QANTAS

25 August 2022

ASX Market Announcements Office
Australian Securities Exchange Limited

Lodged electronically via ASX Online

Qantas Group FY22 Appendix 4E and Preliminary Final Report

Qantas Airways Limited attaches the following documents relating to its results for the full-year ended 30 June 2022:

- Appendix 4E; and
- Preliminary Final Report.

Yours faithfully,

Andrew Finch
Group General Counsel and Company Secretary

Media Enquiries: Qantas Media +61 418 210 005 qantasmedia@qantas.com.au
Investor Relations Enquiries: +61 0416 058 178 filipkidon@qantas.com.au

Authorised for release by Qantas' Board of Directors

oneworld

QANTAS AIRWAYS LIMITED

AND ITS CONTROLLED ENTITIES

APPENDIX 4E AND

PRELIMINARY FINAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

ABN: 16 009 661 901

ASX CODE: QAN

Table of Contents

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 2022 $M	June 2021 (restated)[1] $M	Change $M	Change %
Revenue and other income	9,108	5,934	3,174	53.5%
Statutory loss after tax	(860)	(1,692)	832	49.2%
Statutory loss after tax attributable to members of Qantas	(860)	(1,692)	832	49.2%
Underlying EBITDA[2]	281	410	(129)	(31.5%)
Underlying loss before tax[2]	(1,859)	(1,774)	(85)	(4.8%)

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

No dividend will be paid in relation to the year ended 30 June 2022.

In August 2022, the Directors announced an on-market share buy-back of up to $400 million.

EXPLANATION OF RESULTS

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

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 4.3A.

Other Information

		June 2022	June 2021 (restated)[1]
Net assets per ordinary share	$	(0.10)	0.23
Net tangible assets per ordinary share[3]	$	(0.51)	(0.16)

		June 2022	June 2021 (restated)[1]
Basic statutory loss per share[4]	cents	(45.6)	(89.9)
Diluted statutory loss per share[5]	cents	(45.6)	(89.9)
Underlying loss per share[6]	cents	(71.2)	(69.4)

[1] The Group adopted International Financial Reporting Interpretations Committee (IFRIC) agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

[2] Underlying EBITDA represents Underlying earnings before income tax expense (Underlying PBT/LBT), depreciation, amortisation, net finance costs and impairment. Underlying PBT/LBT is a non-statutory measure and is the primary reporting measure used by the 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 Qantas Group. Depreciation, amortisation and impairment in the calculation of Underlying EBITDA differs from the depreciation, amortisation and impairment recognised in the Consolidated Income Statement due to items not included in Underlying PBT/LBT. Refer to Note 2(B).

[3] Net tangible assets is calculated as net assets adjusted for intangible assets.

[4] Based on the weighted average number of shares outstanding during the period excluding unallocated treasury shares.

[5] Weighted average number of shares used in the diluted Earnings Per Share calculation is the same as used in basic Earnings Per Share calculation for the financial years ended 30 June 2022 and 30 June 2021 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation.

[6] Underlying Loss per share is calculated as Underlying Loss Before Tax less tax benefit (based on the Group's effective tax rate of (27.8) per cent (30 June 2021: (26.4) per cent)) divided by the weighted average number of shares outstanding during the year excluding unallocated treasury shares.

Other Information continued

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

The Group gained control of HTT Travel Vietnam Limited Liability Company during the year (incorporated on 1 December 2021). HTT Travel Vietnam Limited Liability Company is a wholly owned subsidiary of Holiday Tours & Travel Pte Ltd, in which the Group holds a 75 per cent ownership interest.

The Group acquired a 51 per cent controlling interest in TAD Holdco Pty Limited and its subsidiaries on 31 May 2022, including:

– Trip A Deal Holdings Pty Ltd
– Trip A Deal Pty Limited
– Trip A Deal (NZ) Ltd
– Phone A Flight Pty Ltd.

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	June 2022 %	June 2021 %
Fiji Resorts Pte Limited	21	21
Hallmark Aviation Services L.P.	49	49
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd.	37	37
Holiday Tours and Travel Vietnam Co. Ltd.	37	37
Holiday Tours and Travel (GSA) Ltd.	37	37
Helloworld Travel Limited	12	12
Jetstar Japan Co. Ltd.	33	33
Pacific Airlines Aviation Joint Stock Company[1]	—	30
PT Holiday Tours & Travel	37	37

ASIC GUIDANCE

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

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. In line with previous years and in accordance with the *Corporations Act 2001*, the Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2022.

The Annual Financial Report is being audited and is expected to be made available on 9 September 2022.

2022 ANNUAL GENERAL MEETING

Qantas advises under ASX Listing Rule 3.13.1 that it will hold its 2022 Annual General Meeting (AGM) on Friday 4 November 2022, commencing at 11:00am (AEDT). This will be a hybrid meeting at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000 and online via an online meeting platform, which will give all shareholders a reasonable opportunity to participate in and attend the AGM.

Shareholders will be provided further details regarding the AGM in the 2022 Notice of Meeting. The Notice of Meeting will be available on the ASX Company Announcements Platform and Qantas' Investor website at https://investor.qantas.com/investors/?page=annual-general-meeting.

The closing date for receipt of nominations from persons wishing to be considered for election as directors under ASX Listing Rule 14.3 is Friday, 16 September 2022.

[1] Jetstar Pacific Airline Aviation Joint Stock Company has been renamed Pacific Airlines Joint Stock Company. The Group has discontinued equity accounting for its interest and the investment was recognised as Held for Sale until its disposal during 2021/22 financial year.

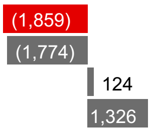
Review of Operations

For the year ended 30 June 2022

RESULTS HIGHLIGHTS

Underlying (Loss)/Profit Before Tax

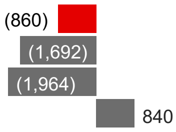
(1,859) $M



FY22	**(1,859)**
FY21	(1,774)
FY20	124
FY19	1,326

Statutory (Loss)/Profit After Tax

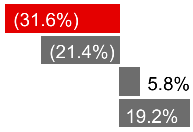
(860) $M



FY22	**(860)**
FY21	(1,692)
FY20	(1,964)
FY19	840

Return on Invested Capital

(31.6) %



FY22	**(31.6%)**
FY21	(21.4%)
FY20	5.8%
FY19	19.2%

For the financial year 2021/22, the operations of the Qantas Group continued to be impacted by the global COVID-19 pandemic. The performance of the Group and individual segments have been compared to the corresponding prior period (financial year 2020/21) and the financial year 2018/19, which represents a proxy for 'pre-COVID' operations.[1] This indicates the degree to which the Group's performance is recovering to pre-COVID levels as the 2018/19 financial year represents the most recent complete financial period not affected by the pandemic.

Border restrictions and lockdowns due to both the Delta and Omicron variants of COVID-19 limited mobility and impacted consumer confidence and Group operations throughout the year. This resulted in a Statutory Loss Before Tax for the Group of $1.19 billion. Since the start of the pandemic the Group has lost approximately $25 billion in revenue and accumulated $7 billion in losses.

Lockdowns responding to the emergence of the Delta variant of COVID-19 started in July 2021, resulting in the closure of domestic borders for much of the first half. During this period, domestic airlines suffered stranded costs because of the sudden implementation of restrictions. From November 2021, domestic borders were progressively reopened, supported by Australia's vaccination program. International borders continued to be closed for much of the first half of 2022, with Australia only reopening in selected states from November. This was the first time Australian citizens were able to freely travel overseas since March 2020. From December 2021, just as travel appeared to be resuming, outbreaks of the new Omicron variant emerged. These became widespread and impacted travel in the third quarter as the uptick in cases delayed re-opening and return to office activities.

From March 2022, domestic restrictions, including office mask mandates, began to ease. At this point the Group saw a rapid return in travel, with domestic operations recovering to pre-COVID levels by the fourth quarter. Recovery of international passenger operations was slower, constrained by ongoing restrictions in key markets, delays in delivery of B787s and the lead time required to safely return the fleet of A380s from long-term storage. Pent-up demand was particularly evident in markets with open borders and minimal travel restrictions. The demand strength drove booking intakes, with revenue received in advance rebuilding considerably. Together with the sale of surplus land in Mascot for $789 million in net proceeds, the Group saw Net Debt reduce below the target range to $3.94 billion by 30 June 2022.

At an Underlying EBITDA level, the Qantas Group reported a $281 million profit, down $129 million compared to financial year 2020/21. Contributing to the result were readiness and restart costs as the Group's operations came out of hibernation and prepared for a return of capacity in calendar year 2022. Readiness activities included the significant decision in December 2021 to stand up and return all Australian-based employees who had been stood down during the pandemic. In the second half, the rapid recovery of operations resulted in stronger earnings performance, particularly in quarter four. This resulted in an Underlying EBITDA of $526 million for the second half of the year.

While the reopening of borders led to a significant increase in travel demand, the Group and its industry peers experienced significant operational challenges. Record levels of sick leave from COVID-19, difficulties in recruitment due to tight labour markets and a surge in demand impacted airline performance globally. Airports have faced similar challenges, with some, such as London Heathrow, implementing operating restrictions on airlines.

In Australia, unique circumstances complicated the return of travel. In the second half of the year, the winter period experienced a 'double peak' of influenza and COVID-19 infections, resulting in significant levels of sick leave, particularly seven-day isolation requirements, affecting airlines, airports, ground handlers and air traffic control. A lack of migration slowed recruitment and unusually poor weather also played a role, with runway capacity limitations at key Australian ports.

The Qantas Group has taken steps to restore operational performance. During the year, contact centre resources were increased, with average wait times returning to below pre-COVID levels by June 2022. The Group recruited 1,500 employees (primarily in operational roles), worked closely with suppliers to ensure sufficient labour supply, and built increased resilience into flying schedules. It also temporarily increased employees on reserve, raising the coverage ratio in critical operational workgroups. The Group will continue to manage capacity, recruitment and training and invest in operations as it returns to its normal industry-leading service levels.

[1] The Group adopted International Financial Reporting Interpretations Committee (IFRIC) agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information. However, the results for the financial years 2019/20 and 2018/19 have not been restated.

Review of Operations continued

For the year ended 30 June 2022

RESULTS HIGHLIGHTS (CONTINUED)

The Underlying Loss Before Tax[2] (Underlying LBT) was ($1,859) million for financial year 2021/22, a decrease of $3,185 million compared to financial year 2018/19 pre-COVID (increased loss of $85 million compared to financial year 2020/21). The Group's Statutory Loss Before Tax of ($1,191) million was adverse $2,383 million from financial year 2018/19 pre-COVID (improved $1,108 million compared to financial year 2020/21). The Statutory Loss Before Tax for the 2021/22 financial year included a net gain on sale of $686 million as a result of the sale of surplus Mascot land.

Group total revenue was $9,108 million, down $8.9 billion or 49 per cent compared with financial year 2018/19 pre-COVID (up $3.2 billion or 53 per cent compared to financial year 2020/21). Operating expenses[3] have reduced by 38 per cent compared with financial year 2018/19 pre-COVID. This has driven the Group's Recovery Plan, which delivered restructuring benefits of $920 million by 30 June 2022. The Group is on track to deliver $1 billion in structural benefits by financial year 2022/23.

Over the period, the Group's Domestic airlines flew 63 per cent of their pre-COVID network. While Group Domestic saw an Underlying EBITDA loss of ($194) million for financial year 2021/22, the rapid recovery in demand and full return of domestic operations to pre-COVID levels resulted in Group Domestic Underlying EBIT being positive in the fourth quarter. The Group's International operations contributed an Underlying EBITDA of $167 million for financial year 2021/22, with Qantas Freight continuing to provide a natural hedge for decreased passenger flying and delivering a record performance in the year. This was underpinned by record international freight yields due to constrained freight belly space and continued growth in e-commerce penetration in Australia. The resilience of the Qantas Loyalty business continued as it generated a third consecutive year of gross cash billing above $1 billion and Underlying EBITDA of $351 million for financial year 2021/22 (Underlying EBIT of $292 million). The contributions of Qantas Freight and Qantas Loyalty during the COVID-19 period continue to demonstrate the benefits of the diversified portfolio of businesses that the Group has built.

