QANTAS AIRWAYS LIMITED AND ITS CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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.

	June 2017 $M	June 2016 $M	Change $M	Change %
Revenue and other income	16,057	16,200	(143)	(0.9%)
Statutory profit after tax	853	1,029	(176)	(17.1%)
Statutory profit after tax attributable to members of Qantas	852	1,029	(177)	(17.2%)
Underlying profit before tax	1,401	1,532	(131)	(8.6%)

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

	Amount per Ordinary Share cents	Franked Amount per Ordinary Share cents	Dividend Declared $M	Payment Date
2017 final dividend[1]	7.0	–	127	October 2017
2017 interim dividend[1]	7.0	3.5	127	April 2017
2016 final dividend	7.0	7.0	134	October 2016

1 For non-Australian shareholders, no Dividend Withholding Tax will be withheld as Conduit Foreign Income (CFI) credits will be attached to the unfranked portion.

(A) Dividends declared and paid

In August 2017, the Directors declared an unfranked final dividend of seven cents per ordinary share, totalling $127 million. The record date for determining entitlements to the final dividend is 11 September 2017. The dividend will be paid on 13 October 2017.

For the year ended 30 June 2017, $261 million of dividends were paid to shareholders of Qantas Airways Limited and $3 million of dividends were paid to non-controlling interest shareholders by non-wholly owned controlled entities.

(B) Other shareholder distributions

In August 2017, the Directors announced an on-market share buy-back of up to $373 million.

During the year ended 30 June 2017, the Group completed an on-market share buy-back of $366 million, which was announced in August 2016. The Group purchased 110.6 million of ordinary shares on issue at a weighted average share price of $3.31.

EXPLANATION OF RESULTS

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

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

Other Information

		June 2017	June 2016
Net assets per ordinary share[1]	$	1.96	1.70
Net tangible assets per ordinary share[1]	$	1.59	1.20
Basic/diluted earnings per share (Statutory Earnings per share)[2]	cents	46.0	49.4
Underlying Earnings per share[3]	cents	54.6	53.1

1 Based on number of shares outstanding at the end of the period.
2 Based on the weighted average number of shares 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 27.8% (2016: 27.7%)) divided by the weighted average number of shares during the year (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 YEAR

First Brisbane Airport Proprietary Ltd (deregistered on 24 February 2017)

Second Brisbane Airport Proprietary Ltd (deregistered on 24 February 2017)

QF 738 Leasing 6 Pty Ltd (deregistered on 24 February 2017)

QF 744 Leasing 4 Pty Ltd (deregistered on 24 February 2017)

QF A332 Leasing 4 Pty Limited (deregistered on 24 February 2017)

Jetstar International Group Holdings Co. Ltd (liquidator appointed on 25 November 2016)

Vii Pty Ltd (The company was incorporated on 23 June 2017 as A.C.N. 619 963 263 Pty Ltd and on 30 June 2017 changed its name to Vii Pty Ltd.)

Loyalty Magic Pty Ltd (Application lodged with ASIC to deregister the company on 29 June 2017)

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	June 2017 %	June 2016 %
Data Republic	16	16
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 Ltd[1].	18	19
Jetstar Japan Co., Ltd.	33	33
Jetstar Pacific Airlines Aviation Joint Stock Company	30	30
PT Holidays Tours & Travel	37	37

1 The Group's shareholding was reduced to 17.66% following an institutional placement of shares and Helloworld's issuance of additional shares to acquire cruise businesses.

ASIC GUIDANCE

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. To comply with Regulatory Guide 230 issued by ASIC in December 2011, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards.

In line with previous years and in accordance with the *Corporations Act 2001*, the Review of Operations is unaudited. The Review of Operations contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2017. The Annual Financial Report is being audited and is expected to be made available in September 2017.

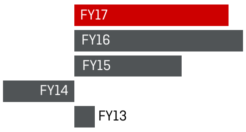
Review of Operations

For the year ended 30 June 2017

RESULT HIGHLIGHTS

Underlying Profit Before Tax

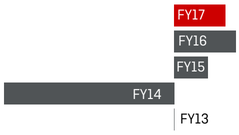
1,401 $M



FY17	**1,401**
FY16	1,532
FY15	975
FY14	(646)
FY13	186

Statutory Profit After Tax

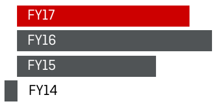
853 $M



FY17	**853**
FY16	1,029
FY15	560
FY14	(2,843)
FY13	2

Twelve-month Return on Invested Capital

20.1 %



FY17	**20.1%**
FY16	22.7%
FY15	16.2%
FY14	(1.5%)

The Qantas Group reported an Underlying Profit Before Tax[1] of $1,401 million for the 12 months ended 30 June 2017, a decline of $131 million from the record result of the 2015/16 financial year. The Group's Statutory Profit After Tax of $853 million was down $176 million from the prior year, primarily due to financial year 2015/16 including the one-off benefit of the gain on sale of the Sydney Domestic Terminal. The Statutory result for this financial year included $220 million of costs which were not included in Underlying PBT[1]. These costs included redundancies, restructuring and other costs associated with the Qantas Transformation Program.

The Group is delivering against its strategy to maximise long-term shareholder value, building on our leading position in domestic Australia, building a more resilient Qantas International, growing non-cyclical earnings at Qantas Loyalty, aligning Qantas and Jetstar with the rise of Asia and investing in our people and our customers. Over 2016/17, strategic highlights included:

— The second highest Underlying Profit Before Tax in the Group's 97 year history[2]
— Continued strong Return on Invested Capital (ROIC) at 20.1 per cent[3] with all segments[4] delivering ROIC greater than the weighted average cost of capital (WACC)
— All Qantas Transformation targets were delivered
— Record earnings[5] were achieved by Qantas Domestic and Group Domestic[6]
— Second highest earnings[5] for Qantas International and Jetstar Group
— Record earnings[5] for Qantas Loyalty
— Record levels of customer advocacy[7]
— Record people engagement[8]

Three years ago the Group set out an ambitious plan to successfully turnaround the business. The turnaround program is complete and has achieved a significant improvement in financial performance, record customer advocacy and record employee engagement. Through the program, the Group has demonstrated its ability to deliver sustainable financial performance and is positioned for a strong future. Importantly, the Group has embedded a culture of transformation and continuous improvement to ensure it will deliver sustainable returns well into the future.

The Group's Financial Framework continues to guide our strategy. Our balance sheet strength and disciplined approach to capital allocation has allowed us to invest in the business while delivering returns to shareholders. Some key achievements include:

— Net debt[9] of $5.2 billion, towards the low end of the target range of $4.8 billion to $6 billion[10]
— Credit rating from Moody's Investor Services upgraded to Baa2 and maintained a BBB- rating from Standard & Poor's
— Cost of capital minimised by continuing to use cash in excess of short-term requirements to refinance operating leases
— $627 million returned to shareholders in 2016/17 through dividends totalling 14 cents per share and an on-market share buy-back totalling $366 million
— Additional capital management initiatives announced, including an unfranked seven cents per share ordinary dividend totalling $127 million and the announcement of an on-market share buy-back of up to $373 million
— $425 million Australian Dollar bond issuance, extending debt tenor

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, Qantas Loyalty and Qantas Freight 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.
2 Underlying PBT has been the Group's primary performance reporting measure since financial year 2008/09. For periods prior to financial year 2008/09, comparison is to Statutory PBT adjusted for disclosed extraordinary items.
3 Calculated as ROIC EBIT for the 12 months ended 30 June 2017, divided by the 12 months Average Invested Capital.
4 Qantas Domestic, Qantas International, Jetstar Group, Qantas Freight and Qantas Loyalty.
5 Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT).
6 Includes Qantas Domestic and Jetstar Domestic.
7 Record Net Promoter Score (NPS) achieved at Qantas Domestic, Qantas International and Qantas Loyalty.
8 Five percentage point improvement from financial year 2012/13 to financial year 2016/17.
9 Net debt under the Group's Financial Framework includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease.
10 Target range calculated on current Invested Capital of approximately $9 billion.

