestic Unit Revenue was up eight per cent and Group International Unit Revenue was up one per cent.

8 Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business and adjustments of the impacts of AASB 9 which relate to other reporting periods. Refer to the reconciliation on page 13.
9 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
10 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
11 Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
12 Group Underlying EBIT divided by Group total revenue.
13 Unit Revenue (RASK) is ticketed passenger revenue divided by Available Seat Kilometre (ASK). The comparative period has been restated to conform with current year presentation.
14 Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK. The comparative period has been restated to conform with current year presentation.
15 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 FX rates, discount rates and other actual assumptions per ASK. The comparative period has been restated to conform with current year presentation.

Review of Operations continued

For the half-year ended 31 December 2017

CASH GENERATION

Cash Flow Summary	December 2017 $M	December 2016 $M	Change $M	Change %
Operating cash flows	1,734	1,173	561	48
Investing cash flows (excluding aircraft operating lease refinancing)	(962)	(885)	(77)	(9)
Net free cash flow	**772**	**288**	**484**	**>100**
Aircraft operating lease refinancing	(153)	(327)	174	53
Financing cash flows	(606)	(271)	(335)	(>100)
Cash at beginning of year	1,775	1,980	(205)	(10)
Effect of foreign exchange on cash	(1)	(2)	1	50
Cash at end of year	**1,787**	**1,668**	**119**	**7**

Debt Analysis	December 2017 $M	June 2017 $M	Change $M	Change %
Net on balance sheet debt[16]	3,094	3,062	32	1
Capitalised operating lease liabilities[17]	1,970	2,150	(180)	(8)
Net debt[18]	**5,064**	**5,212**	**(148)**	**(3)**

Operating cash flows for the first-half 2017/18 were at a record $1.7 billion, reflecting higher Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and driven mainly by a large increase in revenue received in advance associated with increased international capacity. Investing cash flows were $962 million excluding aircraft operating lease refinancing.

Net capital expenditure[19] of $962 million included investment in replacement fleet such as final delivery payments for two Boeing 787-9s delivered to Qantas International and customer experience initiatives including lounges, the Jetstar A320/321 Cabin Enhancement Program and Wi-Fi installation on the Qantas Domestic fleet.

Financing cash flows of $606 million included proceeds from borrowings of $346 million from the new corporate debt program offset by scheduled debt repayments of $306 million, a dividend of $127 million and an on-market share buy-back of $373 million. The new corporate debt program involves an innovative approach of securing debt by a revolving portfolio of mid-life aircraft. The first issuance under the program was for $350 million with an eight year tenor secured against 17 mid-life aircraft.

With reduced financial leverage and minimal near-term refinancing risk, the Group has continued to optimise the mix of liquidity with less requirement for short-term liquidity held in cash. The Group used $153 million cash in excess of its short-term requirements to purchase three aircraft out of maturing operating leases.

FLEET

The determination of the optimal fleet age for the Qantas Group balances a number of factors, including the timing 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. As such the optimal fleet age is different for different fleet types.

At all times, the Group retains significant flexibility to respond to any changes in market conditions and the competitive environment by deploying a number of strategies including fleet redeployment, maintaining a flexible order book, fleet refurbishment and fleet renewal.

16 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents.
17 Capitalised aircraft operating 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. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate.
18 Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework.
19 Net capital expenditure is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $962 million (excluding aircraft operating lease refinancing) and the impact to Invested Capital of commencing/returning aircraft operating leases. During the first-half of 2017/18 there were no new operating aircraft leases entered into and no returns of operating leased aircraft.

Review of Operations continued

For the half-year ended 31 December 2017

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 A321 Cabin Enhancement Program was completed with the A320 program underway. The Group also took delivery of the first two 787-9 aircraft for Qantas International and retired one 747-400. As at 31 December 2017, the Qantas Group fleet[20] totalled 310 aircraft, 60 per cent of which is unencumbered with an approximate value of US$3.7 billion[21] including the two new 787-9 aircraft.

SEGMENT PERFORMANCE

Segment Performance Summary	December 2017 $M	December 2016 $M	Change $M	Change %
Qantas Domestic	447	371	76	20
Qantas International[22]	222	235	(13)	(6)
Jetstar Group	318	275	43	16
Qantas Loyalty	184	181	3	2
Corporate	(93)	(88)	(5)	(6)
Unallocated/Eliminations	(15)	(25)	10	40
Underlying EBIT	**1,063**	**949**	**114**	**12**
Net finance costs	(87)	(97)	10	10
Underlying PBT	**976**	**852**	**124**	**15**

QANTAS DOMESTIC

Revenue

3,070 $M

1H18	3,070
1H17	2,916
1H16	3,007
1H15	3,007

Underlying EBIT

447 $M

1H18	447
1H17	371
1H16	387
1H15	227

Operating Margin

14.6 %

1H18	14.6%
1H17	12.7%
1H16	12.9%
1H15	7.5%

Metrics		December 2017	December 2016	Change
ASKs	M	17,681	18,254	(3.1)%
Seat factor	%	78.7	77.3	1.4pts

Qantas Domestic reported a record first-half Underlying EBIT of $447 million, up 20.5 per cent from the result in the first-half of 2016/17. Unit Revenue was up nine per cent driven by disciplined capacity management and resources sector revenue growth[23] leading to a 1.4 percentage point improvement in seat factor. Qantas Domestic maintained a leadership position in the corporate market while growing its share of the Small to Medium Enterprise (SME) market. With continued cost base discipline and ongoing transformation focus margins grew 1.9 percentage points to 14.6 per cent.