Key financial metrics for the 2021/22 financial year include:

- Statutory Earnings Per Share loss of 45.6 cents per share
- Operating cash flow of $2,670 million, driven by strong rebuild of passenger revenue received in advance
- Net capital expenditure[4] of $398 million reflecting primarily capitalised maintenance activity offset by proceeds from the sale of surplus land
- Positive Statutory Net Free Cash Flow[5] of $2,430 million
- Net Debt reduced to $3.94 billion as at 30 June 2022.

The Australian Government implemented various programs to support businesses and employees severely affected by the pandemic. Programs which provided direct support to employees or offset costs of the Group included:

- International Aviation Support (IAS) Package, including the International Readiness Payment (IRP) provided as support to employees
- Retaining Domestic Airline Capability (RDAC), including a portion provided as support to employees.

Details on these Australian Government programs can be found in Note 15 of the Preliminary Final Report.

The Group provided vital services to conduct various charter repatriation flights to return Australians home. Along with other Australian domestic airlines, the Group performed domestic and regional flights as part of the Regional Airline Network Support (RANS) and Domestic Aviation Network Support (DANS) programs to maintain vital air transport links during the pandemic. It also participated in the Tourism Aviation Network Support (TANS) scheme, which offered discounted fares to key tourist regions in Australia. Qantas Freight was contracted to conduct freight services under the International Freight Assistance Mechanism (IFAM), operating 2,000 IFAM charters and moving approximately 32,000 tonnes of freight to ensure critical export freight routes remained open. The majority of these programs ended during the financial year, with IFAM concluding in June 2022.

Given ongoing COVID-19 disruptions, the Group continued to maintain a prudent stance to funding and liquidity. During the year, $491 million in new debt funding was raised and $1,441 million of debt was repaid. This included a prepayment of $450 million in secured debt raised during COVID-19, which released unencumbered aircraft back to the balance sheet. The Group remains on track to achieve its revised target of reducing gross debt by $1.3 billion under its Recovery Plan. The Group also continued to maintain access to undrawn liquidity facilities totalling $1.3 billion, with maturities extended to financial year 2023/24, financial year 2025/26 and financial year 2026/27.

At 30 June 2022, cash and cash equivalents totalled $3.3 billion with total liquidity at $4.6 billion, including $1.3 billion in committed undrawn facilities. The Group also maintains an unencumbered asset base of more than $3.5 billion. This ensures that the Group has significant financial flexibility to manage throughout various operating conditions.

[2] Underlying Loss/Profit Before Tax (Underlying LBT/PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying LBT/ PBT to Statutory (Loss)/Profit Before Tax on page 15.

[3] Group gross underlying expenditure excluding depreciation and amortisation, impairment/(reversal of impairment) of assets and related costs, share of net loss/(profit) of investments accounted for under the equity method and discount rate changes impact on provisions.

[4] Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.

[5] Net cash from operating activities less net cash used in investing activities.

Review of Operations continued

For the year ended 30 June 2022

RESULTS HIGHLIGHTS (CONTINUED)

At the end of financial year 2021/22, Net Debt[6] was $3.94 billion, below the Financial Framework optimal Net Debt target range of $4.2 billion to $5.2 billion. The reduction over the year was driven by Recovery Plan benefits, the surplus land sale in the first half of the year and a strong rebuild of revenue received in advance. In May 2022, the Group, which is one of only six airlines to retain an investment grade credit rating during the COVID-19 period, received an upgrade to its Baa2 rating from Moody's Investor Services, with the outlook moving from 'negative' to 'stable'.

THREE-YEAR RECOVERY PLAN

● Complete
○ On track

Focus area	Target	Financial year 2020/21	Financial year 2021/22	Financial year 2022/23	Status
Cash flow	Sustainable positive Net Free Cash Flow		●		Achieved – three consecutive quarters of Net Free Cash Flow in financial year 2021/22
	~$0.75 billion capex for financial year 2020/21	●			Complete
Fleet management	Defer deliveries of A321neo and 787-9 aircraft	●			Complete
	Retire 6 x 747s and hibernate A380s	●			Complete
Qantas Loyalty	Return to double digit growth by calendar year 2022		●		Achieved – 12 per cent growth from 2H21 to 2H22
Deleverage the balance sheet	Gross debt reduction of $1.3 billion by financial year 2022/23[7]			○	On track
	Net Debt/EBITDA < 2.5 times by financial year 2022/23			○	On track
Cost savings	8,500 exits by financial year 2020/21 (9,800 exits by financial year 2021/22)	●	●		Complete – ~9,800 exits
	Restructuring cost benefits of $0.6 billion in financial year 2020/21, $0.8 billion by financial year 2021/22, $1 billion by financial year 2022/23	●	●	○	On track – $1 billion in cost benefits expected by financial year 2022/23 with all initiatives now commenced and greater than 90 per cent of initiatives completed; $920 million delivered at the end of financial year 2021/22
	FY23 Group Unit Cost (excluding fuel and depreciation) 10 per cent less than financial year 2019/20			○	On track
Customer, brand and employee engagement	Maintain customer advocacy (NPS) premium to domestic competitor	●	●	○	On track – NPS at a premium to domestic competitor although impacted by operational issues; initiatives in place to improve
	Maintain brand and reputation	●	●	Recovery plan in progress	Long-term brand preference metrics have remained stable despite operational disruptions
	Employee sentiment	●	●	Recovery plan in progress	Operational issues have impacted employee sentiment, with initiatives in place to improve

The Recovery Plan delivered $920 million in savings since the start of the program. It is on track to deliver $1 billion by the end of financial year 2022/23, with all initiatives now commenced and over 90 per cent completed. Consistent with long-standing practice, the Group is also committed to offsetting CPI costs through additional transformation comprising both cost and revenue initiatives.

6 Net Debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.
7 Resized in line with forecast earnings and cash liquidity levels, with competitive cost of existing debt in rising interest rate environment.

Review of Operations continued

For the year ended 30 June 2022

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders. With the launch of the Qantas Group Climate Action Plan in March 2022, an Environmental, Social and Governance (ESG) perspective has now been incorporated into the Financial Framework, with the aim of targeting industry-leading ESG credentials and a maintainable Earnings Per Share (EPS) growth over the cycle. This reflects the importance of ESG considerations in the Group's target of achieving Total Shareholder Returns (TSR) in the top quartile of the ASX100 and among a basket of global airlines.[8] The Financial Framework is built on three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC[10] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a Net Debt range of $4.2 billion to $5.2 billion[9]	Deliver ROIC > 10 per cent[11]	Grow Invested Capital with disciplined investment and return surplus capital
Deliver against Climate Action Plan Targets	ESG included in all business decisions	Prioritise projects that exceed both ESG and ROIC targets

INDUSTRY-LEADING ESG CREDENTIALS | MAINTAINABLE EPS GROWTH OVER THE CYCLE

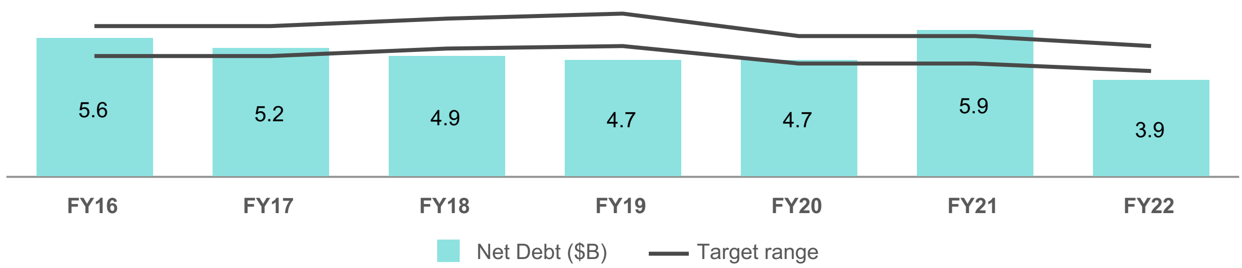
TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure

The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. This results in a Net Debt target range of $4.2 billion to $5.2 billion, based on the average Invested Capital for the 12 months ending 30 June 2022 of $4.9 billion. The range is based on a Net Debt/ROIC EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. The Group's optimal capital structure is consistent with investment grade credit metrics and the Group maintains an investment grade Baa2 rating with Moody's Investor Services.

At 30 June 2022, Net Debt was $3.94 billion, below the Net Debt target range.

Net Debt Profile FY19 to FY22 ($ billion)



ROIC > WACC Through the Cycle

Return on Invested Capital (ROIC) for the 12 months to 30 June 2022 was (31.6%), below the Group's target for value creation of 10 per cent. This was due primarily to the impact of COVID-19 on earnings, including government-imposed travel restrictions and border closures.

Disciplined Allocation of Capital

The Qantas Group takes a disciplined approach to allocating capital, with the aim to grow Invested Capital and return surplus capital to shareholders where forward-looking earnings permit. Upon considering the forward outlook for the business and the restoration of financial strength under its Financial Framework, the Board has resolved to announce an on-market buyback up to the value of $400 million.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share was a loss of (45.6) cents per share due to the significant Statutory Loss After Tax.

8 Target Total Shareholder Returns within the top quartile of the ASX100 and the global listed airline peer group as stated in the 2021 Annual Report, with reference to the 2021-2023 Long Term Incentive Plan (LTIP).
9 Based on Invested Capital of $4.9 billion as at 30 June 2022.
10 Weighted Average Cost of Capital, calculated on a pre-tax basis.
11 Target of greater than 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.

Review of Operations continued

For the year ended 30 June 2022

GROUP PERFORMANCE

The Underlying Profit Before Tax for 2021/22 financial year was a loss of ($1,859) million compared with an Underlying Profit Before Tax of $1,326 million in financial year 2018/19 pre-COVID and a loss of ($1,774) million in financial year 2020/21. Net passenger revenue declined by 62 per cent compared to financial year 2018/19 pre-COVID levels as the domestic airlines operated at 63 per cent of pre-COVID capacity and the international scheduled passenger businesses operated at only 17 per cent of pre-COVID capacity. Net freight revenue increased due to a surge in e-commerce and a significant reduction in available international belly space, driving yields higher. Other revenue declined primarily due to decreased third-party service revenues.

Group Underlying Income Statement Summary[12]	June 2022 $M	June 2021 (restated) $M	June 2019 (pre-COVID)[13] $M
Net passenger revenue	5,951	3,766	15,696
Net freight revenue	1,963	1,316	971
Other	1,194	852	1,299
Revenue	**9,108**	**5,934**	**17,966**
Operating expenses (excluding fuel)[12]	(6,853)	(4,560)	(10,599)
Fuel	(1,848)	(835)	(3,846)
Impairment[12]	(38)	(13)	—
Depreciation and amortisation[12]	(1,801)	(1,870)	(1,936)
Share of net (loss)/profit of investments accounted for under the equity method	(126)	(129)	23
Total underlying expenditure	**(10,666)**	**(7,407)**	**(16,358)**
Underlying EBIT	**(1,558)**	**(1,473)**	**1,608**
Net finance costs	(301)	(301)	(282)
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**

Operating Statistics		June 2022	June 2021 (restated)	June 2019 (pre-COVID)
Available Seat Kilometres (ASK)[14]	M	50,633	29,374	151,430
Revenue Passenger Kilometres (RPK)[15]	M	34,363	18,557	127,492
Passengers carried	000	21,257	15,866	55,813
Revenue Seat Factor[16]	%	67.9	63.2	84.2
Operating Margin[17]	%	(17.1)	(24.8)	9.0
Unit Revenue (RASK)[18]	c/ASK	9.48	9.72	8.85
Total Unit Cost[19]	c/ASK	(13.16)	(15.76)	(7.97)

Group capacity for the year (ASK) decreased by 67 per cent compared to financial year 2018/19 pre-COVID. Revenue Passenger Kilometres decreased by 73 per cent compared to financial year 2018/19 pre-COVID due to lower capacity levels and the Group's Revenue Seat Factor falling to 68 per cent. Group Unit Revenue increased to 9.48 c/ASK due to the increased weighting of domestic to international revenue compared to pre-COVID. The Group's Total Unit Cost increased to 13.16 c/ASK as a result of the Group's fixed cost base, including depreciation and amortisation being spread across a significantly lower number of ASKs compared to financial year 2018/19 pre-COVID.