Review of Operations continued

For the year ended 30 June 2017

The Group's strong result was achieved in mixed global trading conditions, with a two per cent decrease in Unit Revenue[11] partially offset by a total unit cost[12] improvement of one per cent.

Domestic Australia experienced a stable competitive environment with a 1.1 per cent increase in market demand[13] through:

- Healthy demand in price driven segments
- Strengthening business market demand
- Strong east coast performance from both business and leisure markets

This resulted in a Group Domestic Unit Revenue increase of two per cent in financial year 2016/17.

The Group's international operating environment was very competitive, with competitor capacity growth and sharper pricing activity seen on key routes. Competitor capacity[14] of 11 per cent was added in the first-half of the financial year. This moderated to an 8.5 per cent increase for the full year, providing some relief from the competitive pressure on airfares. Jetstar benefited from the strong demand in the growing Asian markets. Group International Unit Revenue decreased five per cent in financial year 2016/17.

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

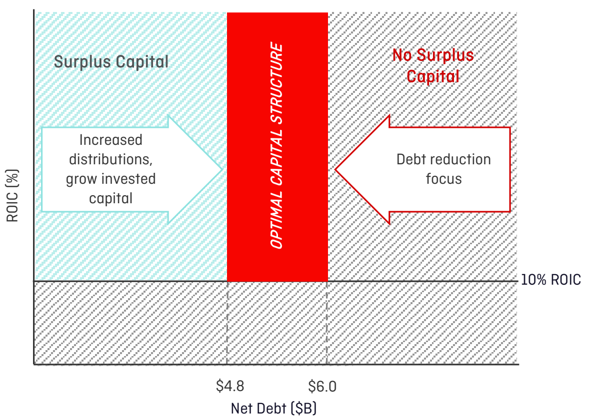
Qantas' Financial Framework aligns our objectives with those of our shareholders. With the aim of generating maintainable Earnings per Share (EPS) growth over the cycle, which in turn should translate into Total Shareholder Return (TSR) in the top quartile of the ASX100 and a basket of global airlines[15], the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC[16] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a net debt range of \$4.8 billion to \$6 billion	Deliver ROIC > 10 per cent through the cycle	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 \$4.8 billion and \$6 billion, based on the current Average Invested Capital of approximately \$9 billion. This capital structure lowers the Group's cost of capital, preserves financial strength and therefore enhances long-term shareholder value. In financial year 2016/17, Group net debt of \$5.2 billion, was towards the low end of the target range of \$4.8 billion to \$6 billion.
- 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 against a range of earnings scenarios.
- 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.

11 Unit Revenue (RASK) is calculated as ticketed passenger revenue per available seat kilometre (ASK).
12 Total unit cost is calculated as Underlying PBT less ticketed passenger revenue per available seat kilometre (ASK).
13 Measured by Revenue Passenger Kilometres (RPK). Source BITRE for the 12 months ending May 2017.
14 Source: BITRE data for July 2016-April 2017. Diio Mi forecast data for May 2017-June 2017. Excludes Qantas Group.
15 Target Total Shareholder Return within the top quartile of the ASX100 and global listed airline peer group as stated in the 2016 Annual Report, with reference to the 2017-2019 Long Term Incentive Plan (LTIP).
16 Weighted Average Cost of Capital (WACC) calculated on a pre-tax basis.

Review of Operations continued

For the year ended 30 June 2017

ROIC > WACC Through the Cycle

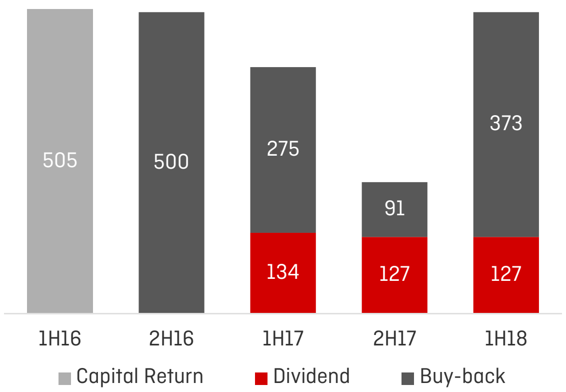
Twelve-month Return on Invested Capital

20.1 %

FY17	**20.1%**
FY16	22.7%
FY15	16.2%
FY14	(1.5%)

Return on Invested Capital (ROIC) of 20.1 per cent was above the Group's threshold ROIC of 10 per cent.

Disciplined Allocation of Capital



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

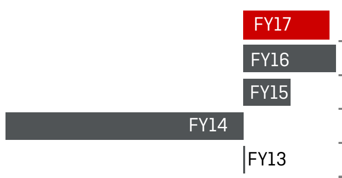
- Net capital expenditure[17] of $1.5 billion was invested during the financial year, in line with guidance
- $627 million was distributed to shareholders in 2016/17 through an on-market share buy-back and ordinary dividends

In August 2017, the Directors declared an unfranked final dividend of seven cents per ordinary share for the period, totalling $127 million and announced an on-market share buy-back of up to $373 million.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share

46.0 cents



FY17	**46.0**
FY16	49.4
FY15	25.4
FY14	(128.5)
FY13	0.0

Statutory earnings per share was 46 cents per share. The decrease from 2015/16 was driven by a reduction in Statutory Profit After Tax offset by an 11 per cent reduction in weighted average shares on issue. Shares on issue were reduced through the $366 million on-market share buy-back completed in 2016/17.

17 Net capital expenditure of $1.5 billion is equal to net investing cash flows included in the Consolidated Cash Flow Statement (excluding aircraft operating lease refinancing) and the impact to invested capital of commencing new aircraft operating leases.

Review of Operations continued

For the year ended 30 June 2017

UNDERLYING PBT

The Qantas Group's full-year 2016/17 Underlying PBT was $1,401 million, compared to a record Underlying PBT of $1,532 million in 2015/16. The benefits of lower fuel prices captured by the Group's disciplined hedging program, and benefits (net of inflation) from the Qantas Transformation Program, were offset by the reduction in net passenger revenue and expenses associated with the increase in flying activity.

Net passenger revenue decreased by one per cent, as competitive pressures in international markets and the ramp up of new routes outweighed the improved Unit Revenue from the domestic businesses and revenue benefits from the Qantas Transformation Program. A reduction in the Group's fuel expense resulted from lower AUD fuel prices and fuel efficiency measures in the Qantas Transformation Program which offset the increase in consumption associated with the additional flying activity.

Group Underlying Income Statement Summary[18]	June 2017 $M	June 2016 $M	Change $M	Change %
Net passenger revenue	13,857	13,961	(104)	(1)
Net freight revenue	808	850	(42)	(5)
Other revenue	1,392	1,389	3	–
Revenue and Other Income	**16,057**	**16,200**	**(143)**	**(1)**
Operating expenses (excluding fuel)	(9,683)	(9,529)	(154)	(2)
Fuel	(3,039)	(3,235)	196	6
Depreciation and amortisation	(1,382)	(1,224)	(158)	(13)
Non-cancellable aircraft operating lease rentals	(356)	(461)	105	23
Share of net loss of investments accounted for under the equity method	(7)	–	(7)	(>100)
Total Expenditure	**(14,467)**	**(14,449)**	**(18)**	**–**
Underlying EBIT	**1,590**	**1,751**	**(161)**	**(9)**
Net finance costs	(189)	(219)	30	14
Underlying PBT	**1,401**	**1,532**	**(131)**	**(9)**

Operating Statistics		June 2017	June 2016	Change	Change %
Available Seat Kilometres (ASK)[19]	M	150,323	148,691	1,632	1
Revenue Passenger Kilometres (RPK)[20]	M	121,178	119,054	2,124	2
Passengers carried	'000	53,659	52,681	978	2
Revenue seat factor[21]	%	80.6	80.1	0.5pts	1
Operating margin[22]	%	9.9	10.8	(0.9) pts	(8)
Unit Revenue (RASK)	c/ASK	7.93	8.08	(0.2)	(2)
Total unit cost	c/ASK	(7.00)	(7.05)	0.1	1
Ex-fuel unit cost	c/ASK	(4.99)	(4.79)	(0.2)	(4)

Group capacity (Available Seat Kilometres) increased by one per cent, and demand (Revenue Passenger Kilometres) increased by two per cent, resulting in a 0.5 percentage point increase in revenue seat factor. Unit Revenue decreased two per cent in 2016/17 with a decline of five per cent in the first-half of 2016/17 and an increase in Unit Revenue in the second-half of 2016/17 as the oversupply of capacity in both the domestic and international markets moderated. The Group's total unit cost improved five cents per ASK or one per cent.