Qantas Domestic continues to focus on customer experience with:
- Over 30 per cent of 737-800 fleet now Wi-Fi equipped
- Over 16 percentage point customer advocacy premium to competitor[24]
- 86 per cent on time performance on par with competitor[25]

20 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.
21 Based on AVAC market values.
22 The Qantas Freight segment which was previously a separate operating segment has been consolidated into the Qantas International segment.
23 Resource market ticketed passenger revenue compared to 1H17. Based on Qantas internal reporting.
24 Customer advocacy measured as Net Promoter Score (NPS). Competitor refers to Virgin Australia. Based on Qantas internal reporting.
25 On time performance (OTP) of Qantas Domestic Mainline (excluding QantasLink) operations. Measured as departures within 15 minutes of scheduled departure time for first-half of 2017/18. Source: BITRE. Competitor refers to Virgin Australia.

Review of Operations continued

For the half-year ended 31 December 2017

QANTAS INTERNATIONAL

Revenue

3,439 $M

1H18	3,439
1H17	3,204
1H16	3,354
1H15	3,174

Underlying EBIT

222 $M

1H18	222
1H17	235
1H16	308
1H15	113

Operating Margin

6.5 %

1H18	6.5%
1H17	7.3%
1H16	9.2%
1H15	3.6%

Metrics		December 2017	December 2016	Change
ASKs	M	34,714	32,756	6.0%
Seat factor	%	84.4	81.3	3.1pts

Qantas International, incorporating the previous Qantas Freight segment (with comparatives restated), reported a strong Underlying EBIT of $222 million and Operating Margin of 6.5 per cent. Despite the competitive environment, Unit Revenue was up 0.3 per cent[26]. A six per cent increase in capacity was offset by a 10 per cent increase in demand[27] leading to more than a three percentage point increase in seat factor.

In the multi-year strategy to build a resilient Qantas International, 2017/18 is a transition year with the introduction of the 787-9 Dreamliner aircraft and related network restructure including:

- Commencement of the Melbourne to Los Angeles Dreamliner service in December 2017
- Commencement of the direct Perth to London service from March 2018
- Commencement of the Melbourne to San Francisco and Brisbane-Los Angeles-New York service from September 2018
- Contribution to ongoing cost base transformation

The initiatives listed above will deliver limited benefits in the current year but are expected to unlock significant benefits in the 2018/19 financial year.

During the first-half of 2017/18 the freight business delivered a steady performance.

Qantas International is continuing its investment in customer experience with:

- Customer service training completed by more than 2,000 cabin crew and frontline employees
- New London lounge opened; new Perth lounge to open in March 2018
- Partnering with the University of Sydney's Charles Perkins Centre to improve customer in-flight well-being

JETSTAR GROUP

Revenue

1,936 $M

1H18	1,936
1H17	1,859
1H16	1,913
1H15	1,773

Underlying EBIT

318 $M

1H18	318
1H17	275
1H16	262
1H15	81

Operating Margin

16.4 %

1H18	16.4%
1H17	14.8%
1H16	13.7%
1H15	4.6%

Metrics		December 2017	December 2016	Change
ASKs	M	24,845	24,722	0.5%
Seat factor	%	85.7	83.3	2.4pts

26 Calculated as ticketed passenger revenue per ASK.
27 Measured as Revenue Passenger Kilometres (RPKs).

Review of Operations continued

For the half-year ended 31 December 2017

Jetstar Group reported a record half-year Underlying EBIT of $318 million, up 15.6 per cent from the result in first-half of 2016/17. Jetstar Domestic achieved a record Underlying EBIT result driven primarily by a seven per cent increase in Unit Revenue, as improved demand and disciplined capacity management in the domestic market led to an improvement in Revenue Seat Factor. Jetstar's international operations delivered strong earnings despite the impact of the Bali volcanic eruption.

In the half, Jetstar's Asian airline portfolio was profitable. Jetstar Japan maintained its leadership position[28] in the low cost carrier market.

As part of the strategy to align Jetstar's growth with Asia, the network continues to grow with nearly 100 services per week[29] into China and its territories as well as growth into Bali and Vietnam.

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

- Roll out of the next phase of service training for more than 3,000 team members
- Completion of the cabin enhancement program for the A321 aircraft with the A320 aircraft retrofit currently underway
- Club Jetstar continued to grow with more than 195,000 members[30]
- Launch of new and innovative payment options

QANTAS LOYALTY

Revenue

763 $M

1H18	763
1H17	743
1H16	734
1H15	669

Underlying EBIT

184 $M

1H18	184
1H17	181
1H16	176
1H15	160

Operating Margin

24.1 %

1H18	24.1%
1H17	24.4%
1H16	24.0%
1H15	23.9%

Metrics		December 2017	December 2016	Change
QFF members	M	12.0	11.6	3.9%

Qantas Loyalty reported another record result with Underlying EBIT of $184 million, up two per cent compared to first-half 2016/17.

The strategy to mitigate the impacts of the interchange fee regulation changes is on track. Our bank partners have restructured their credit card portfolios as a result of the regulatory changes, with increases in average member earn per credit card.

The coalition business fundamentals are strengthening with:

- Co-branded credit card growth outpacing the market[31] and increases in member earn per credit card
- 48 new retail earn partners
- Additional 'Everyday Earn' partners to commence in fourth quarter of 2017/18
- Qantas Business Rewards membership growth[32] which supports the airlines' SME strategy

Qantas Loyalty continues to grow the scale of new businesses supported by digital and marketing assets. Assure Health remains the number one brand in market for growth[33] with one of the lowest premium increases[34]. In December 2017, Qantas Money successfully launched the Qantas Premier Everyday card, following the strong take up of the Qantas Premier Platinum card which was launched in June 2017.