12 Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 15.
13 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decisions") retrospectively. June 2019 (pre-COVID) has not been restated. Refer to Note 18 for further information.
14 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
15 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
16 Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
17 Operating Margin is Group Underlying EBIT divided by Group total revenue.
18 Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).
19 Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.

Review of Operations continued
For the year ended 30 June 2022

CASH GENERATION

Cash Flow Summary	June 2022 $M	June 2021 $M	Change $M	Change %
Operating cash flows	2,670	(386)	3,056	792
Investing cash flows	(240)	(722)	482	67
Net free cash flow	**2,430**	**(1,108)**	**3,538**	**319**
Financing cash flows	(1,310)	(181)	(1,129)	(624)
Cash at the beginning of the year	2,221	3,520	(1,299)	(37)
Effect of foreign exchange on cash	2	(10)	12	120
Cash at the end of the year	**3,343**	**2,221**	**1,122**	**51**

Debt Analysis		June 2022 $M	June 2021 $M	Change $M	Change %
Net on balance sheet debt[20]	$M	2,617	4,609	(1,992)	(43)
Capitalised operating lease liabilities[21]	$M	1,320	1,281	39	3
Net debt[22]		**3,937**	**5,890**	**(1,953)**	**(33)**

Operating cash outflows for financial year 2021/22 were $2,670 million, with the rebuild of Revenue Received in Advance and continued strength in Freight and Loyalty billings generating significant positive cash flow.

Investing cash outflows for financial year 2021/22 were $240 million, with gross cash outflows of ($1,041) million offset by the proceeds from the sale of land at Mascot and other assets of $801 million. Net capital expenditure[23] was $398 million, including the impact of capitalised aircraft leases relating to Embraer E190s and Boeing 747 freighters in the Group's Financial Framework. Capital expenditure was primarily directed to capitalised maintenance.

Net financing cash outflows of ($1,310) million included a $491 million drawdown of debt offset by debt repayments of $1,441 million and $360 million in net aircraft, non-aircraft lease repayments and other financing cash outflows.

At 30 June 2022, the Group's unencumbered asset base was greater than $3.5 billion,[24] including 49 per cent of the Group's fleet[25] as well as spare engines and other assets.

Qantas continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changes in market conditions and earnings scenarios.

20 Net on balance sheet debt includes interest-bearing liabilities reduced by cash and cash equivalents.
21 Capitalised aircraft lease liabilities are a non-statutory measure. They are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis. Residual value of capitalised aircraft lease liability denominated in foreign currency are translated at a long-term exchange rate.
22 Net Debt is a non-statutory measure. It includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework.
23 Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
24 Aircraft valuations based on the average of AVAC and AVITAS market values as at 30 June 2022.
25 Based on number of aircraft as at 30 June 2022. The Group's fleet totalled 322 aircraft, including Jetstar Asia (Singapore) owned fleet and excluding Jetstar Japan.

Review of Operations continued

For the year ended 30 June 2022

FLEET

The Group's strategic priorities for fleet planning are centred on three key principles: the right aircraft for the right route, maintaining flexibility and maintaining competitiveness. The determination of the optimal fleet plan balances a number of factors, including the availability of new technology, the level of capacity growth required in the markets, the competitive landscape and whether the investment is earnings accretive. At all times, the Group retains significant flexibility in its fleet to respond to changes in market conditions through fleet redeployment, refurbishment, lease extension or return and retirement.

With the launch of its Climate Action Plan in March 2022, the Group has more formally integrated ESG considerations into its fleet planning. As part of its plan to reduce net emissions by 25 per cent by 2030 and to net zero by 2050, the Group has a 1.5 per cent per annum operational fuel efficiency target, with fleet renewal being a key driver. In addition, the integration of ESG into the Financial Framework means new fleet investments are factoring the expected future cost of carbon through an internal carbon price. Further details will be available as part of the Qantas Sustainability Report to be released in September 2022.

During financial year 2021/22, one A320-200 was transferred from Jetstar Australia to QantasLink to support the growing resource market, two Jetstar Group A321ceos were converted to freighter aircraft to support Qantas Freight, one A320-200 from Jetstar Asia was returned to the lessor and four of Jetstar Japan's A320-200 aircraft (not included in the fleet summary below) were repositioned to Australia to support Jetstar Domestic. Qantas International also announced that two A380s in storage would not return to operations.

The Group also announced two significant fleet investment programs during the year. Domestically, Qantas will start the renewal of its narrow body jet fleet with firm orders for 20 Airbus A321XLRs and 20 A220-300s to replace its Boeing 737s and 717s as they are retired. The first of these will arrive in 2023 and thereafter over the next decade. Combined with an existing Jetstar order with Airbus, the Group now has 299 narrow body aircraft, half of which are firm and half of which are purchase right options. Embedded contract flexibility allows either brand to select any variant from the A320 and A220 families providing significant planning flexibility.

In addition, the Group also confirmed its decision to proceed with 'Project Sunrise' and operate non-stop ultra-long haul flights from Australia to cities including New York and London. Qantas International has ordered 12 Airbus A350-1000 aircraft that will feature market-leading passenger comfort in each travel class, with services from Sydney scheduled to start by the end of calendar year 2025.

All of these next generation aircraft, through their lower emissions, longer range, reduced noise and better economics, will improve how customers travel around Australia and overseas.

At 30 June 2022, the Qantas Group fleet[26] totalled 322 aircraft. The fleet summary includes 12 Embraer E190s and two Boeing 747 freighters operated on the Group's behalf by third parties, which have met the requirements of capitalised operating leases under the Group's Financial Framework.

Fleet Summary (Number of Aircraft)	June 2022	June 2021 (restated)[27]
A380[28]	10	12
A330-200/300	28	28
737-800	75	75
787-9	11	11
717-200	20	20
Q200/300/400	50	50
F100	18	18
A320-200	11	10
E190	12	4
Total Qantas (including QantasLink and Network Aviation)	**235**	**228**
A320/A321-200	65	67
787-8	11	11
Total Jetstar Group	**76**	**78**
737-300/400F	5	5
767-300F	1	1
A321-200P2F	3	3
747-8F[29]	2	0
Total Freight	**11**	**9**
Total Group	**322**	**315**

26 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation and excludes aircraft operated by Jetstar Japan.
27 2020/21 financial year has been restated to include the embedded lease and related financing of Embraer E190s. Group Fleet now includes embedded lease and related financing of Embraer E190s and 747 Atlas Freighters as they have been recognised as debt in accordance with the Financial Framework. The Financial Framework recognises lease arrangements that serve permanent capacity.
28 Of the fleet of 12 A380s in June 2021, 10 are expected to be returned to service. At 30 June 2022, three A380s are in service.
29 Two 747-8F operated as at 30 June 2022.

Review of Operations continued

For the year ended 30 June 2022

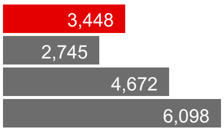
SEGMENT PERFORMANCE

Segment Performance Summary	June 2022 $M	June 2021 (restated) $M	June 2019 (pre-COVID) $M
Qantas Domestic	(765)	(575)	778
Qantas International	(238)	(548)	323
Jetstar Group	(796)	(541)	400
Qantas Loyalty	292	272	376
Corporate	(129)	(98)	(171)
Unallocated/Eliminations	78	17	(98)
Underlying EBIT	**(1,558)**	**(1,473)**	**1,608**
Net finance costs	(301)	(301)	(282)
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**

QANTAS DOMESTIC

Revenue

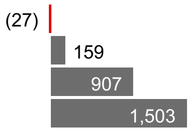
3,448 $M



FY22	**3,448**
FY21	2,745
FY20	4,672
FY19	6,098

Underlying EBITDA

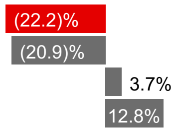
(27) $M



FY22	**(27)**
FY21	159
FY20	907
FY19	1,503

Operating Margin

(22.2) %



FY22	**(22.2%)**
FY21	(20.9%)
FY20	3.7%
FY19	12.8%

Metrics		June 2022	June 2021	June 2019
ASKs	M	**21,233**	16,951	33,866
Seat factor	%	**60.9**	58.3	77.8

Qantas Domestic reported an Underlying EBITDA loss of ($27) million and an Underlying EBIT loss of ($765) million for the year.

The result was impacted by COVID-19 lockdowns, unwinding of COVID-19 relief measures and the restart of activities. Demand was impacted by the Delta and Omicron outbreaks which delayed the full reopening of domestic borders until March 2022.

For the financial year 2021/22, Qantas Domestic operated 63 per cent of pre-COVID flying, returning to an average capacity of 98 per cent of pre-COVID levels in the fourth quarter. Leisure demand continued to lead the recovery, with leisure revenue intakes significantly above pre-COVID levels. Business purpose travel returned strongly in the fourth quarter, driven by resource and Small and Medium-sized Enterprise (SME) demand. The recovery in demand saw a steady rise in seat factors, with seat factors reaching 74 per cent for the month of June 2022.

Qantas Domestic increased its number of routes to 132 at the end of the 2021/22 financial year supported by the growth of the E190 fleet to 12 aircraft operated by Alliance Airlines in a wet-lease arrangement. The Group also announced an agreement to acquire the remaining 80 per cent of shares it does not already own in Alliance Aviation Services Ltd (ASX: AQZ), improving its ability to serve Western Australian and Queensland resource customers. The agreement is subject to Australian Competition and Consumer Commission clearance and Alliance shareholder approval.

As part of the wider Recovery Plan, Qantas Domestic has delivered approximately $450 million in annualised recovery cost benefits since the start of the three-year program.

During the second half of the year, Qantas Domestic experienced operational challenges due to record sick leave and tight labour markets, which coincided with a rapid recovery of demand as travel restrictions eased. These challenges resulted in cancellations, disrupted bags and on time performance being below service standards. Steps have been taken to address performance, including recruitment and building increased resilience in flying schedules. In addition, investments in customer initiatives such as streamlined self-service check-in kiosks and improved contact centres were undertaken to support the return to travel.

Through its multi-gauge fleet, network breadth, frequency and superior product offering (including Wi-Fi and lounges), Qantas Domestic is well-positioned to serve the premium segment of the domestic market.

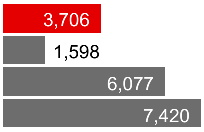
Review of Operations continued

For the year ended 30 June 2022

QANTAS INTERNATIONAL

Revenue

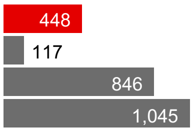
3,706 $M



FY22	**3,706**
FY21	1,598
FY20	6,077
FY19	7,420

Underlying EBITDA

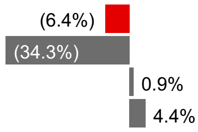
448 $M



FY22	**448**
FY21	117
FY20	846
FY19	1,045

Operating Margin

(6.4) %



FY22	**(6.4%)**
FY21	(34.3%)
FY20	0.9%
FY19	4.4%

Metrics		June 2022	June 2021	June 2019
ASKs	M	**12,187**	640	69,571
Seat factor	%	**75.4**	42.8	86.0

Qantas International commenced its recovery as Australian travel restrictions eased, with freight operations continuing to act as a natural hedge for the grounded passenger business. The result for the year was an Underlying EBITDA of $448 million on passenger capacity at 18 per cent of pre-COVID levels. Underlying EBIT was a loss of ($238) million. Despite the challenging environment, the Recovery Plan focus continued, with approximately $360 million in permanent cost benefits delivered by the end of the year.

Qantas International's passenger business restarted late in the first half of the year. Routes to London, Los Angeles and Singapore opened from November and were part of 19 ports restarted during the year. As the business mobilised quickly, it was able to capture high levels of pent-up demand where borders opened earlier than expected. This also extended to new opportunities, with eight new routes announced including Sydney and Melbourne to Delhi, Perth to Rome and Sydney to Seoul.