18 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 14.
19 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
20 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
21 Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
22 Group Underlying EBIT divided by Group total revenue.

Review of Operations continued

For the year ended 30 June 2017

TURNAROUND PROGRAM COMPLETE, TRANSFORMATION ONGOING

In 2014, the Group embarked upon an ambitious plan to turnaround the business and sustainably reposition Qantas as one of the most successful airline groups in the world and one of the best performing companies in the ASX 100. The Group's balanced scorecard for the Qantas Transformation Program ensured a benefit for the customer in addition to permanent cost reductions.

Customer highlights include:

- Record customer advocacy (NPS) results for Qantas Domestic, Qantas International and Qantas Loyalty[23]
- Completion of the reconfiguration of the A330 fleet, adding 'Business Suites' with lie-flat beds
- Launch of the FlexiBiz product at Jetstar, targeting price conscious small businesses
- Continuation of the global lounge upgrade program, with new lounges completed in Brisbane and updates in London, Perth and Melbourne announced
- Digital innovation focused on enhancing the customer experience and growing revenue

The Qantas Transformation Program, announced in 2013/14 is now complete with all targets met on time, including the achievement of the increased target of $2.1 billion in benefits.

In 2016/17 Transformation benefits of $470 million consisted of:

- Cost reduction of $335 million, including $35 million of fuel efficiency benefits
- Net revenue benefits of $135 million

		Target		Outcome
		Metric	Timeframe	
ACHIEVING OUR TARGETS	Accelerated Transformation Benefits	$2.1 billion gross benefits >10 per cent[24] Group ex-fuel expenditure reduction	2016/17	$2.13 billion benefits realised Ex-fuel expenditure reduced by 10 per cent[24]
		5 per cent unit cost gap to domestic competitor[25]	2016/17	3 per cent gap[26]
		5,000 FTE	2016/17	5000+ fewer FTE[27]
	Deleverage Balance Sheet	>$1 billion debt reduction[28]	2014/15	Delivered on schedule
		Debt/EBITDA[29]<3.5 times FFO/net debt[30] > 45 per cent	2016/17	Delivered ahead of schedule
	Cash Flow	Sustainable positive free cash flow[31]	2014/15	Delivered on schedule
	Fleet Simplification	11 fleet types to seven	2015/16	Eight fleet types Retaining two non-reconfigured 747 (to be retired, first in July 2017)
	Customer and Brand	Customer Advocacy (NPS)	2016/17	NPS record achieved at Qantas Domestic, Qantas International and Qantas Loyalty
		Maintain premium on-time performance at Qantas Domestic	2016/17	Premium on-time performance at 88 per cent[32] for 2016/17
	Engagement	Maintain employee engagement	2016/17	Up from 75 per cent (2012/13) to 80 per cent (2016/17)

23 Measured as Net Promoter Score. Average 2016/17 compared to average 2015/16. Based on Qantas internal reporting.
24 Includes underlying operating expenses (excluding fuel), depreciation and amortisation (excluding depreciation reduction from Qantas International non-cash fleet impairment) and non-cancellable aircraft operating lease rentals, adjusted for movements in FX rates and capacity. 2016/17 compared to annualised first-half 2014/15.
25 Qantas Domestic compared to Virgin Australia Domestic.
26 Source: Published data and Qantas internal estimates.
27 Net Full Time Equivalent (FTE) employee reduction after adjusting for activity and new businesses as at 30 June 2017.
28 Reduction in net debt including capitalised operating lease liabilities.
29 Management's estimate based on Moody's methodology.
30 Management's estimate based on Standard and Poor's methodology.
31 Net free cash flow – operating cash flows less investing cash flows (excluding aircraft operating lease refinancing). Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.
32 Qantas mainline operations (excluding QantasLink) for the period 2016/17. Measured as departures within 15 minutes of scheduled departure time. Source: BITRE.

Review of Operations continued

For the year ended 30 June 2017

The Group-wide policy of implementing an 18-month wage freeze has helped to offset inflation, build a more competitive and sustainable wage position going forward and closes the gap to our major domestic competitors. 41 agreements have been closed with the wage freeze, covering nearly 23,000 employees. This ongoing reduction of the Group's cost is in addition to the extended $2.1 billion Transformation target. In August 2017, the Group announced a non-executive bonus of $2,500 for full-time and $2,000 for part-time employees, for the successful completion of the turnaround program, subject to the employee group having signed up to the 18-month wage freeze. This bonus will be recognised in 2017/18 as an item outside of Underlying PBT.

From financial year 2017/18, the Group is targeting an annual average of $400 million in gross cost and revenue benefits. This new target focuses on continuous improvement, driving cost and revenue benefits from new technology, creating more efficient operations, and ensuring that the Group holds and strengthens its competitive position in the market.

CASH GENERATION

Cash Flow Summary	June 2017 $M	June 2016 $M	Change $M	Change %
Operating cash flows	2,704	2,819	(115)	(4)
Investing cash flows (excluding aircraft operating lease refinancing)	(1,395)	(1,145)	(250)	(22)
Net free cash flow	**1,309**	**1,674**	**(365)**	**(22)**
Aircraft operating lease refinancing	(651)	(778)	127	16
Financing cash flows	(854)	(1,825)	971	53
Cash at beginning of year	1,980	2,908	(928)	(32)
Effect of foreign exchange on cash	(9)	1	(10)	(>100)
Cash at end of year	**1,775**	**1,980**	**(205)**	**(10)**

Debt Analysis		June 2017	June 2016	Change	Change %
Net on balance sheet debt[33]	$M	3,062	2,880	182	6
Capitalised operating lease liabilities[34]	$M	2,150	2,766	(616)	(22)
Net debt[35]		**5,212**	**5,646**	**(434)**	**(8)**
FFO/net debt[36]	%	58	52	6 pts	
Debt/EBITDA[37]	times	2.3	2.5	(0.2 times)	

Operating cash flows were strong at $2.7 billion, reflecting cost and revenue benefits realised through the Qantas Transformation Program and lower AUD fuel prices.

Net capital expenditure[38] of $1.5 billion included investment in replacement fleet such as the progress payments for the Boeing 787-9 for Qantas International and customer experience initiatives including lounges, the continuation of the Airbus A330 reconfiguration program and Wi-Fi installation on the Qantas Domestic fleet. Qantas generated $1.3 billion of net free cash flow in the period, facilitating net debt reduction and returns to shareholders of $627 million.

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 $651 million cash in excess of its short-term requirements to purchase 19 aircraft out of maturing operating leases. Using the Group's existing cash balance in this way achieved the following benefits:

- Reduced gross debt and cost of carry with minimal impact to net debt
- Greater fleet and maintenance planning flexibility
- Reduced exposure to USD lease rentals
- Increased unencumbered aircraft to 62 per cent of the fleet with an approximate value of US$3.8 billion[39]

Qantas continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to any change in market conditions and earnings scenarios. At 30 June 2017, the Group's leverage metrics were well within investment grade metrics (BBB/Baa) with FFO/net debt of 58 per cent and Debt/EBITDA of 2.3 times.

33 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents.
34 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.
35 Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework.
36 Management's estimate based on Standard and Poor's methodology.
37 Management's estimate based on Moody's methodology.
38 Net capital expenditure of $1.5 billion is equal to net investing cash flows included in the Consolidated Cash Flow Statement (excluding aircraft operating lease refinancing) and the impact to invested capital of commencing new aircraft operating leases.
39 Based on AVAC market values.

Review of Operations continued

For the year ended 30 June 2017

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 growth required in the markets that it serves, the competitive landscape and whether the investment is earnings accretive.

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

During the year, the Group continued to cross utilise the A330-200 and 737-800 aircraft between Qantas Domestic and Qantas International, optimising capacity to match demand. These aircraft were released from Qantas Domestic through capacity right sizing in markets impacted by the decline in resources market activity. This included the down gauging of 737-800 services to 717 services, and the down gauging of 717 services to F100 and Q400 services.