28 Measured as a percentage of market share based on ASKs. Source: Diio Mi.
29 Including charter services. Source Diio Mi.
30 Members as at February 2018. Market launched in Japan and Singapore in first-half of 2017/18. Continued member growth in Australia and New Zealand following relaunch in May 2017 and June 2017, respectively.
31 Based on the number of credit cards accounts with interest free periods. Based on December 2017 compared to June 2017. Source: RBA credit and card charges statistics.
32 Members at December 2017 compared to June 2017.
33 Twelve months to June 2017 on net persons insured. Source: APRA PHI Statistics for June 2017.
34 Effective 1 April 2018. Includes all Qantas Assure products as at 8 December 2017. Source: Australian Government Department of Health (excludes the Australian Government Rebate).

Review of Operations continued

For the half-year ended 31 December 2017

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Profit Before Tax was $857 million for the half year ended 31 December 2017.

UNDERLYING PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group and Qantas Loyalty operating segments is Underlying EBIT. The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Underlying PBT is derived by adjusting Statutory Profit Before Tax for the impacts of ineffectiveness and non-designated derivatives relating to other reporting periods and certain other items which are not included in Underlying PBT.

	December 2017 $M	December 2016 $M
Reconciliation of Underlying PBT to Statutory Profit Before Tax		
Underlying PBT	**976**	**852**
Ineffectiveness and non-designated derivatives relating to other reporting periods	**–**	**1**
Other items not included in Underlying PBT		
— Transformation costs	(74)	(73)
— Turnaround, Wage Freeze and Record Results employee bonuses[35]	(53)	(80)
— Net reversal of impairment	–	20
— Net gain on disposal of a controlled entity	6	–
— Other	2	(5)
Total other items not included in Underlying PBT	**(119)**	**(138)**
Statutory Profit Before Tax	**857**	**715**

Underlying PBT is derived by adjusting Statutory Profit Before Tax for the impacts of:

i. Ineffectiveness and non-designated derivatives relating to other reporting periods

The difference between Statutory Profit Before Tax and Underlying PBT results from derivative mark-to-market movements being recognised in the Consolidated Income Statement in a different period to the underlying exposure.

ii. Other items not included in Underlying PBT

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

Items not included in Underlying PBT primarily result from 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 2017/18 these included:

- Transformation costs relating to the Qantas Transformation Program of $74 million
- Turnaround employee bonus of $53 million payable to non-executive employees that had agreed to an 18 month pay freeze in recognition of the successful completion of the turnaround program
- The net gain on sale of a controlled entity which related to the sale of a business within the Qantas Loyalty segment completed during the period

35 Payable to non-executive employees.

Review of Operations continued

For the half-year ended 31 December 2017

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, conflict or an epidemic. Qantas is subject 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 or mitigate these risks.

— **Competitive intensity:** Market capacity growth ahead of underlying demand impacts industry profitability.
- Australia's liberal aviation policy settings coupled with the strength of the Australian economy relative to global economic weakness in recent years has attracted more offshore competitors to the Australian international aviation market, predominantly state-sponsored airlines. Qantas remains focused on building a resilient and sustainable business through transformation, key strategic airline partnerships with strong global partners and optimising its network through the right aircraft on the right routes. Qantas brings domestic strength and the unrivalled customer offering of Qantas Loyalty.
- 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 any 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 as well as maintaining a revenue premium through investing in customer experience and network. Jetstar is working to maintain its lowest seat cost and yield advantage. These priorities result in Qantas Domestic and Jetstar Domestic delivering their highest Underlying EBITs in their respective markets as well as operating margin improvement.

— **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. For 2017/18, the Group's hedging profile is positioned such that the expected total fuel cost is $3.24 billion[36] with a 20 per cent participation rate[37] to lower fuel prices. Together with the hedging program, an increased focus on forecasting and operational agility of our aviation operations supports the Group to manage the residual uncertainty.

— **Cyber security and privacy regulation**: The cyber security and privacy regulatory environment is continuing to evolve. Qantas remains focused on further strengthening its governance, processes and technology controls to continue to protect the integrity and privacy of data, and maintain compliance with regulatory requirements. The Qantas Group's ongoing investment in cyber transformation initiatives, together with its extensive Control and Risk Framework[38] operate to reduce the impact of cyber security incidents, ensuring early detection and effective mitigating activities.

— **Key business partners and alliances:** The Qantas Group has relationships with a number of key business partners. Strong and established governance structures mitigate any potential exposures as a result of these partnerships.

— **Climate change:** The Qantas Group is subject to short and long-term climate-related physical, regulatory and transition risks. These risks are an inherent part of the operations of an airline and are managed by strengthening governance, technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies and physical trends) impact the proximity of climate-related risks.

36 As at 15 February 2018, the expected fuel cost for the remainder of financial year 2017/18 assume that the long-term correlation between oil prices and the AUD/USD exchanges rates hold. Actual fuel costs for 2017/18 could be impacted by a breakdown in this assumed correlation or by increases in refiner margins.
37 As at 15 February 2018, participation from current market Brent prices down to A$76/bbl for remainder of 2017/18.
38 An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available on www.qantas.com.au.

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 31 and forms part of the Directors' Report for the half-year ended 31 December 2017.

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 2017 which has been reviewed by the Group's Independent Auditor.