Overall International market capacity was slow to return due to border closures in some markets, aircraft availability due to manufacturer delays and long lead times to return aircraft from COVID-19 storage. This impacted numerous airlines and resulted in market capacity lagging behind demand. In this environment, international passenger yields rose strongly, providing an important offset to the significant increase in jet fuel prices seen during the quarter.

Freight continued to offset the losses of the International passenger operations and played an important role in the IFAM program, providing critical flights to Australian suppliers to keep export markets open. The performance in Freight was driven by strong international yields resulting from constrained belly space availability. Combined with surging e-commerce demand, this drove Freight to a record performance for the full year. Underpinned by the e-commerce trends, Qantas Freight announced plans to grow its fleet, with two existing A330 passenger aircraft identified for freighter conversions. This adds to three A321 aircraft converted to freighters already in operation. Subsequent to year end the Group announced it will procure an additional six A321 freighters to replace several smaller ageing aircraft.

Building on its significant cost transformation, the full recovery of its flying by financial year 2023/24 and future initiatives like 'Project Sunrise', the Qantas International business is well-positioned to capture demand for premium international travel.

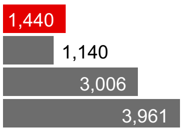
Review of Operations continued

For the year ended 30 June 2022

JETSTAR GROUP

Revenue

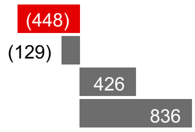
1,440 $M



FY22	**1,440**
FY21	1,140
FY20	3,006
FY19	3,961

Underlying EBITDA

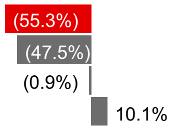
(448) $M



FY22	**(448)**
FY21	(129)
FY20	426
FY19	836

Operating Margin

(55.3) %



FY22	**(55.3%)**
FY21	(47.5%)
FY20	(0.9%)
FY19	10.1%

Metrics		June 2022	June 2021	June 2019
ASKs	M	**17,213**	11,783	47,993
Seat factor	%	**71.2**	71.3	86.1

The Jetstar Group reported an Underlying EBITDA loss of ($448) million and an Underlying EBIT loss of ($796) million.

All businesses relaunched operations, with all Jetstar Australia and New Zealand fleet deployed. All domestic and most international destinations also restarted although key markets, like Bali, reopened late in the financial year. The recovery profile of Jetstar was similar to Qantas, with domestic travel leading the international recovery.

Jetstar's Australian Domestic business delivered an Underlying EBITDA loss of ($167) million. The result was impacted by reduced demand primarily due to Delta and Omicron, stranded costs linked to sudden border restrictions, unwinding of COVID-19 relief measures and restart costs. Earnings performance improved in the final quarter as restrictions eased and demand returned, with Jetstar's Australian business returning to Underlying EBITDA profit in the fourth quarter. Jetstar Group capacity for the year was 36 per cent of pre-COVID levels and the average seat factor for the group was 71 per cent.

Jetstar Australia, New Zealand and Jetstar Asia (Singapore) international operations reported an Underlying EBITDA loss of ($157) million, impacted by the slow return of key markets. The late opening of key markets saw RASK momentum improve in the final months of the year, which was important to offset rising fuel prices. Jetstar Asia commenced flying on vaccinated travel lane routes in December 2021, providing a connecting passenger feed onto Qantas International services in Singapore.

Jetstar Group's result includes a ($124) million loss attributable to the share of statutory losses for Jetstar Japan. The operating environment in Japan was particularly challenging and the loss included a ($52) million negative impact from the balance sheet revaluation of USD-denominated aircraft leases due to a depreciation in the Yen against the US dollar.

Jetstar remains well-positioned to maintain a low fares advantage, with cost and scale advantages to its domestic competitors. From financial year 2022/23, deliveries will commence for the first of 18 A321LR aircraft. This significant investment in new technology will lower operating costs, reduce emissions and provide greater network reach, leaving the Jetstar Group well-placed to capitalise on the leisure-led recovery.

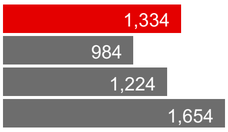
Review of Operations continued

For the year ended 30 June 2022

QANTAS LOYALTY

Revenue

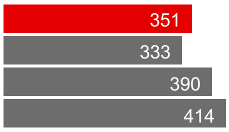
1,334 $M



FY22	**1,334**
FY21	984
FY20	1,224
FY19	1,654

Underlying EBITDA

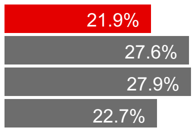
351 $M



FY22	**351**
FY21	333
FY20	390
FY19	414

Operating Margin

21.9 %



FY22	**21.9%**
FY21	27.6%
FY20	27.9%
FY19	22.7%

Metrics		June 2022	June 2021	June 2019
QFF members	M	**14.1**	13.6	12.9
Points earned	B	**118**	94	156
Points burned	B	**121**	82	135

Qantas Loyalty has continued to provide an important source of earnings and cash flow diversification for the Group. Underlying EBITDA for the year was $351 million, with Underlying EBIT of $292 million and a return to double digit growth in the second half of the year. Despite negative impacts from COVID-19 lockdowns, it was a strong result given limited flying from the airline segments to drive member activity. Cash billings remained strong, with external sales greater than $1 billion for the third year in a row.

Earnings momentum improved through the year as restrictions eased and travel demand resumed. Activity peaked in the fourth quarter, with airline redemptions returning to pre-COVID levels and points earned on financial services products exceeding pre-COVID levels. During the lockdowns periods retail businesses such as Qantas Wine and Qantas Rewards Store performed well and saw redemptions rise above pre-COVID levels. The strength of the program was also reflected in membership growth, with 0.5 million new members by the end of the year.

Qantas Loyalty maintained its strong presence in the Australian credit card market, with approximately 35 per cent of consumer credit spend occurring on credit cards earning Qantas Points. The spend on such cards returned to pre-COVID levels, with 50 per cent growth in new credit cards acquired during the year.

Agreements were renewed with key coalition partners including Woolworths and all five major financial services providers and new strategic partnerships announced with Accor, Optus and Zip. Qantas Loyalty also launched Qantas Business Money, a global payments platform for members to make international business payments in a cost-effective and rewarding way.

Despite reduced flying opportunities, the program maintained strong member engagement through initiatives to improve generosity. These included the largest ever release of Classic Reward seats (resulting in a record day for flight redemptions), increased member value in Hotels and Holidays redemptions as well as the launch of Green Tier, a new tier for members who make sustainable choices.

In May 2022, Qantas Loyalty secured a 51 per cent stake in TripADeal, an online travel business, continuing its investment in adjacent businesses and complementing its own Hotels and Holidays brands to capture anticipated strong growth as travel recovers.

With a strong future pipeline of new initiatives, Qantas Loyalty remains focused on growing program value, providing confidence in achieving its $500-600 million Underlying EBIT target by financial year 2023/24.

Review of Operations continued

For the year ended 30 June 2022

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

The Statutory Loss Before Tax of ($1,191) million for financial year 2021/22 compares to a Statutory Loss Before Tax of ($2,299) million for financial year 2020/21 and a Statutory Profit Before Tax of $1,192 million for financial year 2018/19.

Underlying PBT

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the financial year 2021/22 as recognised within Underlying PBT is down $8.9 billion compared to the financial year 2018/19 (pre-COVID), which is consistent with the reduction of revenue within the Group's Statutory Loss.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19, including reducing flight capacity domestically and internationally (with associated reductions in fuel and other variable costs), workforce stand downs and operational cost reduction measures, have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures, including the IAS, RDAC, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, is also recorded in Underlying PBT.

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

Items not included in Underlying PBT primarily result from revenues or expenses relating to business activities in other reporting periods, restructuring/transformation initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

The impact of COVID-19 and the Group's Recovery Plan resulted in items not included in Underlying PBT, including asset impairments, and Recovery Plan restructuring costs, including redundancies and de-designated hedging due to a significant decrease in flying activity. De-designations or ineffectiveness relating to hedging which were designated subsequent to the impact of COVID-19 is considered to have occurred within the ordinary course of business and is recognised within Underlying PBT.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY LOSS BEFORE TAX	**June 2022 $M**	**June 2021 (restated) $M**	**June 2019 (pre-COVID) $M**
Underlying PBT	**(1,859)**	**(1,774)**	**1,326**
Items not included in Underlying PBT			
– Transformation costs[30]	—	—	(260)
– Recovery Plan restructuring costs[31]	(21)	(319)	—
– Reversal of impairment/(Impairment) of assets and related costs	3	(257)	39
– De-designation of pre-COVID fuel and foreign exchange hedges	—	33	—
– Net gain on Mascot land and buildings	686	—	192
– Net gain on disposal of assets	—	18	—
– Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC fair value hedging agenda decision	—	—	(105)
Total items not included in Underlying PBT	**668**	**(525)**	**(134)**
Statutory Loss Before Income Tax Expense	**(1,191)**	**(2,299)**	**1,192**

In the 2021/22 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	**Description**
Recovery Plan restructuring costs	$21 million primarily relates to $14 million of restructuring costs resulting from fleet and people restructuring as a result of the Recovery Plan and $7 million acquisition and launch costs for new businesses.
Reversal of impairment of assets and related costs	$3 million of reversal of impairment relates to $1 million net reversal of impairment relating to the Group's investment in Helloworld and $2 million other impairment reversals.
Net gain on disposal of assets	The net gain on disposal of assets of $686 million arose from the sale of land in Mascot, Sydney that was not core to the Group's long-term strategy.

Refer to Note 2(B) of the Financial Report for details of items not included in Underlying PBT.

[30] Costs incurred under the Transformation Program in previous years are reported under Transformation costs.
[31] Costs incurred in relation to the Group's Recovery Plan are reported under Recovery Plan restructuring costs.

Review of Operations continued

For the year ended 30 June 2022

MATERIAL BUSINESS RISKS

The aviation industry is subject to numerous inherent risks that can impact operations if left untreated. In rare circumstances, 'black swan' risk events can materialise, resulting in unexpected consequences such as those that the aviation industry is experiencing due to COVID-19. The COVID-19 pandemic has impacted Qantas' operations significantly, including its strategic, operational and financial objectives.

Material business risks arising from the ongoing impact of COVID-19 are being critically managed to ensure a sustained recovery for the Group. The Recovery Plan is on track to deliver the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. With the prolonged impact of COVID-19, the Group continues to plan for a wide range of scenarios and risks to ensure the Group is well-positioned to achieve the required level of transformation to support target outcomes and meet travel demand and customer expectations.

Other inherent risks that can impact the Group's operations include exposure to economic uncertainty and geopolitical instability, changes in government regulations, volatility in fuel prices and foreign exchange rates, and other exogenous events such as aviation incidents, natural disasters or international conflicts.

COVID-19 outbreak management: Through its 'Fly Well' and 'Work Well' programs, Qantas has continued implementing initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. These controls not only seek to protect health but also support business continuity. The Qantas Group continues to adapt its risk mitigations to changing circumstances and government regulations and restrictions and will adapt its policies, processes and practices as appropriate. Given the Group's geographic footprint, these changes are often jurisdiction-specific, requiring a multi-layered framework to ensure compliance.

Operational Ramp-up: The Group has seen a faster than expected return of travel demand, for both domestic and international travel, following the rapid easing of travel restrictions in the second half of financial year 2021/22. Supported by a successful vaccination program, this includes signs of renewed customer confidence following the delay in travel recovery resulting from Delta and Omicron. Despite this, the operational challenges presented in the second half of financial year 2021/22 demonstrate that whilst demand may be more resilient to COVID-19, the operational disruptions created by COVID-19 sickness, tight labour market, and adverse weather and airport infrastructure events, may continue and particularly if government mandated restrictions return. As such, the Group continues to retain flexibility in planning its capacity settings, recruiting and training employees to support capacity growth and investing in operations to respond to sudden changes in demand should further waves of the pandemic occur.