At 30 June 2017, the Qantas Group fleet[40] totalled 309 aircraft. During 2016/17, the Group purchased three passenger aircraft and one freighter and leased two additional passenger aircraft:

— QantasLink –three F100s
— Qantas Freight – one 737-400SF
— Jetstar – two A321-200s

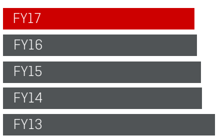
SEGMENT PERFORMANCE

Segment Performance Summary	**June 2017 $M**	**June 2016 $M**	**Change $M**	**Change %**
Qantas Domestic	645	578	67	12
Qantas International	327	512	(185)	(36)
Jetstar Group	417	452	(35)	(8)
Qantas Freight	47	64	(17)	(27)
Qantas Loyalty	369	346	23	7
Corporate	(173)	(168)	(5)	(3)
Unallocated/Eliminations	(42)	(33)	(9)	(27)
Underlying EBIT	**1,590**	**1,751**	**(161)**	**(9)**
Net finance costs	(189)	(219)	30	14
Underlying PBT	**1,401**	**1,532**	**(131)**	**(9)**

QANTAS DOMESTIC

Revenue

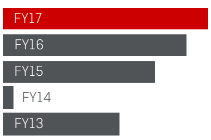
5,632 $M



FY17	5,632
FY16	5,710
FY15	5,828
FY14	5,848
FY13	6,218

Underlying EBIT

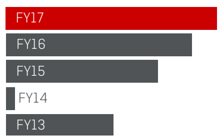
645 $M



FY17	645
FY16	578
FY15	480
FY14	30
FY13	365

Operating Margin

11.5 %



FY17	11.5%
FY16	10.1%
FY15	8.2%
FY14	0.5%
FY13	5.9%

Metrics		**June 2017**	**June 2016**	**Change**
ASKs	M	35,231	36,260	(2.8)%
Seat factor	%	76.4	75.2	1.2pts

40 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.

Review of Operations continued

For the year ended 30 June 2017

Qantas Domestic reported a record Underlying EBIT of $645 million, up 12 per cent from the previous record result in 2015/16. Through the second half there was an improving revenue trend with full-year Unit Revenue up three per cent compared to 2015/16. Right sizing in the resources market and targeted east coast growth resulted in a net three per cent capacity reduction.

The dual brand strategy together with the benefits of transformation and investment in our customers continues to deliver leading margins in the Australian domestic market, with the operating margin for Qantas Domestic up 1.4 percentage points to 11.5 per cent.

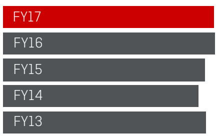
Qantas Domestic saw strong performance in all key operational metrics including:

— On-time performance at premium levels of 87.6 per cent[41]
— Customer advocacy (NPS)[42] increased to record levels with a 23 point premium to its main competitor[43]
— Passenger seat factor increased 1.2 percentage points to 76.4 per cent

QANTAS INTERNATIONAL

Revenue

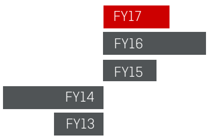
5,708 $M



FY17	**5,708**
FY16	5,750
FY15	5,467
FY14	5,297
FY13	5,496

Underlying EBIT

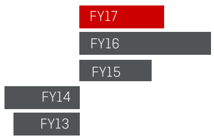
327 $M



FY17	**327**
FY16	512
FY15	267
FY14	(497)
FY13	(246)

Operating Margin

5.7 %



FY17	**5.7%**
FY16	8.9%
FY15	4.9%
FY14	(9.4%)
FY13	(4.5%)

Metrics		June 2017	June 2016	Change
ASKs	M	66,389	63,599	4.4%
Seat factor	%	81.0	81.7	(0.7)pts

The three year Qantas Transformation Program that delivered over $850 million in benefits has helped to build a more resilient Qantas International. Underlying EBIT of $327 million represents the second highest earnings result, beaten only by the record performance in 2015/16. Qantas International also achieved a strong margin of 5.7 per cent and Return on Invested Capital greater than its weighted average cost of capital in a very competitive market.

Key drivers of the result included:

— Unit Revenue decline of 6.5 per cent across the full year, and four per cent in the second half as competitor capacity additions moderated
— Growth in capacity of 4.4 per cent achieved through leveraging existing Group fleet in response to demand shifts

Consistent with the Group's strategic priority of aligning its international airlines with Asia's growth, these surplus aircraft have allowed Qantas International to grow services to attractive international markets in Asia without significantly increasing the Group's Invested Capital.

Through continued investment in product and service, Qantas International achieved another record customer advocacy score[42]. The Brisbane International lounge was completed during the first half of the financial year and the London lounge and Perth integrated hub lounge are due for completion during the next financial year, ready for commencement of the landmark Perth to London 787-9 Dreamliner service. The first Dreamliner is due in October 2017 with four delivered by March 2018.

41 On-time performance (OTP) of Qantas Domestic Mainline (excluding QantasLink) operations. Measured as departures within 15 minutes of scheduled departure time. Source: BITRE.
42 Average 2016/17 Net Promotor Score based on internal Qantas reporting.
43 Competitor refers to Virgin Australia. Based on Qantas internal reporting.

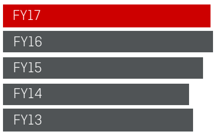
Review of Operations continued

For the year ended 30 June 2017

JETSTAR GROUP

Revenue

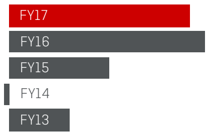
3,600 $M



FY17	3,600
FY16	3,636
FY15	3,464
FY14	3,222
FY13	3,288

Underlying EBIT

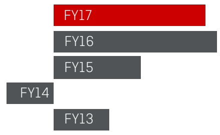
417 $M



FY17	417
FY16	452
FY15	230
FY14	(116)
FY13	138

Operating Margin

11.6 %



FY17	11.6%
FY16	12.4%
FY15	6.6%
FY14	(3.6%)
FY13	4.2%

Metrics		June 2017	June 2016	Change
ASKs	M	48,703	48,832	(0.3)%
Seat factor	%	83.1	81.5	1.6pts

Jetstar Group reported Underlying EBIT of $417 million, the second highest earnings result in its 13 year history as it was able to partially offset the impact of booking and service fee changes and softer freight yields.

Key highlights of the Jetstar Group result include:

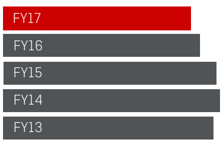
- Highest margin Australian airline
- Jetstar Domestic Unit Revenue increased by two per cent on flat capacity
- Strong profit contribution from Jetstar International
- The performance of Jetstar's Asian portfolio continues to improve with Jetstar Asia (Singapore) remaining profitable in a highly competitive market and Jetstar Japan maintaining its Low Cost Carrier (LCC) leadership position. Jetstar Pacific's performance continues to be challenged by intense competition through aggressive competitor capacity growth.

Jetstar continues to invest in the customer experience, rolling out comprehensive service training to more than 4,000 team members. Meanwhile, investments in digital transformation are improving its data analytics capability and innovative customer experience offerings such as straight to gate mobile check-in and the new small business product offering.

QANTAS FREIGHT

Revenue

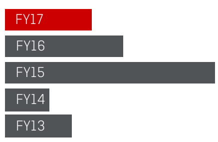
938 $M



FY17	938
FY16	982
FY15	1,067
FY14	1,084
FY13	1,056

Underlying EBIT

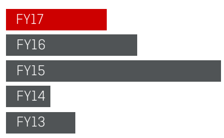
47 $M



FY17	47
FY16	64
FY15	114
FY14	24
FY13	36

Operating Margin

5.0 %



FY17	5.0%
FY16	6.5%
FY15	10.7%
FY14	2.2%
FY13	3.4%

Metrics		June 2017	June 2016	Change
International capacity[44]	B	3.4	3.3	3.0%
International load[45]	%	54.2	53.4	0.8pts

Qantas Freight reported an Underlying EBIT of $47 million, down 27 per cent on the prior year as Transformation benefits partially offset softer demand and adverse foreign exchange on revenue. The new 737-400 freighter will enable further growth opportunities in the domestic market.