Signed pursuant to a Resolution of the Directors:

LEIGH CLIFFORD, AO
Chairman

ALAN JOYCE, AC
Chief Executive Officer

Sydney
22 February 2018

Consolidated Income Statement

For the half-year ended 31 December 2017

	Notes	December 2017 $M	December 2016 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		7,493	7,064
Net freight revenue		440	416
Other	3(B)	727	704
Revenue and other income		**8,660**	**8,184**
EXPENDITURE			
Manpower and staff related		2,141	2,027
Aircraft operating variable		1,823	1,767
Fuel		1,547	1,488
Depreciation and amortisation		747	677
Non-cancellable aircraft operating lease rentals		141	192
Share of net profit of investments accounted for under the equity method		(21)	(8)
Other	4	1,338	1,229
Expenditure		**7,716**	**7,372**
Statutory profit before income tax expense and net finance costs		**944**	**812**
Finance income		23	24
Finance costs		(110)	(121)
Net finance costs		**(87)**	**(97)**
Statutory profit before income tax expense		**857**	**715**
Income tax expense	5	(250)	(200)
Statutory profit for the period		**607**	**515**
Attributable to:			
Members of Qantas		607	515
Non-controlling interests		–	–
Statutory profit for the period		**607**	**515**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic/diluted earnings per share (cents)		**34.0**	**27.3**

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 2017

	December 2017 $M	December 2016 $M
Statutory profit for the period	**607**	**515**
Items that are or may be subsequently reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	190	104
Transfer of hedge reserve to the Consolidated Income Statement, net of tax[1]	(69)	14
Recognition of effective cash flow hedges on capitalised assets, net of tax	11	–
Net changes in hedge reserve for time value of options, net of tax	43	39
Foreign currency translation of controlled entities	2	(1)
Foreign currency translation of investments accounted for under the equity method	(10)	(7)
Share of other comprehensive income of investments accounted for under the equity method	3	4
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial (losses)/gains, net of tax	(6)	187
Total other comprehensive income for the period	**164**	**340**
Total comprehensive income for the period	**771**	**855**

Attributable to:		
Members of Qantas	771	855
Non-controlling interests	–	–
Total comprehensive income for the period	**771**	**855**

1 These amounts were allocated to fuel expenditure of $(97) million (2016: $20 million), and income tax of $28 million (2016: income tax of ($6) 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 2017

	December 2017 $M	June 2017 $M
CURRENT ASSETS		
Cash and cash equivalents	1,787	1,775
Receivables	909	784
Other financial assets	247	100
Inventories	364	351
Assets classified as held for sale	20	12
Other	127	97
Total current assets	**3,454**	**3,119**
NON-CURRENT ASSETS		
Receivables	99	123
Other financial assets	52	43
Investments accounted for under the equity method	232	214
Property, plant and equipment	12,562	12,253
Intangible assets	1,060	1,025
Other	441	444
Total non-current assets	**14,446**	**14,102**
Total assets	**17,900**	**17,221**
CURRENT LIABILITIES		
Payables	2,297	2,067
Revenue received in advance	3,699	3,685
Interest-bearing liabilities	420	433
Other financial liabilities	46	69
Provisions	828	841
Total current liabilities	**7,290**	**7,095**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,409	1,424
Interest-bearing liabilities	4,462	4,405
Other financial liabilities	28	56
Provisions	334	348
Deferred tax liabilities	624	353
Total non-current liabilities	**6,857**	**6,586**
Total liabilities	**14,147**	**13,681**
Net assets	**3,753**	**3,540**
EQUITY		
Issued capital	2,886	3,259
Treasury shares	(101)	(206)
Reserves	133	12
Retained earnings	832	472
Equity attributable to the members of Qantas	**3,750**	**3,537**
Non-controlling interests	3	3
Total equity	**3,753**	**3,540**

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 2017

December 2017 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Defined Benefit Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2017	**3,259**	**(206)**	**124**	**(100)**	**(16)**	**4**	**472**	**3**	**3,540**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD									
Statutory profit for the period	–	–	–	–	–	–	607	–	607
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	190	–	–	–	–	190
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(69)	–	–	–	–	(69)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	11	–	–	–	–	11
Net changes in hedge reserve for time value of options, net of tax	–	–	–	43	–	–	–	–	43
Foreign currency translation of controlled entities	–	–	–	–	2	–	–	–	2
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	(10)	–	–	–	(10)
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	3	–	–	–	–	3
Defined benefit actuarial losses, net of tax	–	–	–	–	–	(6)	–	–	(6)
Total other comprehensive income/(loss) for the period	**–**	**–**	**–**	**178**	**(8)**	**(6)**	**–**	**–**	**164**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**178**	**(8)**	**(6)**	**607**	**–**	**771**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(373)	–	–	–	–	–	–	–	(373)
Dividend paid	–	–	–	–	–	–	(127)	–	(127)
Treasury shares acquired	–	(146)	–	–	–	–	–	–	(146)
Share-based payments	–	–	36	–	–	–	–	–	36
Shares vested and transferred to employees	–	251	(79)	–	–	–	(120)	–	52
Total contributions by and distributions to owners	**(373)**	**105**	**(43)**	**–**	**–**	**–**	**(247)**	**–**	**(558)**
Total transactions with owners	**(373)**	**105**	**(43)**	**–**	**–**	**–**	**(247)**	**–**	**(558)**
Balance as at 31 December 2017	**2,886**	**(101)**	**81**	**78**	**(24)**	**(2)**	**832**	**3**	**3,753**