General economic conditions post-crisis: As air travel is closely linked with economic growth, the Qantas Group's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. COVID-19 and the geopolitical tensions, including the ongoing war in Ukraine and strained relations between China and Taiwan, have created considerable uncertainty and volatility surrounding these macroeconomic factors, and any further deterioration may have a materially adverse impact on the business, financial condition and prospects of the Qantas Group. In more recent times, some macroeconomic risks have emerged as central banks normalise interest rates following an extensive period of accomodative monetary policy, which may impact future economic demand. To address these risks, the Group retains flexibility to adjust capacity and has developed and identified responses to address a range of scenarios, including multi-year high fuel prices, low exchange rate, high inflation rate, and weak Australian dollar, to protect the Group's financial position.

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel price (including refining margin) and foreign exchange risks. These risks are an inherent part of the operations of an airline and as such, are an industry-wide risk. For the Qantas Group, the size of the Group's fuel and foreign exchange risk will vary with operational capacity, size of fleet renewals and the routes the Group operates. The Qantas Group manages its fuel and foreign exchange risks through a comprehensive hedging program which provides time for the business to ultimately adjust its capacity to reflect the new operating environment. This was evident during the second half of financial year 2021/22, with hedging placed during the COVID-19 period providing some protection against record high fuel prices resulting from the Ukraine war, before necessary reductions in capacity to generate RASK increases occurred. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group normally uses a mix of fuel derivative collars and outright options to cover underlying fuel price risk and is actively managed for changes in capacity.

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

Australia's aviation policies favour a highly competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have historically attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes. Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates and aggressive pricing by competitors seeking to gain market share can adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs that characterise the aviation industry. The combined effect of these factors may have a materially adverse effect on the revenue and financial condition of the Group.

Review of Operations continued

For the year ended 30 June 2022

MATERIAL BUSINESS RISKS (CONTINUED)

Employee relations: The Qantas Group operates in a highly regulated employment market and a large portion of the Qantas Group's employees are represented by unions and are party to collective bargaining arrangements. Any significant enterprise bargaining dispute between the Qantas Group and its employees, including in relation to the Recovery Plan, could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group's day-to-day operations and adversely affect business performance, potentially leading to reputational damage. The Group has developed business continuity planning arrangements, including testing and rehearsal (to the extent possible), to provide continuity of operations in the event of an industrial action.

In the first half of financial year 2021/22, the Group focused on returning stood down employees to work in response to planned increases in demand for air travel. These plans were impacted by significant COVID-19 outbreaks which led to widespread lockdowns in New South Wales and Victoria. The Group recognises that future outbreaks of COVID-19 due to new variants may lead to employees having to further self-isolate. These periods of self-isolation have also led to operational disruption as frontline staff are unable to attend their workplace resulting in operational challenges and schedule disruption. This has been amplified as our suppliers and other parts of the aviation industry are experiencing similar COVID-19-driven resource constraints. This situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing are supported. Relevant information continues to be communicated to our people through a series of channels, including regular Town Hall meetings hosted by the Group Executive Committee. Employee mental health continues to be a key area of focus, with enhanced services provided through our Employee Assistance Program as well as manager toolkits to assist with increasing awareness, identification, support and monitoring of employee mental health.

The prolonged impact of COVID-19 on the airline industry continues to negatively impact the ability to attract and retain appropriate talent and technical/specialist resources. The labour market's constrained environment will continue to put pressure on planned capacity given the need to ramp-up the workforce to support operations over the next few months. Management continues to develop and implement contingency/action plans to manage the impact of the ongoing labour shortage on the Group.

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly in light of the significant competition for passengers that characterises the aviation industry. The significant financial and operational challenges posed by COVID-19, the impact of the pandemic on the travel industry, the opening and closing of domestic and international borders and the response of the Qantas Group to these challenges could also impact customer satisfaction and loyalty. In particular, a diminution of customer satisfaction due to the cancellation, credit and refund policies of the Qantas Group in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future. The Group continues to provide customers with flexibility and options to utilise their flight credits, vouchers, and TravelPass and is actively encouraging customer usage. Loss of brand preference due to prolonged operational issues is also a key customer risk and ensuring on time performance and reliability remains a key priority for the Group.

In addition, the Qantas Group is vulnerable to long-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group's future operating and financial performance. As customer preferences shifted significantly due to COVID-19, as well as ensuring operational resilience, the Group is looking to transform the customer experience through a multi-year program of work aimed at adapting to new customer journey requirements, market learnings and business need, to ensure the Group's strong market position is maintained.

Climate change: The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to reducing its greenhouse gas (GHG) emissions in line with the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Climate-related risks include both physical risks (such as increased extreme weather events) and transition risks (including development of alternative fuel and changes to government policy, law and regulation). The Group will manage these risks through mechanisms including, but not limited to, scenario analysis to inform the Group's strategy; robust governance; adopting lower-GHG emissions technology; operational and market-based controls; and monitoring government policy. More detail will be provided in the FY22 Sustainability Report. In 2019, the Group announced its ambition to achieve net zero GHG emissions by 2050 and to cap net GHG emissions at 2019 levels. In March 2022, the Qantas Group's Climate Action Plan was released with targets for: a 25 per cent reduction in net emissions from 2019 levels by 2030; 10 per cent sustainable aviation fuel in fuel mix by 2030; and an average of 1.5 per cent fuel efficiency improvements to 2030.[32] The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its corporate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD). These disclosures will be available in the 2022 Sustainability Report.

Brand reputation: The Qantas brand carries significant commercial value, and the continued success of the Qantas Group relies on the maintenance of a positive reputation and brand recognition among customers, suppliers, strategic partners and governments. Any negative publicity (for example, due to a safety incident, labour dispute, regulatory investigation, public customer complaints or operational performance) may damage Qantas' reputation and have a negative impact on its business operations and financial performance. The Customer Insights team constantly monitors customer satisfaction through post-flight surveys and regularly monitors trust in the Qantas Group brands alongside ongoing research and development of Qantas Group products to mitigate this risk.

[32] 1.5 per cent per annum fuel efficiency improvement starting from 2023, baselined to 2019.

Review of Operations continued

For the year ended 30 June 2022

MATERIAL BUSINESS RISKS (CONTINUED)

Cyber security and data governance: As cyber breaches and attacks surge globally and remote ways of working continue, the Qantas Group remains focused on embedding cyber security, privacy and data governance into business processes, taking a security and privacy by design approach and creating a cybersafe and privacy orientated culture that builds on an established safety culture. The Group's Data Governance Framework has been enhanced to ensure ethical and commercial data risks are managed in addition to data protection and privacy. Qantas has a defined Risk and Control Framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Qantas Group's cyber security and data privacy-related controls operate to reduce the likelihood and severity of cyber security and data privacy-related incidents and related impacts. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Privacy Committee and are subject to independent assurance, including for material third-party suppliers.

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

Key supplier risk: The Qantas Group is dependent on third-party providers for some principal business processes that are integral to its business. The failure of these providers to adequately perform their service obligations, or other unexpected interruptions of services, may cause significant disruption to the Group's operations and have an adverse impact on financial performance. Qantas uses its Business Continuity Plans to cover the risk of supply failures and has contingency plans in place to respond to key supplier interruption.

The Group continues to work with its key suppliers to improve resource capacity and implement contingency plans to address the labour shortage challenges driven by the influenza season and recent spike in COVID-19 cases and the corresponding isolation requirements, coupled with the ongoing tight labour market. The Group has implemented dedicated account management protocols with structured engagement and Group governance to provide oversight of third-party service providers' performance to enable the uplift of the Group's performance and meet customers' expectations.

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

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

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

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

Consolidated Income Statement

For the year ended 30 June 2022

	Notes	2022 $M	2021 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		5,951	3,766
Net freight revenue		1,963	1,316
Other revenue and income	4(B)	1,194	852
Revenue and other income		**9,108**	**5,934**
EXPENDITURE			
Manpower and staff-related		3,024	1,970
Aircraft operating variable		2,328	1,555
Fuel		1,848	835
Depreciation and amortisation	5	1,801	1,877
Share of net loss of investments accounted for under the equity method		126	129
Impairment of assets and related costs	7	35	270
De-designation and ineffectiveness of fuel and foreign exchange hedges	14	(22)	(33)
Redundancies and related costs		5	297
Net gain on disposal of assets		(692)	(26)
Other	6	1,545	1,058
Expenditure		**9,998**	**7,932**
Statutory loss before income tax expense and net finance costs		**(890)**	**(1,998)**
Finance income		17	20
Finance costs		(318)	(321)
Net finance costs		**(301)**	**(301)**
Statutory loss before income tax expense		**(1,191)**	**(2,299)**
Income tax benefit	8(A)	331	607
Statutory loss for the year		**(860)**	**(1,692)**
Attributable to:			
Members of Qantas		(860)	(1,692)
Non-controlling interests		—	—
Statutory loss for the year		**(860)**	**(1,692)**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic statutory Loss Per Share (cents)	3	**(45.6)**	**(89.9)**
Diluted statutory Loss Per Share (cents)	3	**(45.6)**	**(89.9)**

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

[1] The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 $M	2021 (restated)[1] $M
Statutory loss for the year	**(860)**	**(1,692)**
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	492	201
Transfer of effective hedging (gains)/losses from hedge reserve to the Consolidated Income Statement, net of tax[2]	(274)	49
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	(20)	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	3	4
Net changes in hedge reserve for time value of options, net of tax	20	42
Foreign currency translation of controlled entities	(18)	10
Foreign currency translation of investments accounted for under the equity method	7	12
Share of other comprehensive (loss)/income of investments accounted for under the equity method	(3)	12
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial gains, net of tax	203	251
Fair value (losses)/gains on investments, net of tax	(22)	29
Other comprehensive income for the year	**388**	**625**
Total comprehensive loss for the year	**(472)**	**(1,067)**

Attributable to:		
Members of Qantas	(472)	(1,067)
Non-controlling interests	—	—
Total comprehensive loss for the year	**(472)**	**(1,067)**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

2 These amounts were allocated to revenue of ($19) million (2021: nil), fuel expenditure of ($372) million (2021: $67 million), foreign exchange gains of nil (2021: $3 million) and income tax expense of $117 million (2021: ($21) million) in the Consolidated Income Statement.

Consolidated Balance Sheet

As at 30 June 2022

	Notes	2022 $M	2021 (restated)[1] $M
CURRENT ASSETS			
Cash and cash equivalents	12(A)	3,343	2,221
Receivables		1,102	579
Lease receivables		9	5
Other financial assets		641	176
Inventories		269	279
Assets classified as held for sale		1	1
Other		268	169
Total current assets		**5,633**	**3,430**
NON-CURRENT ASSETS			
Receivables		5	54
Lease receivables		45	47
Other financial assets		199	185
Investments accounted for under the equity method		57	57
Property, plant and equipment		10,224	10,787
Right of use assets		957	1,109
Intangible assets		778	745
Deferred tax assets		853	706
Other		902	687
Total non-current assets		**14,020**	**14,377**
Total assets		**19,653**	**17,807**
CURRENT LIABILITIES			
Payables		2,474	1,813
Revenue received in advance	11	5,863	3,277
Interest-bearing liabilities	12(B)	669	969
Lease liabilities		384	383
Other financial liabilities		67	17
Provisions	13	1,101	1,136
Total current liabilities		**10,558**	**7,595**
NON-CURRENT LIABILITIES			
Payables		—	44
Revenue received in advance	11	2,066	2,154
Interest-bearing liabilities	12(B)	5,291	5,861
Lease liabilities		888	1,016
Other financial liabilities		246	5
Provisions	13	794	689
Total non-current liabilities		**9,285**	**9,769**
Total liabilities		**19,843**	**17,364**
Net assets		**(190)**	**443**
EQUITY			
Issued capital	10	3,186	3,186
Treasury shares		(8)	(18)
Reserves		649	432
Accumulated losses		(4,024)	(3,160)
Equity attributable to members of Qantas		**(197)**	**440**
Non-controlling interests		7	3
Total equity		**(190)**	**443**