Customer advocacy[46] continues to improve, with further investment in next generation digital platforms expected to enhance the customer experience.

44 International capacity measured as international available freight tonne kilometres.
45 International load is measured as international revenue freight tonne kilometres divided by international Available Freight Tonne Kilometres.
46 Measured as Net Promoter Score. Based on Qantas internal reporting.

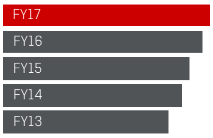
Review of Operations continued

For the year ended 30 June 2017

QANTAS LOYALTY

Revenue

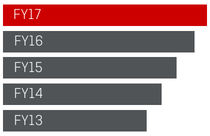
1,505 $M



FY17	1,505
FY16	1,454
FY15	1,362
FY14	1,306
FY13	1,205

Underlying EBIT

369 $M



FY17	369
FY16	346
FY15	315
FY14	286
FY13	260

Operating Margin

24.5 %

FY17	24.5%
FY16	23.8%
FY15	23.1%
FY14	21.9%
FY13	21.6%

Metrics		June 2017	June 2016	Change
QFF members	M	11.8	11.4	3.7%

Qantas Loyalty reported another record result with Underlying EBIT of $369 million, up seven per cent compared to 2015/16, with the second half reporting double digit earnings[47] growth. Highlights include the strong ramp up of opt in to the new Woolworths program and the growth of new businesses.

Qantas Loyalty continues to see strength from the coalition business with:
- Qantas Frequent Flyer co-branded credit card issuance growing at three times the market rate[48] as financial services partners invest in strong earn propositions for their customers
- An additional 22 new coalition partners, 12 of which are in the business to business space
- 27 per cent growth in Qantas Business Rewards membership since launch
- Qantas Cash awarded a five star rating by Canstar[49]
- A record Net Promoter Score as high member engagement was maintained
- Memberships reaching 11.8 million in the year

The Qantas Loyalty new businesses continue to perform to expectations with:
- Assure Health insurance representing 30 per cent of the industry's growth[50]
- The Assure Life insurance product launched in the second half of 2016/17
- The Qantas Money product range extended with the introduction of the Qantas Premier credit card
- Data Republic and Red Planet continuing to leverage one of the most valuable data sets in Australia

The coalition and new businesses will drive growth and continued diversification of earnings to ensure Qantas Loyalty reaches its longer-term targets.

47 Underlying EBIT.
48 Based on number of personal credit card accounts with interest free periods. Market growth calculated excluding Qantas' contribution to market. Based on June 2017 compared to June 2016. Source: RBA credit and card charges statistics.
49 Travel Money Card 2017.
50 Twelve months to June 2017 on a net persons covered basis. Source: APRA PHI Statistics for June 2017.

Review of Operations continued

For the year ended 30 June 2017

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX

The Statutory Profit Before Tax of $1,181 million for the year ended 30 June 2017 is $243 million lower than the previous year.

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, Qantas Loyalty and Qantas Freight 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.

	2017 $M	2016 $M
Reconciliation of Underlying PBT to Statutory Profit Before Tax		
Underlying PBT	**1,401**	**1,532**
Ineffectiveness and non-designated derivatives relating to other reporting periods	**–**	**(15)**
Other items not included in Underlying PBT		
— Transformation costs	(142)	(183)
— Wage Freeze bonus and Record Results employee bonus	(85)	(91)
— Net gain on disposal of Sydney Airport Terminal Three	–	201
— Other	7	(20)
Total other items not included in Underlying PBT	**(220)**	**(93)**
Statutory Profit Before Tax	**1,181**	**1,424**

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.

— Transformation costs relating to the Qantas Transformation Program of $142 million were incurred during the period (2016: $183 million).

— The Wage Freeze bonus and Record Results employee bonus of $85 million (2016: $91 million) comprises the Wage Freeze bonus of $9 million and the Record Results bonus of $76 million. Both bonuses are payable to employees covered by an EBA that includes an 18-month pay freeze in accordance with the Group's wage strategy.

— Other includes a reversal of impairment of $22 million in relation to the investment in Helloworld Travel Ltd. The reversal of impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.

Review of Operations continued

For the year ended 30 June 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, war 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 as the nature of these risks has not changed.

- **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 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 a highly competitive environment. 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 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. For 2017/18, the Group's hedging profile is positioned such that the worst case total fuel cost is $3.2 billion[51] with a 50 per cent participation rate[52] to lower fuel prices (at current forward market prices, total fuel cost for 2017/18 is $3.1 billion[53]). Complementing the hedging program, increased focus on forecasting and operational agility of our aviation operations support 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[54] operate to reduce the likelihood of cyber security incidents, ensuring early detection and the mitigation of impact.
- **Key business partners and alliances:** The Qantas Group has relationships with a number of key business partners. Any potential exposures as a result of these partnerships are mitigated through the Group Risk Management Framework.
- **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 politics) impact the proximity of climate-related risks.

51 As at 22 August 2017, the worst case total fuel cost based on a 2-standard deviation move in Brent forward market prices to US$64/bbl and an assumed correlated AUD/USD rate at 0.84, for the remainder of 2017/18.
52 As at 22 August 2017, participation from current market Brent prices down to A$54/bbl for remainder of 2017/18.
53 As at 22 August 2017, the current forward market price total fuel cost is based on a Brent forward market price of A$64/bbl for the remainder of 2017/18.
54 An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available on www.qantas.com.au.

Consolidated Income Statement

For the year ended 30 June 2017

	Notes	2017 $M	2016 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		13,857	13,961
Net freight revenue		808	850
Other	3(B)	1,392	1,389
Revenue and other income		**16,057**	**16,200**
EXPENDITURE			
Manpower and staff related		4,033	3,865
Fuel		3,039	3,250
Aircraft operating variable		3,436	3,346
Depreciation and amortisation		1,382	1,224
Non-cancellable aircraft operating lease rentals		356	461
Share of net loss of investments accounted for under the equity method		7	–
Other	4	2,434	2,411
Expenditure		**14,687**	**14,557**
Statutory profit before income tax expense and net finance costs		**1,370**	**1,643**
Finance income		46	65
Finance costs		(235)	(284)
Net finance costs		**(189)**	**(219)**
Statutory profit before income tax expense		**1,181**	**1,424**
Income tax expense	5	(328)	(395)
Statutory profit for the year		**853**	**1,029**
Attributable to:			
Members of Qantas		852	1,029
Non-controlling interests		1	–
Statutory profit for the year		**853**	**1,029**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic/diluted earnings per share (cents)		**46.0**	**49.4**

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	2017 $M	2016 $M
Statutory profit for the year	**853**	**1,029**
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	46	(187)
Transfer of hedge reserve to the Consolidated Income Statement, net of tax[1]	(6)	198
Recognition of effective cash flow hedges on capitalised assets, net of tax	(2)	(40)
Net changes in hedge reserve for time value of options, net of tax	(22)	35
Foreign currency translation of controlled entities	(4)	2
Foreign currency translation of investments accounted for under the equity method	(9)	24
Share of other comprehensive income of investments accounted for under the equity method	2	(2)
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial gains/(losses), net of tax	175	(209)
Other comprehensive income/(loss) for the year	**180**	**(179)**
Total comprehensive income for the year	**1,033**	**850**

Attributable to:		
Members of Qantas	1,032	850
Non-controlling interests	1	–
Total comprehensive income for the year	**1,033**	**850**

1 These amounts were allocated to revenue of $1 million (2016: $(7) million), fuel expenditure of $(10) million (2016: $289 million), and income tax expense of $3 million (2016: $(84) million) in the Consolidated Income Statement.