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 2017

December 2016 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Defined Benefit Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2016	**3,625**	**(50)**	**72**	**(118)**	**(3)**	**(171)**	**(100)**	**5**	**3,260**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD									
Statutory profit for the period	–	–	–	–	–	–	515	–	515
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	104	–	–	–	–	104
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	14	–	–	–	–	14
Net changes in hedge reserve for time value of options, net of tax	–	–	–	39	–	–	–	–	39
Foreign currency translation of controlled entities	–	–	–	–	(1)	–	–	–	(1)
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	(7)	–	–	–	(7)
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	4	–	–	–	–	4
Defined benefit actuarial gains, net of tax	–	–	–	–	–	187	–	–	187
Total other comprehensive income/(loss) for the period	**–**	**–**	**–**	**161**	**(8)**	**187**	**–**	**–**	**340**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**161**	**(8)**	**187**	**515**	**–**	**855**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(275)	–	–	–	–	–	–	–	(275)
Dividend paid	–	–	–	–	–	–	(134)	–	(134)
Treasury shares acquired	–	(65)	–	–	–	–	–	–	(65)
Share-based payments	–	–	28	–	–	–	–	–	28
Shares vested and transferred to employees	–	41	(13)	–	–	–	(20)	–	8
Total contributions by and distributions to owners	**(275)**	**(24)**	**15**	**–**	**–**	**–**	**(154)**	**–**	**(438)**
Total transactions with owners	**(275)**	**(24)**	**15**	**–**	**–**	**–**	**(154)**	**–**	**(438)**
Balance as at 31 December 2016	**3,350**	**(74)**	**87**	**43**	**(11)**	**16**	**261**	**5**	**3,677**

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 2017

	December 2017 $M	December 2016 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	9,018	8,276
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs and Turnaround, Wage Freeze and Record Results bonuses)	(7,129)	(6,920)
Cash generated from operations	**1,889**	**1,356**
Cash payments to employees for redundancies and related costs	(25)	(31)
Cash payments to employees for Turnaround, Wage Freeze and Record Results bonuses	(74)	(71)
Interest received	18	21
Interest paid	(77)	(104)
Dividends received from investments accounted for under the equity method	5	3
Income taxes paid (foreign)	(2)	(1)
Net cash from operating activities	**1,734**	**1,173**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(959)	(860)
Interest paid and capitalised on qualifying assets	(25)	(20)
Payments for investments accounted for under the equity method	(2)	(16)
Proceeds from sale of a controlled entity	17	–
Proceeds from disposal of property, plant and equipment	7	11
Net cash used in investing activities (excluding aircraft operating lease refinancing)	(962)	(885)
Aircraft operating lease refinancing	(153)	(327)
Net cash used in investing activities	**(1,115)**	**(1,212)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(127)	(134)
Payments for share buy-back	(373)	(275)
Payments for treasury shares	(146)	(65)
Proceeds from borrowings	346	422
Repayments of borrowings	(306)	(227)
Net receipts for aircraft security deposits and hedges related to debt	–	8
Net cash used in financing activities	**(606)**	**(271)**
Net increase/(decrease) in cash and cash equivalents held	**13**	**(310)**
Cash and cash equivalents at the beginning of the period	1,775	1,980
Effect of exchange rate changes on cash and cash equivalents	(1)	(2)
Cash and cash equivalents at the end of the period	**1,787**	**1,668**

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 2017

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 2017 comprises Qantas 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 as at and for the year ended 30 June 2017 is available at www.qantas.com.au or upon request from the registered office of Qantas at 10 Bourke Road, Mascot NSW 2020, Australia.

This Consolidated Interim Financial Report for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 22 February 2018.

(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 2017. This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

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

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) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Qantas Group in this Consolidated Interim Financial Report are the same as those applied by the Qantas Group in the Consolidated Annual Financial Report for the year ended 30 June 2017.

(D) COMPARATIVES

Where applicable, comparative balances have been reclassified to align with current period presentation.

(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 2017.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

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

(A) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT)

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

Underlying PBT is derived by adjusting Statutory Profit Before Tax for the impacts of ineffectiveness and non-designated derivatives relating to other reporting periods and certain other items which are not included in Underlying PBT.

	December 2017 $M	December 2016 $M
RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX		
Underlying PBT	**976**	**852**
Ineffectiveness and non-designated derivatives relating to other reporting periods	**–**	**1**
Other items not included in Underlying PBT		
– Transformation costs	(74)	(73)
– Turnaround, Wage Freeze and Record Results employee bonuses	(53)	(80)
– Net gain on sale of a controlled entity	6	–
– Net reversal of impairment	–	20
– Other	2	(5)
Total other items not included in Underlying PBT	**(119)**	**(138)**
Statutory Profit Before Tax	**857**	**715**

Underlying PBT is derived by adjusting Statutory Profit Before Tax for the impacts of:

i. **Ineffectiveness and Non-designated Derivatives relating to Other Reporting Periods**

The difference between Statutory Profit Before Tax and Underlying PBT results from derivative mark-to-market movements being recognised in the Consolidated Income Statement in a different period to the underlying exposure.

ii. **Other Items Not Included in Underlying PBT**

Items which are identified by Management and reported to the CODM 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.