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

[1] The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

30 June 2022 **$M**	**Issued Capital**	**Treasury Shares**	**Employee Compensation Reserve**	**Hedge Reserve**	**Foreign Currency Translation Reserve**	**Other Reserves[1]**	**Accumulated Losses**	**Non-controlling Interests**	**Total Equity**
Balance as at 1 July 2021 (restated)[2]	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	—	—	—	—	—	—	(860)	—	(860)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	—	—	—	492	—	—	—	—	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	—	—	—	(274)	—	—	—	—	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	—	—	—	(20)	—	—	—	—	(20)
Recognition of effective cash flow hedges on capitalised assets, net of tax	—	—	—	3	—	—	—	—	3
Net changes in hedge reserve for time value of options, net of tax	—	—	—	20	—	—	—	—	20
Foreign currency translation of controlled entities	—	—	—	—	(18)	—	—	—	(18)
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	—	—	—	(3)	—	—	—	—	(3)
Defined benefit actuarial gains, net of tax	—	—	—	—	—	203	—	—	203
Fair value losses on investments, net of tax	—	—	—	—	—	(22)	—	—	(22)
Transfer of accumulated fair value losses to accumulated losses	—	—	—	—	—	6	(6)	—	—
Total other comprehensive income for the year	**—**	**—**	**—**	**218**	**(11)**	**187**	**(6)**	**—**	**388**
Total comprehensive loss for the year	**—**	**—**	**—**	**218**	**(11)**	**187**	**(866)**	**—**	**(472)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Transactions with owners in their capacity as owners									
Recognition of non-controlling interest from acquisition of subsidiary	—	—	—	—	—	—	—	5	5
Recognition of put option over non-controlling interest	—	—	—	—	—	(224)	—	—	(224)
Dividends paid	—	—	—	—	—	—	—	(1)	(1)
Treasury shares acquired	—	(5)	—	—	—	—	—	—	(5)
Share-based payments	—	—	63	—	—	—	—	—	63
Shares vested and transferred to employees/shares unvested and lapsed	—	15	(16)	—	—	—	2	—	1
Total transactions with owners in their capacity as owners	**—**	**10**	**47**	**—**	**—**	**(224)**	**2**	**4**	**(161)**
Balance as at 30 June 2022	**3,186**	**(8)**	**81**	**394**	**15**	**159**	**(4,024)**	**7**	**(190)**

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

1 Other Reserves as at 30 June 2022 includes the Defined Benefit Reserve of $381 million, Put Option Reserve of ($224m) and the Fair Value Reserve of $2 million.
2 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2022

30 June 2021 (restated)[2] $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2020	**3,104**	**(51)**	**54**	**(147)**	**4**	**(84)**	**(1,466)**	**3**	**1,417**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR									
Statutory loss for the year	—	—	—	—	—	—	(1,692)	—	(1,692)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	—	—	—	201	—	—	—	—	201
Transfer of effective hedging losses from hedge reserve to the Consolidated Income Statement, net of tax	—	—	—	49	—	—	—	—	49
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	—	—	—	15	—	—	—	—	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	—	—	—	4	—	—	—	—	4
Net changes in hedge reserve for time value of options, net of tax	—	—	—	42	—	—	—	—	42
Foreign currency translation of controlled entities	—	—	—	—	10	—	—	—	10
Foreign currency translation of investments accounted for under the equity method	—	—	—	—	12	—	—	—	12
Share of other comprehensive income of investments accounted for under the equity method	—	—	—	12	—	—	—	—	12
Defined benefit actuarial gains, net of tax	—	—	—	—	—	251	—	—	251
Fair value gains on investments, net of tax	—	—	—	—	—	29	—	—	29
Total other comprehensive income for the year	**—**	**—**	**—**	**323**	**22**	**280**	**—**	**—**	**625**
Total comprehensive loss for the year	**—**	**—**	**—**	**323**	**22**	**280**	**(1,692)**	**—**	**(1,067)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Transactions with owners in their capacity as owners									
Capital raising, net of tax	82	—	—	—	—	—	(6)	—	76
Share-based payments	—	—	19	—	—	—	—	—	19
Shares vested and transferred to employees/shares unvested and lapsed	—	33	(39)	—	—	—	4	—	(2)
Total transactions with owners in their capacity as owners	**82**	**33**	**(20)**	**—**	**—**	**—**	**(2)**	**—**	**93**
Balance as at 30 June 2021	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**

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

[1] Other reserves as at 30 June 2021 includes the Defined Benefit Reserve of $178 million and the Fair Value Reserve of $18 million.

[2] The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

Consolidated Cash Flow Statement

For the year ended 30 June 2022

	2022 $M	2021 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	12,236	7,507
Cash payments to suppliers and employees (excluding cash payments to employees for redundancies and related costs) and refunds to customers from receipts in prior periods	(9,278)	(6,726)
Cash payments to employees for redundancies and related costs	(48)	(926)
Interest received	13	15
Interest paid (interest-bearing liabilities)	(186)	(183)
Interest paid (lease liabilities)	(66)	(73)
Foreign income taxes paid	(1)	—
Net cash inflow/(outflow) from operating activities	**2,670**	**(386)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(906)	(747)
Interest paid and capitalised on qualifying assets	(15)	(21)
Proceeds from disposal of property, plant and equipment, net of costs	801	94
Payments for investments accounted for under the equity method	(66)	(48)
Payments for acquisition of subsidiary, net of cash acquired	(54)	—
Net cash outflow from investing activities	**(240)**	**(722)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital raising, net of costs	—	58
Payments for treasury shares	(2)	—
Proceeds from interest-bearing liabilities, net of costs	491	937
Repayments of interest-bearing liabilities	(1,441)	(759)
Repayments of lease liabilities	(363)	(420)
Proceeds from lease receivables	6	3
Dividends paid to non-controlling interests	(1)	—
Net cash outflow from financing activities	**(1,310)**	**(181)**
Net increase/(decrease) in cash and cash equivalents held	**1,120**	**(1,289)**
Cash and cash equivalents at the beginning of the year	2,221	3,520
Effects of exchange rate changes on cash and cash equivalents	2	(10)
Cash and cash equivalents at the end of the year	**3,343**	**2,221**

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

Condensed Notes to the Preliminary Final Report

For the year ended 30 June 2022

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 1992* (Cth).

The Preliminary Final Report for the year ended 30 June 2022 comprises Qantas and its controlled entities (together referred to as the Qantas Group or the Group) and the Qantas Group's interest in investments accounted for under the equity method.

Qantas has eight subsidiaries that are material to the Qantas Group in 2022 (2021: six). The parent has majority voting rights in respect of each of the material subsidiaries. Materiality has been assessed based on the expected long-term contribution of statutory profit to the Qantas Group.

The Preliminary Final Report of Qantas for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 25 August 2022.

i. Statement of Compliance

The Preliminary Final Report has been prepared in accordance with the Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The Preliminary Final Report also complies with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the International Accounting Standards Board (IASB).

The Annual Financial Report is in the process of being audited and is expected to be made available on 9 September 2022. The Preliminary Final 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.

ii. Basis of Preparation

The Preliminary Final Report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due. The Preliminary Final 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 in the following material items in the Consolidated Balance Sheet:

– Derivatives at fair value through profit and loss, and investments at fair value through other comprehensive income are measured at fair value

– Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell

– Net defined benefit asset/(liability) is measured at the fair value of plan assets less the present value of the defined benefit obligation.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (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.

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

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision that impacts the accounting for configuration or customisation costs in a cloud computing arrangement (*IFRIC Cloud Computing decision*). This decision addresses whether configuration or customisation expenditure relating to cloud computing arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The nature and effect of the changes from adoption of the IFRIC Cloud Computing decision are disclosed in Note 18. Where relevant, comparative information has been restated and changes have been footnoted throughout the Consolidated Financial Statements.

(C) COMPARATIVES

Where applicable, 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. It also requires the exercise of judgement in the process of applying the Group's accounting policies. 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.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and underlying assumptions are reviewed on an ongoing basis, as appropriate to the particular circumstances. 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 2021 (with the exception of those arising from the adoption of the IFRIC Cloud Computing Decision, as outlined above). The impact of COVID-19 on estimates and judgements is outlined in Note 1(E).

Impact of climate change on financial reporting

The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to reducing emissions in line with the Paris Climate Agreement to limit warming to well below two degrees Celsius above pre-industrial levels.

In 2019, the Group announced its commitment to achieving net zero emissions by 2050 and capping net emissions at 2019 levels. In March 2022, the Group announced new greenhouse gas emission targets as part of the Climate Action Plan (CAP), including:

- 25 per cent reduction in net emissions from 2019 levels by 2030
- 10 per cent Sustainable Aviation Fuel (SAF) in fuel mix by 2030
- Average of 1.5 per cent fuel efficiency improvements to 2030.

The Qantas Group's long-term strategy acknowledges the potential impact of climate change and resource constraints on the business. Climate-related risks and opportunities are also addressed in the Qantas Group's CAP launched in March 2022.

Three pillars support the achievement of the Group's interim targets as detailed in the CAP:

- Operational and fleet efficiency: Embracing new, low emission technology as it becomes available. Continuing to reduce fuel burn, including smarter flight planning. Reducing single-use plastic and waste to landfill
- Sustainable Aviation Fuels (SAF): Working with governments, industry and businesses to develop a SAF industry in Australia. This relies on creating SAF from crops or waste materials that can power our existing fleet and reduce emissions by up to 80 per cent, as well as advancing new power-to-liquid technology
- Carbon offsets: Offsetting emissions by investing in high-quality, high-integrity Australian and international projects with community co-benefits, including those led by Traditional Owners.

The Group's Financial Plan incorporates estimates of known future impacts on the Group of meeting the interim targets as detailed in the CAP, including the financial impact within cash flow projections of the increased cost of carbon offsetting and SAF (together with estimated recovery through revenue) and capital expenditure to introduce more fuel-efficient aircraft.

In preparing the Consolidated Financial Statements, the medium and long-term cash flow impacts of meeting the interim targets in the CAP have been considered in key estimates, including:

- The estimates of future cash flows used in impairment assessments of the Group's Cash Generating Units
- The estimates of future profitability used to assess the recoverability of deferred tax assets, particularly relating to carried forward tax losses
- The assessment of the useful lives of aircraft identified in the Group fleet plan to be retired as part of the introduction of more fuel-efficient aircraft.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) IMPACT OF COVID-19 ON FINANCIAL REPORTING

The impact of COVID-19 on the Qantas Group has been unprecedented and continues to evolve as recovery progresses domestically and internationally. The section below outlines key areas of impact relevant to the Consolidated Financial Statements for the year ended 30 June 2022. Additional information on how the Group has been impacted by COVID-19 and its ongoing response is provided in the Review of Operations.

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

The measures taken by governments across the world to slow the spread of COVID-19 through travel restrictions, border closures and imposing localised or state-wide lockdowns continued to severely impact airlines across the 2021/22 financial year. These travel restrictions, and the resulting decrease in demand, resulted in significant capacity reductions domestically and internationally. Throughout the year, particularly due to the impact of the Delta and Omicron variants of the COVID-19 virus, the Group continued to take decisive action to mitigate the impact of COVID-19, including reductions in flight capacity (domestic and international), workforce stand downs, operational cost-out measures and capital expenditure deferrals. As travel restrictions were progressively lifted and borders were re-opened, the Group moved swiftly to increase flight capacity and stand up the workforce to meet the rapid recovery in domestic demand and the progressive recovery of international demand.

Governments worldwide announced relief packages to support affected businesses, including the aviation industry, to mitigate the impact of COVID-19. The International Aviation Support (IAS) program was introduced to maintain a core Australian international aviation capability and ensure Australian airlines could quickly recommence commercial international flights as international restrictions were lifted. This program also included employee support payments made directly to employees through the International Readiness Payment (IRP). The Retaining Domestic Airlines Capacity (RDAC) program was introduced to assist airlines maintain core domestic aviation capabilities through the retention of essential aviation section skills and knowledge to ensure airlines could quickly increase capacity as border restrictions eased. This program also included employee support payments made directly to employees through the Domestic Retention Payment (DRP) for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capacity. With travel restrictions lifting, borders re-opening and the workforce being stood up, the IAS, IRP, RDAC and DRP ceased during the 2021/22 financial year.