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

Consolidated Balance Sheet

As at 30 June 2017

CURRENT ASSETS	2017 $M	2016 $M
Cash and cash equivalents	1,775	1,980
Receivables	784	795
Other financial assets	100	229
Inventories	351	336
Assets classified as held for sale	12	17
Other	97	101
Total current assets	**3,119**	**3,458**
NON-CURRENT ASSETS		
Receivables	123	134
Other financial assets	43	46
Investments accounted for under the equity method	214	197
Property, plant and equipment	12,253	11,670
Intangible assets	1,025	909
Deferred tax assets	–	39
Other	444	252
Total non-current assets	**14,102**	**13,247**
Total assets	**17,221**	**16,705**
CURRENT LIABILITIES		
Payables	2,067	1,986
Revenue received in advance	3,685	3,525
Interest-bearing liabilities	433	441
Other financial liabilities	69	203
Provisions	841	873
Total current liabilities	**7,095**	**7,028**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,424	1,521
Interest-bearing liabilities	4,405	4,421
Other financial liabilities	56	61
Provisions	348	414
Deferred tax liabilities	353	–
Total non-current liabilities	**6,586**	**6,417**
Total liabilities	**13,681**	**13,445**
Net assets	**3,540**	**3,260**
EQUITY		
Issued capital	3,259	3,625
Treasury shares	(206)	(50)
Reserves	12	(220)
Retained earnings	472	(100)
Equity attributable to the members of Qantas	**3,537**	**3,255**
Non-controlling interests	3	5
Total equity	**3,540**	**3,260**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

30 June 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 2016	**3,625**	**(50)**	**72**	**(118)**	**(3)**	**(171)**	**(100)**	**5**	**3,260**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR									
Statutory profit for the year	–	–	–	–	–	–	852	1	853
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	46	–	–	–	–	46
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(6)	–	–	–	–	(6)
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	(2)	–	–	–	–	(2)
Net changes in hedge reserve for time value of options, net of tax	–	–	–	(22)	–	–	–	–	(22)
Defined benefit actuarial gains, net of tax	–	–	–	–	–	175	–	–	175
Foreign currency translation of controlled entities	–	–	–	–	(4)	–	–	–	(4)
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	(9)	–	–	–	(9)
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	2	–	–	–	–	2
Total other comprehensive income/(loss)	**–**	**–**	**–**	**18**	**(13)**	**175**	**–**	**–**	**180**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**18**	**(13)**	**175**	**852**	**1**	**1,033**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(366)	–	–	–	–	–	–	–	(366)
Dividend paid	–	–	–	–	–	–	(261)	(3)	(264)
Treasury shares acquired	–	(198)	–	–	–	–	–	–	(198)
Share-based payments	–	–	67	–	–	–	–	–	67
Shares vested and transferred to employees	–	42	(15)	–	–	–	(19)	–	8
Total contributions by and distributions to owners	**(366)**	**(156)**	**52**	**–**	**–**	**–**	**(280)**	**(3)**	**(753)**
Total transactions with owners	**(366)**	**(156)**	**52**	**–**	**–**	**–**	**(280)**	**(3)**	**(753)**
Balance as at 30 June 2017	**3,259**	**(206)**	**124**	**(100)**	**(16)**	**4**	**472**	**3**	**3,540**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

30 June 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 2015	**4,630**	**(7)**	**47**	**(122)**	**(29)**	**38**	**(1,115)**	**5**	**3,447**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR									
Statutory profit for the year	–	–	–	–	–	–	1,029	–	1,029
Other comprehensive income/(loss)									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(187)	–	–	–	–	(187)
Transfer of hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	198	–	–	–	–	198
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	(40)	–	–	–	–	(40)
Net changes in hedge reserve for time value of options, net of tax	–	–	–	35	–	–	–	–	35
Defined benefit actuarial losses, net of tax	–	–	–	–	–	(209)	–	–	(209)
Foreign currency translation of controlled entities	–	–	–	–	2	–	–	–	2
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	24	–	–	–	24
Share of other comprehensive income of investments accounted for under the equity method	–	–	–	(2)	–	–	–	–	(2)
Total other comprehensive income/(loss)	**–**	**–**	**–**	**4**	**26**	**(209)**	**–**	**–**	**(179)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**4**	**26**	**(209)**	**1,029**	**–**	**850**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share buy-back	(500)	–	–	–	–	–	–	–	(500)
Capital return	(505)	–	–	–	–	–	–	–	(505)
Treasury shares acquired	–	(75)	–	–	–	–	–	–	(75)
Share-based payments	–	–	37	–	–	–	–	–	37
Shares vested and transferred to employees	–	32	(11)	–	–	–	(15)	–	6
Share-based payments unvested and lapsed	–	–	(1)	–	–	–	1	–	–
Total contributions by and distributions to owners	**(1,005)**	**(43)**	**25**	**–**	**–**	**–**	**(14)**	**–**	**(1,037)**
Total transactions with owners	**(1,005)**	**(43)**	**25**	**–**	**–**	**–**	**(14)**	**–**	**(1,037)**
Balance as at 30 June 2016	**3,625**	**(50)**	**72**	**(118)**	**(3)**	**(171)**	**(100)**	**5**	**3,260**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2017

	2017 $M	2016 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	16,947	17,320
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs, Wage Freeze bonus and Record Results bonus)	(13,982)	(14,197)
Cash generated from operations	**2,965**	**3,123**
Cash payments to employees for redundancies and related costs	(50)	(90)
Cash payments to employees for Wage Freeze bonus and Record Results bonus	(87)	(53)
Interest received	37	64
Interest paid	(164)	(227)
Dividends received from investments accounted for under the equity method	7	4
Income taxes paid (foreign)	(4)	(2)
Net cash from operating activities	**2,704**	**2,819**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(1,368)	(1,618)
Interest paid and capitalised on qualifying assets	(45)	(24)
Payments for investments accounted for under the equity method	(16)	(39)
Proceeds from disposal of property, plant and equipment	34	509
Net loan repayment from investments accounted for under the equity method	–	27
Net cash used in investing activities (excluding aircraft operating lease refinancing)	(1,395)	(1,145)
Aircraft operating lease refinancing	(651)	(778)
Net cash used in investing activities	**(2,046)**	**(1,923)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share buy-back	(366)	(500)
Payments for capital return	–	(505)
Payments for treasury shares	(198)	(75)
Proceeds from borrowings	419	–
Repayments of borrowings	(453)	(807)
Net receipts for aircraft security deposits and hedges related to debt	8	62
Dividends paid to shareholders	(261)	–
Dividends paid to non-controlling interests	(3)	–
Net cash used in financing activities	**(854)**	**(1,825)**
Net decrease in cash and cash equivalents held	**(196)**	**(929)**
Cash and cash equivalents at the beginning of the year	1,980	2,908
Effects of exchange rate changes on cash and cash equivalents	(9)	1
Cash and cash equivalents at the end of the year	**1,775**	**1,980**

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

Notes to the Preliminary Final Report

For the year ended 30 June 2017

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

The Report is presented in Australian dollars, which is the functional currency of Qantas Airways Limited (Qantas) and its controlled entities (the Qantas Group), and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

The Annual Financial Report is in the process of being audited and is expected to be made available in September 2017. This Report should also be read in conjunction with any public announcements made by Qantas during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Instrument 2016/191 dated 1 April 2016. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

(B) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Qantas Group in this Preliminary Final Report are the same as those applied by the Qantas Group in the Qantas Annual Report for the year ended 30 June 2016.

(C) COMPARATIVES

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

(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing this Report, judgements made by Management in the application of AASBs 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 2016.