- Transformation costs relating to the Qantas Transformation Program of $74 million were incurred during the period
- Turnaround employee bonus of $53 million payable to non-executive employees that had agreed to an 18 month pay freeze, in recognition of the successful completion of the turnaround program
- The net gain on sale of a controlled entity which related to the sale of a business within the Qantas Loyalty segment completed during the period

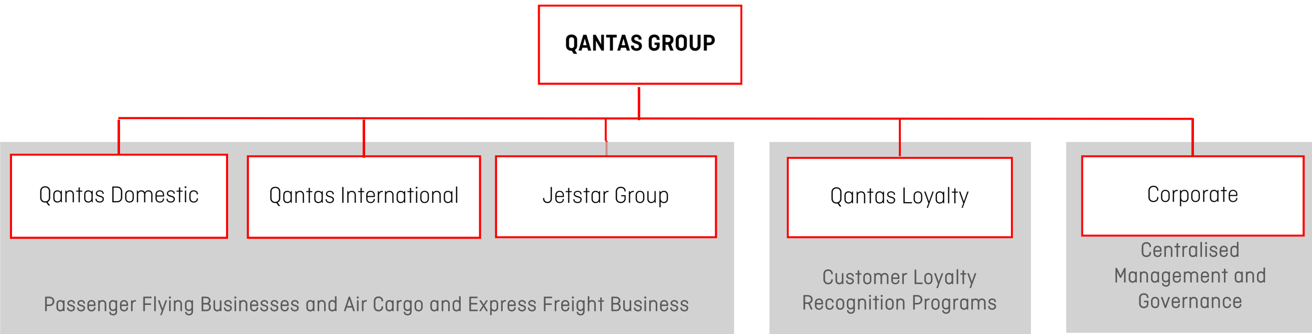
Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

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

(B) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



The Qantas Freight segment which was previously reported as a separate operating segment has been included in the Qantas International segment as the performance of the freight activities is now monitored and managed by the CODM within the Qantas flying businesses. The Qantas International segment is considered to be the appropriate operating segment as the majority of freight revenue is earned in international markets. The Qantas Freight segment therefore no longer meets the definition of an operating segment in accordance with the accounting standards. Comparative information has been restated to conform with the current year presentation.

i. Underlying EBIT

The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying EBIT. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments.

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

ii. Analysis by Operating Segment

December 2017 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	2,842	3,233	1,867	700	10	8	8,660
Inter-segment revenue and other income	228	206	69	63	–	(566)	–
Total segment revenue and other income	**3,070**	**3,439**	**1,936**	**763**	**10**	**(558)**	**8,660**
Share of net profit of investments accounted for under the equity method	2	2	17	–	–	–	21
Underlying EBITDAR[1]	**805**	**514**	**532**	**199**	**(87)**	**(12)**	**1,951**
Non-cancellable aircraft operating lease rentals	(40)	(33)	(68)	–	–	–	(141)
Depreciation and amortisation	(318)	(259)	(146)	(15)	(6)	(3)	(747)
Underlying EBIT	**447**	**222**	**318**	**184**	**(93)**	**(15)**	**1,063**
Underlying net finance costs					(87)		(87)
Underlying PBT					**(180)**		**976**
Twelve Month ROIC %[3]							**20.9%**

1 Underlying EBITDAR represents Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.
2 Unallocated/Eliminations represents unallocated costs and other businesses of the Qantas Group which are not considered to be operating segments including consolidation elimination entries.
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 2017

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

ii. Analysis by Operating Segment

December 2016 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	2,682	3,005	1,786	672	7	32	8,184
Inter-segment revenue and other income	234	199	73	71	–	(577)	–
Total segment revenue and other income	**2,916**	**3,204**	**1,859**	**743**	**7**	**(545)**	**8,184**
Share of net profit of investments accounted for under the equity method	2	3	3	–	–	–	8
Underlying EBITDAR[1]	**739**	**509**	**483**	**190**	**(82)**	**(21)**	**1,818**
Non-cancellable aircraft operating lease rentals	(76)	(31)	(84)	–	–	(1)	(192)
Depreciation and amortisation	(292)	(243)	(124)	(9)	(6)	(3)	(677)
Underlying EBIT	**371**	**235**	**275**	**181**	**(88)**	**(25)**	**949**
Underlying net finance costs					(97)		(97)
Underlying PBT					**(185)**		**852**
Twelve Month ROIC %[3]							**21.7%**

1 Underlying EBITDAR represents Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.
2 Unallocated/Eliminations represents unallocated costs and other businesses of the Qantas Group which are not considered to be operating segments including consolidation elimination entries.
3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital (Refer to Note 2(C)).

(C) RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC %) is a non-statutory measure and is the 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 non-cancellable aircraft operating lease rentals and include notional depreciation for these aircraft to account for them as if they were owned aircraft.

The objective of this adjustment is to show an EBIT result which is indifferent to the financing or ownership structure of aircraft assets. ROIC EBIT therefore excludes the finance costs implicit within operating lease rental payments.

	Twelve months to 31 December 2017 $M	Twelve months to 31 December 2016 $M
Underlying EBIT		
– For the six months ended 30 June	641	720
– For the six months ended 31 December	1,063	949
Total Underlying EBIT for the period	**1,704**	**1,669**
Add: Non-cancellable aircraft lease rentals for the twelve months ended 31 December	305	399
Less: Notional depreciation[1] for the twelve months ended 31 December	(138)	(177)
ROIC EBIT for the twelve months ended 31 December	**1,871**	**1,891**
Average invested capital for the twelve months ended 31 December	**8,938**	**8,708**
ROIC %	**20.9%**	**21.7%**

1 For calculating ROIC, capitalised operating leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated in accordance with the Group's accounting policies with the calculated depreciation reported above known as notional depreciation.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

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

ii. Average Invested Capital

Invested Capital includes the net assets of the business other than cash, debt, other financial assets/(liabilities) and tax balances. Invested Capital is also adjusted to include an amount representing the capitalised value of operating leased aircraft assets as if they were owned aircraft. The objective of this adjustment is to show Invested Capital which is indifferent to financing or ownership structures of aircraft assets. Invested Capital therefore includes the capital held in operating leased aircraft, which is a non-statutory adjustment, as in accordance with Australian Accounting Standards, these assets are not recognised on balance sheet.