In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights and, along with other Australian domestic airlines, Qantas also operated domestic and regional flights as part of the Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS) and Tourism Aviation Network Support (TANS) intended to maintain vital air transport links. Qantas also secured a contract to conduct freight services under the International Freight Assistance Mechanism (IFAM) to ensure import and export freight routes remained open.

Recovery Plan

COVID-19 represents the biggest challenge ever faced by global aviation and the Group's response to the pandemic is scaled accordingly. In June 2020, the Group announced a three-year plan to accelerate the recovery from the COVID-19 crisis and create a stronger platform for future profitability, long-term shareholder value and to preserve as many jobs as possible.

The immediate focus of the plan was to:

– Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale up as flying returns
– Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market
– Recapitalise through an equity raising completed in August 2020 to strengthen the Group's financial resilience to recovery and the opportunities it presents.

The ongoing impact of the COVID-19 crisis and the structural changes within the aviation industry underscore the importance of the Qantas Group's own program of restructuring. The Three-Year Recovery Plan developed in June 2020 has been updated as the Group responds to the evolving and ongoing impacts of COVID-19 (Recovery Plan).

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Key actions during the financial year 2021/22:

- Delivered $920 million in structural cost benefits to date. On track for $1 billion in annual cost improvements from financial year 2022/23, with all initiatives now commenced and greater than 90 per cent completed
- Restart of domestic and international operations well underway, supported by the return of all stood down Australian-based employees in December 2021
- Generated positive Statutory Net Free Cash Flow delivering debt reduction. Cash flow generation driven by domestic recovery, significant Qantas Loyalty cash flow contribution, record Freight performance and proceeds from Mascot land sale
- Net Debt reduced to $3.94 billion at June 2022, below target Net Debt range of $4.2 billion to $5.2 billion
- Maintained strong liquidity and retained Baa2 investment grade credit rating.

Looking into financial year 2022/23, priorities include:

- Operational performance has been challenged in recovery and plans are in place to restore operational performance to pre-COVID levels
- Deliver the targeted $1 billion in annual cost improvements
- Continued focus on customer experience with investment in digital, aircraft, lounges and Loyalty program rewards
- Rewarding employees with a range of measures for their contribution to the Group's recovery.

ii. Capital Structure and Liquidity

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

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

Surplus capital is determined on a forward-looking basis, which is the difference between the projected Net Debt position and the target Net Debt position.

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

During the 2021/22 financial year, the Group raised $491 million of additional debt and repaid $1,441 million of debt, including the repayment of a $300 million Bond in May 2022 and a prepayment of $450 million of Corporate Secured Debt Program in June 2022.

The Group extended the maturity of its committed undrawn facilities and as at 30 June 2022, the Group's available liquidity is $4.6 billion, including $3.3 billion of cash and cash equivalents and $1.3 billion of undrawn facilities.

As at 30 June 2022, Net Debt (as measured by the Group's Financial Framework) is $3.94 billion, with no financial covenants.

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

Net asset position of the Group at 30 June 2022

The Group's net asset position of ($190) million at 30 June 2022 (2021: $443 million) is a direct result of the losses incurred since the outbreak of COVID-19. The Group incurred significant statutory losses after tax in the second half of financial year 2019/20, and in financial years 2020/21 and 2021/22 of ($2,409) million, ($1,692) million and ($860) million respectively. The negative net asset position does not impact the Group's ability to continue as a going concern or pay its debts as and when they become due and payable.

At 30 June 2022, the Group's Net Debt of $3.94 billion (below the target Net Debt range of $4.2 billion to $5.2 billion) was significantly reduced from $5.89 billion at 30 June 2021 due to the Net Free Cash Flow of $2.4 billion generated during financial year 2021/22. The Group has available liquidity of $4.6 billion, including $3.3 billion of cash and cash equivalents and a $1.3 billion undrawn facility.

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

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iii. Impact on Accounting Judgements and Estimates

The Group's Financial Plan (including the completion of the Three-Year Recovery Plan in response to COVID-19) has influenced certain accounting judgements and estimates impacting the Preliminary Final Report for the year ended 30 June 2022.

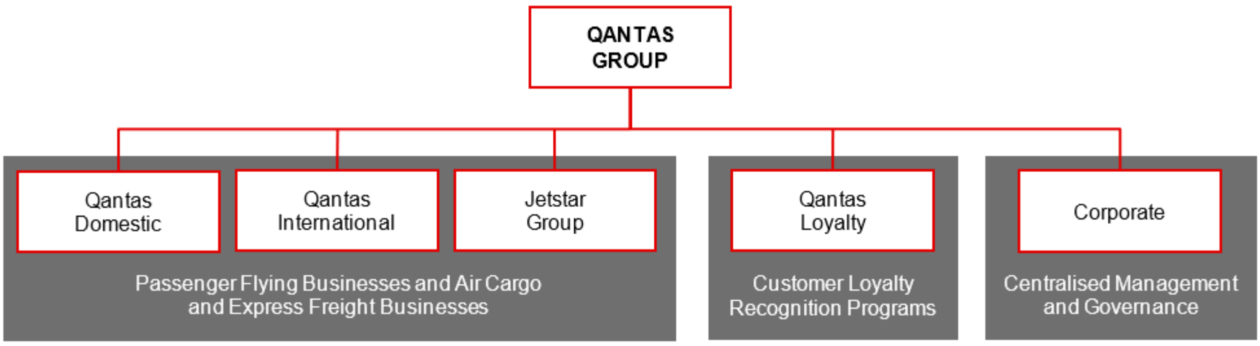
The Financial Plan (including the completion of the Three-Year Recovery Plan) influenced key judgements and estimates within the following areas of the Financial Report:

Area of Annual Report	Impact on Judgements and Estimates
Impairment testing	The Financial Plan informed cash flows used in the determination of the recoverable amount of Cash Generating Units (CGUs) using the value in use method. Refer to Note 7 for further details on impairment testing.
Fleet strategy	The Financial Plan informed judgements around the Group's fleet strategy which influences estimates impacting property, plant and equipment, right of use assets, lease liabilities and provisions (including provisions for makegood on leased assets).
Provision for redundancies	Decisions and actions to implement the Financial Plan have informed the recognition of redundancy provisions as at 30 June 2022.
Hedge designation and hedge accounting	The Financial Plan informed key inputs to hedging designation and hedge accounting requirements, including forecast fuel consumption and forecast income and expenditure denominated in foreign currencies. Refer to Note 14 for details on hedge designation and hedge accounting.
Balance sheet presentation	The Financial Plan informed judgements around the presentation of balance sheet items, particularly in relation to the presentation of revenue received in advance as either current or non-current.
Revenue recognition (Impact of breakage assumptions)	The significant impact of COVID-19, together with strategies within the Financial Plan, informed assumptions around customer and member behaviour and customer engagement strategies which impacted assumptions around breakage.
Income tax	The Financial Plan informed judgement around the recognition and recoverability of a net deferred tax asset relating to income tax losses. Refer to Note 8 for details on income tax and deferred tax assets.

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

(A) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



Condensed Notes to the Preliminary Final Report continued
For the year ended 30 June 2022

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

(A) OPERATING SEGMENTS (CONTINUED)

i. Underlying EBIT

Underlying EBIT is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments. Underlying EBIT is calculated as Underlying PBT as outlined below (refer to Note 2(B)) but excluding the impact of net finance costs.

ii. Analysis by Operating Segment

2022 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	3,127	3,615	1,388	1,284	10	(316)	9,108
Inter-segment revenue and other income	321	91	52	50	—	(514)	—
Total segment revenue and other income	**3,448**	**3,706**	**1,440**	**1,334**	**10**	**(830)**	**9,108**
Share of net loss of investments accounted for under the equity method	(1)	(1)	(124)	—	—	—	(126)
Underlying EBITDA[2]	**(27)**	**448**	**(448)**	**351**	**(121)**	**78**	**281**
Depreciation and amortisation	(700)	(686)	(348)	(59)	(8)	—	(1,801)
Impairment[3]	(38)	—	—	—	—	—	(38)
Underlying EBIT	**(765)**	**(238)**	**(796)**	**292**	**(129)**	**78**	**(1,558)**
Net finance costs					(301)		(301)
Underlying PBT					**(430)**		**(1,859)**
ROIC %[4]							**(31.6%)**

2021 (restated)[5] $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	2,496	1,584	1,105	962	5	(218)	5,934
Inter-segment revenue and other income	249	14	35	22	—	(320)	—
Total segment revenue and other income	**2,745**	**1,598**	**1,140**	**984**	**5**	**(538)**	**5,934**
Share of net profit/(loss) of investments accounted for under the equity method	1	1	(131)	—	—	—	(129)
Underlying EBITDA[2]	**159**	**117**	**(129)**	**333**	**(87)**	**17**	**410**
Depreciation and amortisation[3]	(731)	(663)	(409)	(56)	(11)	—	(1,870)
Impairment[3]	(3)	(2)	(3)	(5)	—	—	(13)
Underlying EBIT	**(575)**	**(548)**	**(541)**	**272**	**(98)**	**17**	**(1,473)**
Net finance costs					(301)		(301)
Underlying PBT					**(399)**		**(1,774)**
ROIC %[4]							**(21.4%)**

1 Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group that are not considered to be reportable segments, including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 6) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation. For the year ended 30 June 2022, Unallocated/Eliminations also includes the recognition of the Recovery Boost bonus for EBA-covered employees announced in June 2022 and the Recovery Retention bonuses announced in February 2022 expensed in accordance with relevant Accounting Standards.
2 Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment. Refer to Note 2(A)i.
3 Depreciation and amortisation and impairment differs from the depreciation and amortisation and impairment recognised in the Consolidated Income Statement due to items not included in Underlying PBT.
4 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).
5 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 18 for further information.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

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

(A) OPERATING SEGMENTS (CONTINUED)

ii. Analysis by Operating Segment (continued)

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

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

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

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

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the financial year 2021/22 as recognised within Underlying PBT is down $8.9 billion compared to the financial year 2018/19 (pre-COVID), which is consistent with the reduction of revenue within the Group's Statutory Loss.

Likewise, the impact of the decisive actions taken by the Group to mitigate the impact of COVID-19, including reducing flight capacity domestically and internationally (with associated reductions in fuel and other variable costs), workforce stand downs and operational cost reduction measures, have also been recognised in Underlying PBT. Government support to mitigate the impact of COVID-19 from travel restrictions and border closures, including the IAS, RDAC, RANS, DANS, TANS, government repatriation flights and IFAM payments, together with costs to operate or payments to employees, is also recorded in Underlying PBT.

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

Items not included in Underlying PBT primarily result from revenues or expenses relating to business activities in other reporting periods, restructuring/transformation initiatives, transactions involving investments, impairments of assets and other transactions outside the ordinary course of business.

The impact of COVID-19 and the Group's Recovery Plan resulted in items not included in Underlying PBT, including asset impairments, and Recovery Plan restructuring costs, including redundancies and de-designated hedging due to a significant decrease in flying activity. De-designations or ineffectiveness relating to hedging which were designated subsequent to the impact of COVID-19 is considered to have occurred within the ordinary course of business and is recognised within Underlying PBT.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

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

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

RECONCILIATION OF UNDERLYING PBT TO STATUTORY LOSS BEFORE TAX	2022 $M	2021 (restated) $M
Underlying PBT	**(1,859)**	**(1,774)**
Items not included in Underlying PBT		
– Recovery Plan restructuring costs	(21)	(319)
– Reversal of impairment/(Impairment) of assets and related costs	3	(257)
– De-designation of pre-COVID fuel and foreign exchange hedges	—	33
– Net gain on Mascot land and buildings	686	—
– Net gain on disposal of assets	—	18
Total items not included in Underlying PBT	**668**	**(525)**
Statutory Loss Before Income Tax Expense	**(1,191)**	**(2,299)**

In the 2021/22 financial year, the items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$21 million primarily relates to $14 million of restructuring costs resulting from fleet and people restructuring as a result of the Recovery Plan and $7 million acquisition and launch costs for new businesses.
Reversal of impairment of assets and related costs	$3 million of reversal of impairment relates to $1 million net reversal of impairment relating to the Group's investment in Helloworld and $2 million other impairment reversals.
Net gain on disposal of assets	The net gain on disposal of assets of $686 million arose from the sale of land in Mascot, Sydney that was not core to the Group's long-term strategy.