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

(A) 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 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 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.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

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

	2017 $M	2016 $M
RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT BEFORE TAX		
Underlying PBT	**1,401**	**1,532**
Ineffectiveness and non-designated derivatives relating to other reporting periods	**–**	**(15)**
Other items not included in Underlying PBT		
– Transformation costs	(142)	(183)
– Wage Freeze bonus and Record Results employee bonus	(85)	(91)
– Net gain on disposal of Sydney Airport Terminal Three	–	201
– Other	7	(20)
Total other items not included in Underlying PBT	**(220)**	**(93)**
Statutory Profit Before Tax	**1,181**	**1,424**

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

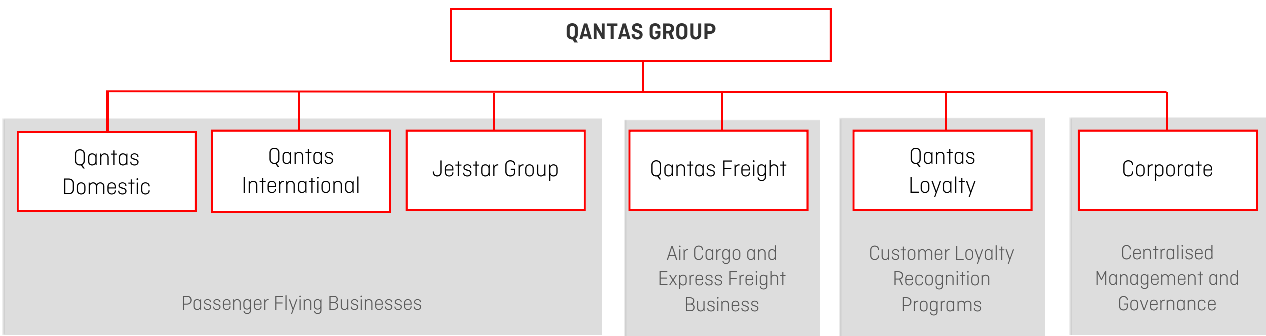
Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied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

- Transformation costs relating to the Qantas Transformation Program of $142 million were incurred during the period (2016: $183 million).
- The Wage Freeze bonus and Record Results employee bonus of $85 million (2016: $91 million) comprises the Wage Freeze bonus of $9 million and the Record Results bonus of $76 million. Both bonuses are payable to employees covered by an EBA that includes an 18-month pay freeze in accordance with the Group's wage strategy.
- Other includes a reversal of impairment of $22 million in relation to the investment in Helloworld Travel Ltd. The reversal of impairment has been recognised as an item outside of Underlying PBT consistent with the treatment of the original impairment.

(B) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

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

i. Underlying EBIT

The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group, Qantas Freight, 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, Qantas Freight, 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 statutory net finance costs.

ii. Analysis by Operating Segment

2017 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Freight	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME								
External segment revenue and other income	5,186	5,098	3,467	929	1,369	16	(8)	16,057
Inter-segment revenue and other income	446	610	133	9	136	–	(1,334)	–
Total segment revenue and other income	**5,632**	**5,708**	**3,600**	**938**	**1,505**	**16**	**(1,342)**	**16,057**
Share of net profit/(loss) of investments accounted for under the equity method	5	5	(17)	–	–	–	–	(7)
Underlying EBITDAR[1]	**1,364**	**857**	**835**	**76**	**391**	**(161)**	**(34)**	**3,328**
Non-cancellable aircraft operating lease rentals	(132)	(61)	(156)	(6)	–	–	(1)	(356)
Depreciation and amortisation	(587)	(469)	(262)	(23)	(22)	(12)	(7)	(1,382)
Underlying EBIT	**645**	**327**	**417**	**47**	**369**	**(173)**	**(42)**	**1,590**
Underlying net finance costs						(189)		(189)
Underlying PBT						**(362)**		**1,401**
ROIC %[3]								**20.1%**

2016 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Freight	Qantas Loyalty	Corporate	Unallocated/ Eliminations[2]	Consolidated
REVENUE AND OTHER INCOME								
External segment revenue and other income	5,226	5,173	3,475	973	1,332	13	8	16,200
Inter-segment revenue and other income	484	577	161	9	122	–	(1,353)	–
Total segment revenue and other income	**5,710**	**5,750**	**3,636**	**982**	**1,454**	**13**	**(1,345)**	**16,200**
Share of net profit/(loss) of investments accounted for under the equity method	3	4	(7)	–	–	–	–	–
Underlying EBITDAR[1]	**1,276**	**1,013**	**866**	**96**	**359**	**(157)**	**(17)**	**3,436**
Non-cancellable aircraft operating lease rentals	(174)	(69)	(208)	(6)	–	–	(4)	(461)
Depreciation and amortisation	(524)	(432)	(206)	(26)	(13)	(11)	(12)	(1,224)
Underlying EBIT	**578**	**512**	**452**	**64**	**346**	**(168)**	**(33)**	**1,751**
Underlying net finance costs						(219)		(219)
Underlying PBT						**(387)**		**1,532**
ROIC %[3]								**22.7%**

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 and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries.
3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital (Refer to Note 2(C)).

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

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

(C) RETURN ON INVESTED CAPITAL

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

i. ROIC EBIT

ROIC EBIT is derived by adjusting Underlying EBIT 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 implicitly embedded in operating lease rental payments.

	2017 $M	2016 $M
ROIC EBIT		
Underlying EBIT	**1,590**	**1,751**
Add back: Non-cancellable aircraft lease rentals	356	461
Less: Notional depreciation[1]	(158)	(203)
ROIC EBIT	**1,788**	**2,009**

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.

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 12-month average of the monthly Invested Capital.

	2017 $M	2016 $M
INVESTED CAPITAL		
Receivables (current and non-current)	907	929
Inventories	351	336
Other assets (current and non-current)	541	353
Investments accounted for under the equity method	214	197
Property, plant and equipment	12,253	11,670
Intangible assets	1,025	909
Assets classified as held for sale	12	17
Payables	(2,067)	(1,986)
Provisions (current and non-current)	(1,189)	(1,287)
Revenue received in advance (current and non-current)	(5,109)	(5,046)
Capitalised operating leased assets[1]	1,794	2,288
Invested Capital as at 30 June	**8,732**	**8,380**
Average Invested Capital for the year ended 30 June	**8,891**	**8,857**

1 For calculating ROIC, capitalised operating leased aircraft assets 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.

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

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

iii. ROIC %

	2017 %	2016 %
ROIC %[1]	**20.1**	**22.7**

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

iv. Underlying Earnings per share

	2017 cents	2016 cents
Underlying Earnings per share[1]	**54.6**	**53.1**

1 Underlying Earnings per share is calculated as Underlying PBT less tax expense (based on the Group's effective tax rate of 27.8% (2016: 27.7%)) divided by the weighted average number of shares during the year (consistent with the Statutory Earnings per share calculation).

3 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREAS

	2017 $M	2016 $M
Net passenger and freight revenue		
Australia	10,520	10,563
Overseas	4,145	4,248
Total net passenger and freight revenue	**14,665**	**14,811**
Other income	1,392	1,389
Total revenue and other income	**16,057**	**16,200**

Net passenger and freight revenue is attributed to a geographic region based on the point of sale and 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

	2017 $M	2016 $M
Frequent Flyer marketing revenue, membership fees and other revenue	431	395
Frequent Flyer store and other redemption revenue[1]	301	299
Retail, advertising and other property revenue	141	141
Contract work revenue	142	138
Other	377	416
Total other income	**1,392**	**1,389**

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

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

4 OTHER EXPENDITURE

	2017 $M	2016 $M
Commissions and other selling costs	528	557
Computer and communication	439	432
Capacity hire	283	297
Property	250	237
Non-aircraft operating lease rentals	226	234
Marketing and advertising	123	132
Wage Freeze bonus and Record Results employee bonus	85	91
Redundancies and related costs	48	56
Contract work materials	16	12
Inventory write-off	14	15
Net gain on disposal of Sydney Airport Terminal Three	–	(201)
Ineffective and non-designated derivatives	(2)	(1)
Net gain on disposal of property, plant and equipment	(11)	(25)
Discount rate and other actuarial assumption changes on employee-related provisions	(21)	92
Net impairment of property, plant, equipment, intangible assets and investments	(18)	12
Other	474	471
Total other expenditure	**2,434**	**2,411**

5 INCOME TAX EXPENSE

	2017 $M	2016 $M
RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		
Current income tax expense		
Current income tax – foreign	(4)	(2)
Total current income tax expense	**(4)**	**(2)**
Deferred income tax expense		
Origination and reversal of temporary differences	(161)	26
Utilisation of tax losses	(157)	(413)
Current year deferred income tax expense	**(318)**	**(387)**
Adjustments for prior year	(6)	(6)
Total deferred income tax expense	**(324)**	**(393)**
Total income tax expense in the Consolidated Income Statement	**(328)**	**(395)**