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

	December 2017 $M	December 2016 $M
INVESTED CAPITAL		
Receivables (current and non-current)	1,008	971
Inventories	364	352
Other assets (current and non-current)	568	590
Investments accounted for under the equity method	232	238
Property, plant and equipment	12,562	12,168
Intangible assets	1,060	956
Assets classified as held for sale	20	14
Payables	(2,297)	(2,161)
Provisions (current and non-current)	(1,162)	(1,143)
Revenue received in advance (current and non-current)	(5,108)	(4,787)
Capitalised operating leased assets[1]	1,625	2,112
Invested Capital as at 31 December	**8,872**	**9,310**
Average Invested Capital for the twelve months ended	**8,938**	**8,708**

1 For calculating ROIC, capitalised operating leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft 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 operating leased aircraft assets.

iii. ROIC %

	December 2017 %	December 2016 %
Twelve month ROIC %	**20.9**	**21.7**

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

iv. Underlying Earnings per Share

	December 2017 cents	December 2016 cents
Underlying Earnings per share[1]	**38.7**	**32.5**

1 Underlying Earnings per share is calculated as Underlying PBT less tax expense (based on the Group's effective tax rate of 29.2 percent (2016: 27.9 percent) divided by the weighted average number of shares during the year (consistent with the Statutory Earnings per share calculation).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

3 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREAS

	December 2017 $M	December 2016 $M
Net passenger and freight revenue		
Australia	5,749	5,407
Overseas	2,184	2,073
Total net passenger and freight revenue	**7,933**	**7,480**
Other income	727	704
Total revenue and other income	**8,660**	**8,184**

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

(B) OTHER INCOME

	December 2017 $M	December 2016 $M
Frequent Flyer marketing revenue, membership fees and other revenue	223	222
Frequent Flyer store and other redemption revenue[1]	145	154
Retail, advertising and other property revenue	86	71
Contract work revenue	70	67
Other	203	190
Total other income	**727**	**704**

1 Frequent Flyer redemption revenue excludes redemptions on Qantas Group flights which are reported as net passenger revenue in the Consolidated Income Statement.

4 OTHER EXPENDITURE

	December 2017 $M	December 2016 $M
Commissions and other selling costs	311	257
Computer and communication	237	241
Property	133	121
Capacity hire	135	146
Non-aircraft operating lease rentals	114	112
Marketing and advertising	54	60
Turnaround, Wage Freeze and Record Results employee bonuses	53	80
Redundancies and related costs	34	27
Discount rate and other actuarial assumption changes on employee-related provisions	16	(42)
Contract work materials	6	6
Inventory write-off	5	2
Net loss/(gain) on disposal of property, plant and equipment	1	(5)
Net (gain)/loss on sale of a controlled entity	(6)	–
Net impairment/(reversal of impairment) of investments	–	(20)
Ineffective and non-designated derivatives	–	(1)
Other	245	245
Total other expenditure	**1,338**	**1,229**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

5 INCOME TAX EXPENSE

	December 2017 $M	December 2016 $M
RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX		
Statutory profit before income tax expense	**857**	**715**
Income tax expense using the domestic corporate tax rate of 30 per cent	(257)	(215)
Adjusted for:		
Non-assessable share of net profit for investments accounted for under the equity method	6	2
Non-assessable profits/(non-deductible losses) for foreign branches and controlled entities	3	(2)
Other net non-assessable items	–	8
(Under)/over provision from prior periods	(2)	7
Income tax expense	**(250)**	**(200)**

	December 2017 $M	December 2016 $M
INCOME TAX RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Cash flow hedges	(76)	(67)
Defined benefit actuarial losses/gains	3	(80)
Income tax expense recognised in the Consolidated Statement of Comprehensive Income	**(73)**	**(147)**

No income tax is payable due to the utilisation of carry forward tax losses and other temporary differences.

The Group's carry forward tax losses at 31 December 2017 were $368 million (30 June 2017: $951 million).

6 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) DIVIDENDS DISCLOSED AND PAID

In February 2018, the Directors declared an unfranked interim dividend of seven cents per ordinary share totalling $122 million. The record date for determining entitlements to the interim dividend is 8 March 2018. The dividend will be paid on 12 April 2018.

During the period ended 31 December 2017, the Group paid an unfranked dividend of seven cents per ordinary share, totalling $127 million on 13 October 2017.

(B) OTHER SHAREHOLDER DISTRIBUTIONS

In February 2018, the Directors announced an on-market share buy-back of up to $378 million.

During the period ended 31 December 2017, the Group completed an on-market share buy-back of $373 million, which was announced in August 2017. The Group purchased 63.1 million ordinary shares on issue at an average share price of $5.91.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

7 COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 31 December 2017 are $11,230 million (30 June 2017: $11,385 million). The Group has certain rights within its aircraft purchase contracts which can defer the above capital commitments.

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 2017 closing exchange rate of $0.77 (30 June 2017: $0.76).

(B) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	December 2017 $M	June 2017 $M
AS LESSEE		
Finance lease and hire purchase liabilities (included in the Consolidated Balance Sheet)		
Aircraft and engines – payable:		
Not later than one year	144	143
Later than one year but not later than five years	813	697
Later than five years	568	762
Total aircraft and engines	**1,525**	**1,602**
Less: future lease and hire purchase finance charges and deferred lease benefits	(214)	(238)
Total finance lease and hire purchase liabilities	**1,311**	**1,364**

Finance lease and hire purchase liabilities (included in the Consolidated Balance Sheet)		
Current liabilities	104	103
Non-current liabilities	1,207	1,261
Total finance lease and hire purchase liabilities	**1,311**	**1,364**

The Qantas Group leases aircraft under finance leases with expiry dates between one and 10 years. Most finance leases contain purchase options exercisable at the end of the lease term. The Qantas Group has the right to negotiate extensions on most leases.

(C) OPERATING LEASE COMMITMENTS

	December 2017 $M	June 2017 $M
AS LESSEE		
Non-cancellable operating lease commitments		
Aircraft and engines – payable:		
Not later than one year	260	279
Later than one year but not later than five years	667	715
Later than five years	74	75
Total aircraft and engines	**1,001**	**1,069**
Non-aircraft – payable:		
Not later than one year	166	161
Later than one year but not later than five years	390	398
Later than five years but not later than 10 years	300	295
Later than 10 years	273	298
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	(2)	(3)
Total non-aircraft	**1,127**	**1,149**
Total non-cancellable operating lease commitments	**2,128**	**2,218**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2017

8 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. 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 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 derivative financial instruments recognised on the Consolidated Balance Sheet in accordance with AASB 9.

	December 2017			June 2017		
	Carrying Amount Held at			Carrying Amount Held at		
$M	Fair Value Through Profit And Loss	Amortised Cost	Fair Value	Fair Value Through Profit And Loss	Amortised Cost	Fair Value
Financial assets						
Cash and cash equivalents	–	1,787	1,791	–	1,775	1,779
Receivables	–	1,008	1,008	–	907	907
Other financial assets[1]	299	–	299	143	–	143
Financial liabilities						
Payables	–	2,297	2,297	–	2,067	2,067
Interest-bearing liabilities	–	4,882	4,975	–	4,838	5,049
Other financial liabilities[1]	74	–	74	125	–	125

1 Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on the Consolidated Balance Sheet in accordance with AASB 9. These derivative financial instruments have been measured at fair value using Level 2 inputs in estimating their fair values.

9 POST BALANCE DATE EVENTS

Other than as noted in Note 6 - Dividends and Other Shareholder Distributions, there has not arisen in the interval between 31 December 2017 and the date of this Report any other event that would have had a material effect on the Consolidated Interim Financial Report as at 31 December 2017.

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 2017 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
22 February 2018

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 16 to 30 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 2017 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
   ii. complying with *Australian Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed pursuant to a Resolution of the Directors:

LEIGH CLIFFORD, AO
Chairman

ALAN JOYCE, AC
Chief Executive Officer

Sydney
22 February 2018

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 2017 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 2017;
- 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 9 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 2017.

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 2017 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	Andrew Yates	Julian McPherson
Sydney	*Partner*	*Partner*
22 February 2018		

Operational Statistics

For the half-year ended 31 December 2017

(unaudited)		December 2017	December 2016[1]	Change
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC (INCLUDING QANTASLINK)				
Passengers carried	'000	11,466	11,549	(0.7)%
Revenue passenger kilometres (RPK)	M	13,923	14,119	(1.4)%
Available seat kilometres (ASK)	M	17,681	18,254	(3.1)%
Revenue seat factor	%	78.7	77.3	1.4 pts
JETSTAR DOMESTIC				
Passengers carried	'000	7,041	6,831	3.1%
Revenue passenger kilometres (RPK)	M	8,246	8,080	2.1%
Available seat kilometres (ASK)	M	9,536	9,662	(1.3)%
Revenue seat factor	%	86.5	83.6	2.9 pts
GROUP DOMESTIC				
Group Domestic Available Seat Kilometres	M	27,217	27,916	(2.5)%
Group Domestic Unit Revenue				8.1%
QANTAS INTERNATIONAL				
Passengers carried	'000	4,170	3,722	12.0%
Revenue passenger kilometres (RPK)	M	29,302	26,643	10.0%
Available seat kilometres (ASK)	M	34,714	32,756	6.0%
Revenue seat factor	%	84.4	81.3	3.1 pts
JETSTAR INTERNATIONAL				
Passengers carried	'000	3,245	3,135	3.5%
Revenue passenger kilometres (RPK)	M	9,715	9,188	5.7%
Available seat kilometres (ASK)	M	11,358	11,007	3.2%
Revenue seat factor	%	85.5	83.5	2.0 pts
JETSTAR ASIA				
Passengers carried	'000	2,216	2,142	3.5%
Revenue passenger kilometres (RPK)	M	3,326	3,319	0.2%
Available seat kilometres (ASK)	M	3,951	4,054	(2.5)%
Revenue seat factor	%	84.2	81.9	2.3 pts
GROUP INTERNATIONAL				
Group International Available Seat Kilometres	M	50,023	47,816	4.6%
Group International Unit Revenue				0.8%
QANTAS GROUP OPERATIONS				
Passengers carried	'000	28,138	27,379	2.8%
Revenue passenger kilometres (RPK)	M	64,512	61,348	5.2%
Available seat kilometres (ASK)	M	77,240	75,732	2.0%
Revenue seat factor	%	83.5	81.0	2.5 pts
Group Unit Revenue	c/ASK	8.37	8.09	3.5%
Aircraft in service at end of period	#	310	308	2
EMPLOYEES				
Full-time equivalent employees at end of period (FTE)	#	29,924	30,179	(255)

1 Passenger numbers for the Qantas Group Operations, Qantas Domestic and Qantas International have been restated to align with the current period presentation on a sector basis.