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

5 INCOME TAX EXPENSE (CONTINUED)

	2017 $M	2016 $M
RECONCILIATION BETWEEN INCOME TAX EXPENSE AND STATUTORY PROFIT BEFORE INCOME TAX		
Statutory profit before income tax expense	**1,181**	**1,424**
Income tax expense using the domestic corporate tax rate of 30 per cent	(354)	(427)
Adjusted for:		
Non-assessable dividends from controlled entities	2	1
Non-deductible share of net loss for investments accounted for under the equity method	(4)	–
Non-deductible losses for foreign branches and controlled entities	(1)	(6)
Utilisation of previously unrecognised foreign branch and controlled entity losses	4	6
Utilisation of previously unrecognised capital losses	–	8
Non-assessable gain on disposal of property, plant and equipment	–	30
Other net non-assessable/(non-deductible) items	18	7
Over/(under) provision from prior periods	7	(14)
Income tax expense	**(328)**	**(395)**

INCOME TAX RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Income tax on:		
Cash flow hedges	(7)	(2)
Defined benefit actuarial gains/(losses)	(75)	89
Income tax (expense)/benefit recognised directly in the Consolidated Statement of Comprehensive Income	**(82)**	**87**

	2017 $M	2016 $M
RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAYABLE		
Income tax expense	**(328)**	**(395)**
Adjusted for temporary differences		
Inventories	15	1
Property, plant and equipment and intangible assets	92	18
Payables	19	(28)
Revenue received in advance	16	(64)
Interest-bearing liabilities	1	(16)
Other financial assets/(liabilities)	(6)	40
Provisions	(11)	(26)
Other items	35	49
Prior period differences	6	8
Temporary differences	**167**	**(18)**
Tax on Taxable Income	(161)	(413)
Tax losses utilised (Australian)	157	413
Income tax payable (foreign)	**(4)**	**–**

Income tax payable was less than 30 per cent of the Qantas Group's Statutory Profit Before Tax due to:

- Utilisation of carry forward tax losses that reduce taxable income of $157 million (2016: $413 million)
- Temporary differences of $167 million (2016: ($18 million)) that result in differences between taxable income, and Statutory Profit Before Tax which will reverse in future periods, such as accelerated tax depreciation on aircraft (timing difference due to the Qantas Group making a significant investment in renewing its fleet in recent years, which will reverse in future tax periods)

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

5 INCOME TAX EXPENSE (CONTINUED)

	2017 $M	2016 $M
QANTAS GROUP CARRIED FORWARD TAX LOSSES		
Tax losses brought forward	(1,474)	(2,850)
Current year taxable income	523	1,376
Tax losses carried forward	**(951)**	**(1,474)**

6 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

	Amount per Ordinary Share cents	Franked Amount per Ordinary Share cents	Dividend Declared $M	Payment Date
2017 final dividend[1]	7.0	–	127	October 2017
2017 interim dividend[1]	7.0	3.5	127	April 2017
2016 final dividend	7.0	7.0	134	October 2016

1 For non-Australian shareholders, no Dividend Withholding Tax will be withheld as Conduit Foreign Income (CFI) credits will be attached to the unfranked portion.

(A) DIVIDENDS DECLARED AND PAID

In August 2017, the Directors declared an unfranked final dividend of seven cents per ordinary share for the period, totalling $127 million. The record date for determining entitlements to the final dividend is 11 September 2017. The dividend will be paid on 13 October 2017.

For the year ended 30 June 2017, $261 million of dividends were paid to shareholders of Qantas Airways Limited and $3 million of dividends were paid to non-controlling interest shareholders by non-wholly owned controlled entities.

(B) OTHER SHAREHOLDER DISTRIBUTIONS

In August 2017, the Directors announced an on-market share buy-back of up to $373 million.

During the year ended 30 June 2017, the Group completed an on-market share buy-back of $366 million, which was announced in August 2016. The Group purchased 110.6 million of ordinary shares on issue at a weighted average share price of $3.31.

7 COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2017 are $11,385 million (2016: $11,623 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. Commitments reported above are translated to the Group's Australian dollar presentational currency at the 30 June 2017 closing exchange rate of $0.76 (30 June 2016: $0.75).

(B) FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

	2017 $M	2016 $M
AS LESSEE		
Finance lease and hire purchase liabilities (included in the Consolidated Financial Statements)		
Aircraft and engines – payable:		
Not later than one year	143	149
Later than one year but not later than five years	697	586
Later than five years	762	1,034
Total aircraft and engines	**1,602**	**1,769**
Less: future lease and hire purchase finance charges and deferred lease benefits	(238)	(300)
Total finance lease and hire purchase liabilities	**1,364**	**1,469**

Notes to the Preliminary Final Report continued

For the year ended 30 June 2017

7 COMMITMENTS (CONTINUED)

	2017 $M	2016 $M
Finance lease and hire purchase liabilities (included in the Consolidated Financial Statements)		
Current liabilities	103	103
Non-current liabilities	1,261	1,366
Total finance lease and hire purchase liabilities	**1,364**	**1,469**

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

	2017 $M	2016 $M
AS LESSEE		
Non-cancellable operating lease commitments		
Aircraft and engines – payable:		
Not later than one year	279	366
Later than one year but not later than five years	715	952
Later than five years	75	187
Total aircraft and engines	**1,069**	**1,505**
Non-aircraft – payable:		
Not later than one year	161	188
Later than one year but not later than five years	398	503
Later than five years but not later than 10 years	295	320
Later than 10 years	298	367
Less: provision for potential under-recovery of rentals on unused premises available for sub-lease (included in onerous contract provision)	(3)	(2)
Total non-aircraft	**1,149**	**1,376**
Total non-cancellable operating lease commitments	**2,218**	**2,881**

8 POST BALANCE DATE EVENTS

Other than as noted in Note 6 – Dividends and Other Shareholder Distributions, there has not arisen in the interval between 30 June 2017 and the date of this Report any other event that would have had a material effect on the Consolidated Financial Statements as at 30 June 2017.

Operational Statistics

For the year ended 30 June 2017

(unaudited)		June 2017	June 2016[1]	Change
TRAFFIC AND CAPACITY STATISTICS				
QANTAS DOMESTIC				
Passengers carried	000	22,199	22,277	(0.4%)
Revenue passenger kilometres (RPK)	M	26,930	27,270	(1.2%)
Available seat kilometres (ASK)	M	35,231	36,260	(2.8%)
Revenue seat factor	%	76.4	75.2	1.2 pts
JETSTAR DOMESTIC				
Passengers carried	000	13,348	13,267	0.6%
Revenue passenger kilometres (RPK)	M	15,535	15,565	(0.2%)
Available seat kilometres (ASK)	M	18,694	18,660	0.2%
Revenue seat factor	%	83.1	83.4	(0.3) pts
QANTAS INTERNATIONAL				
Passengers carried	000	7,551	7,142	5.7%
Revenue passenger kilometres (RPK)	M	53,765	51,975	3.4%
Available seat kilometres (ASK)	M	66,389	63,599	4.4%
Revenue seat factor	%	81.0	81.7	(0.7) pts
JETSTAR INTERNATIONAL				
Passengers carried	000	6,241	5,757	8.4%
Revenue passenger kilometres (RPK)	M	18,320	17,417	5.2%
Available seat kilometres (ASK)	M	21,929	21,710	1.0%
Revenue seat factor	%	83.5	80.2	3.3 pts
JETSTAR ASIA				
Passengers carried	000	4,320	4,238	1.9%
Revenue passenger kilometres (RPK)	M	6,628	6,827	(2.9%)
Available seat kilometres (ASK)	M	8,080	8,462	(4.5%)
Revenue seat factor	%	82.0	80.7	1.3 pts
QANTAS GROUP OPERATIONS				
Passengers carried	000	53,659	52,681	1.9%
Revenue passenger kilometres (RPK)	M	121,178	119,054	1.8%
Available seat kilometres (ASK)	M	150,323	148,691	1.1%
Revenue seat factor	%	80.6	80.1	0.5 pts
Aircraft at end of year	#	309	303	6
EMPLOYEES				
Full-time equivalent employees at end of year (FTE)	#	29,596	29,204	392
RPK per FTE at year-end	000	4,094	4,077	0.4%
ASK per FTE at year-end	000	5,079	5,091	(0.2%)

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.