The 2020/21 financial year included the following items:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$319 million included people restructuring costs of $297 million and other restructuring costs of $22 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan. Included in other restructuring costs is $7 million of non-cash accelerated depreciation.
Impairment of assets and related costs	Impairments of assets and related costs of $257 million includes: – $155 million impairment of the Group's A380 fleet resulting from changes in the recoverable amount or net realisable value of the assets, including from changes in the market value of the aircraft, changes in the onerous contractual commitments and movement in foreign exchange rates since 30 June 2020 – $73 million impairment of property, plant and equipment and right of use assets relating to aircraft in the Jetstar Asia cash generating unit – $3 million impairment relating to the early retirement of the Group's 747 fleet driven by movement in foreign exchange rates since 30 June 2020 – $27 million impairment of property, plant and equipment, intangible assets and other assets from the implementation of restructuring initiatives in the Recovery Plan – ($1) million of net impairment reversal of assets in relation to the Group's associates. Refer to Note 7 for details on impairment of assets and related costs.
De-designation of fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management Policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments* (AASB 9) are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity compared to expectations at 30 June 2020 has resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. Where the underlying derivatives, while de-designated for hedge accounting purposes, had remained unrealised or unsettled, foreign exchange and mark-to-market movements have occurred. These movements have also been recognised as ineffectiveness in the Consolidated Income Statement. De-designation and ineffectiveness of fuel and foreign exchange hedges of $33 million has been recognised immediately in the Consolidated Income Statement. Refer to Note 14 for further details.
Net gain on disposal of assets	$18 million net gain on disposal primarily relates to a $15 million gain on sale of Qantas' interest in the Joint User Hydrant Installation.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX 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 for the year to exclude leased aircraft depreciation under AASB 16 *Leases* (AASB 16) and to include notional depreciation for these aircraft to account for them as if they were owned.

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

	2022 $M	2021 (restated) $M
Underlying EBIT	**(1,558)**	**(1,473)**
Add back: Lease depreciation under AASB 16	336	373
Less: Notional depreciation[1]	(118)	(105)
Less: Cash expenses for non-aircraft leases	(219)	(199)
ROIC EBIT	**(1,559)**	**(1,404)**
Average Invested Capital for the year ended 30 June	**4,928**	**6,553**
ROIC %[2]	**(31.6%)**	**(21.4%)**

1 For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated notionally in accordance with the Group's accounting policies, with the calculated depreciation reported above known as notional depreciation.
2 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C)ii. and 2(C)iii.

ii. Average Invested Capital

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

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

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

Invested Capital	2022 $M	2021 (restated) $M
Receivables (current and non-current)	1,107	633
Inventories	269	279
Other assets (current and non-current)	1,170	856
Investments accounted for under the equity method	57	57
Property, plant and equipment	10,224	10,787
Intangible assets	778	745
Assets classified as held for sale	1	1
Payables (current and non-current)	(2,474)	(1,857)
Provisions (current and non-current)	(1,895)	(1,825)
Revenue received in advance (current and non-current)	(7,929)	(5,431)
Capitalised aircraft leased assets[1]	1,892	1,751
Invested Capital as at 30 June	**3,200**	**5,996**
Average Invested Capital for the year ended 30 June	**4,928**	**6,553**

1 For calculating ROIC, all statutory aircraft leases balances and provisions related to leased aircraft are adjusted to represent the capitalised value of leased aircraft, as if they were owned. Capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies, with the calculated depreciation reported above known as notional depreciation. The carrying value of leased aircraft (AUD market value less accumulated notional depreciation) and an adjustment to exclude aircraft lease return provisions is reported within Invested Capital as capitalised leased aircraft.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

iii. ROIC %

	2022 %	2021 (restated) %
ROIC %[1]	**(31.6)**	**(21.4)**

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

iv. ROIC (Statutory EBIT) %

	2022 %	2021 (restated) %
ROIC (Statutory EBIT) %[1]	**(18.1)**	**(29.4)**

1 ROIC (Statutory EBIT) % is calculated by replacing Underlying EBIT with Statutory EBIT, maintaining a consistent methodology to ROIC % as outlined in Note 2(C)i. to iii.

v. Underlying Loss per Share

	2022 cents	2021 (restated) cents
Underlying Loss Per Share[1]	**(71.2)**	**(69.4)**

1 Underlying Earnings Per Share is calculated as Underlying Loss Before Tax less tax benefit based on the Group's effective tax rate of (27.8%) (2021:(26.4%)) divided by the weighted average number of shares outstanding during the year, excluding unallocated treasury shares.

3 EARNINGS PER SHARE

	2022 cents	2021 (restated) cents
Basic loss per share[1]	**(45.6)**	**(89.9)**
Diluted loss per share[2]	**(45.6)**	**(89.9)**

1 Weighted average number of shares used in basic Earnings Per Share calculation of 1,886 million (2021: 1,882 million) excludes unallocated treasury shares.
2 Weighted average number of shares used in basic and diluted Earnings Per Share calculation is the same for the years ended 30 June 2022 and 30 June 2021 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation. Weighted average number of shares used in diluted Earnings Per Share calculation of 1,886 million (2021: 1,882 million) excludes unallocated treasury shares.

	2022 $M	2021 (restated) $M
Statutory loss attributable to members of Qantas	**(860)**	**(1,692)**

	2022 Number	2021 Number
NUMBER OF SHARES	**M**	**M**
Issued shares as at 1 July	1,886	1,864
Capital raising	—	22
Issued shares as at 30 June	**1,886**	**1,886**
Weighted average number of shares for the year	**1,886**	**1,883**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2022 $M	2021 $M
Net passenger and freight revenue		
Australia	6,026	4,214
Overseas	1,888	868
Total net passenger and freight revenue	**7,914**	**5,082**
Other revenue and income	1,194	852
Total revenue and other income	**9,108**	**5,934**

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 and income is not allocated to a geographic region as it is impractical to do so.

(B) OTHER REVENUE AND INCOME

	2022 $M	2021 $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	537	431
Qantas Rewards Store and other redemption revenue[1,2]	64	81
Third-party services revenue	185	128
Other income	408	212
Total other revenue and income	**1,194**	**852**

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

5 DEPRECIATION AND AMORTISATION

	2022 $M	2021 (restated) $M
Property, plant and equipment	1,345	1,356
Right of use assets	336	373
Intangible assets	120	148
Total depreciation and amortisation	**1,801**	**1,877**

6 OTHER EXPENDITURE

	2022 $M	2021 $M
Commissions and other selling costs	263	166
Computer and communication	452	320
Capacity hire (excluding lease components)	194	139
Property occupancy and utility expenses	120	121
Marketing and advertising	99	70
Discretionary bonuses to non-executive employees	124	—
Discount rate changes impact on provisions	(194)	(4)
Other	487	246
Total other expenditure	**1,545**	**1,058**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

7 IMPAIRMENT OF ASSETS AND RELATED COSTS

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS

i. Identification of CGUs

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

The identified CGUs by operating segment for the 2021/22 financial year are outlined in the table below:

Operating Segment	CGUs Identified
Qantas Domestic	Qantas Domestic CGU
Qantas International	Qantas International CGU Qantas Freight CGU
Jetstar Group	Jetstar Australia/New Zealand CGU Jetstar Asia CGU Jetstar Japan CGU
Qantas Loyalty	Qantas Loyalty CGU

ii. Impairment Assessment

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

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

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

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

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

Impairment Assessment of CGUs

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

Significant Assumption	How It Was Determined
Calculation of recoverable amount	The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast in the Financial Plan.
Individual assets tested separately	Assets that have been tested for impairment individually are not allocated to CGUs. Consistent with the approach taken at 30 June 2021, the carrying value of the A380 fleet has been allocated to the Qantas International CGU for impairment testing.
Cash Flows — Group Financial Plan (including the Recovery Plan)	Cash flows were projected based on the Board-approved Financial Plan. The Financial Plan includes the completion of the Group's Three-Year Recovery Plan by 30 June 2023 and forecasts for a further two to four years. The Group's Recovery Plan was developed with reference to expected demand scenarios domestically and internationally and included: – Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale-up as flying returns – Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market – Recapitalise through the equity raising completed in August 2020 to strengthen the Group's financial resilience to recovery and the opportunities it presents. The long-term annual ongoing restructuring benefit to the Group of the Recovery Plan is estimated to be $1 billion from financial year 2022/23 onwards. The Group's Recovery Plan and the structural changes achieved to date and underway mean the Group is well-positioned to respond to the changing environment.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

7 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

Significant Assumption	How It Was Determined
Cash Flows — Group Financial Plan (including the Recovery Plan) (continued)	By 30 June 2022, the Group delivered $920 million in cumulative annualised structural cost benefits. The Group is on track to deliver $1 billion in annual cost improvements from the 2022/23 financial year onwards, with all initiatives now commenced and greater than 90 per cent completed. Cash outflows include capital and maintenance expenditure for the purchase of aircraft and other property, plant and equipment. These cash outflows do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently. The Group's Financial Plan incorporates estimates of the future impact on the Group of meeting the interim targets in the Group's Climate Action Plan, including the financial impact within cash flow projections of the increased cost of carbon offsetting and SAF (together with estimated recovery through revenue). For the purposes of performing an impairment test, the final year of the forecast has been used to determine the terminal year. Cash flows to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flow forecast under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Discount rate	A pre-tax discount rate of 10 per cent per annum has been used in discounting the projected cash flows of the CGUs, reflecting a market estimate of the weighted average cost of capital (WACC) of the Qantas Group (2021: 10 per cent per annum). Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flows under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Foreign exchange rate used	AUD/USD: 0.69 (2021: 0.75)
Sensitivity to significant changes in assumptions	Pre-COVID, the Group reported ROIC in excess of the Group's Weighted Average Cost of Capital. For example, the 12-month ROIC as at 31 December 2019 was 19.6 per cent, and as at 30 June 2019 was 19.2 per cent, compared to the Group's WACC of 10 per cent. This, combined with an assessment of other factors under AASB 136, evidenced that pre-COVID there were no indicators of impairment of the Group's CGUs. *Sensitivity to Changes in Cash Flows (CGUs other than Jetstar CGUs in Asia)* The terminal year in the impairment test has the most material impact on the determination of the recoverable amount and of the surplus between the recoverable amount and carrying value of CGUs. The earlier years in the Financial Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. Reasonably possible changes in the short term to the timing of domestic and international recovery are unlikely to result in impairment of the CGUs, assuming that the overall recovery expectations remain. The terminal value cash flow is in excess of the break-even cash flow and reasonably possible changes in this assumption do not result in impairment. *Sensitivity to Changes in Cash Flows (Jetstar CGUs in Asia)* The Group recognised impairment in the Jetstar Asia CGU of Goodwill and indefinite lived intangible assets in the 2019/20 financial year and of property, plant and equipment and right of use assets in the 2020/21 financial year. The impairments were allocated to individual assets to the extent that the assets were not reduced below their individual fair value less costs of disposal. Reasonably possible changes in forecast cash flows would further reduce the estimated recoverable amount of the CGU. Goodwill and indefinite lived intangible assets have been fully impaired, and property, plant and equipment and right of use assets have been impaired to individual fair value less costs of disposal. AASB 136 requires that any allocation of CGU impairment should not reduce the asset below its individual fair value less costs of disposal. As a result, any additional impairment would only be recognised if there was a reduction in the individual fair value less costs of disposal of the individual assets. The fair value less costs of disposal could change depending on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), changes in AUD/USD exchange rates, or changes in the level of maintenance life remaining on the aircraft other than already accounted for through depreciation. The carrying value of the Jetstar Japan CGU at 30 June 2022 is nil.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

7 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS (CONTINUED)

ii. Impairment Assessment (continued)

The Group has assessed each CGU to determine whether there is any indication that the CGU may be impaired.

CGUs other than Jetstar Asia CGU

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/ New Zealand and Jetstar Japan CGUs during the year ended 30 June 2022.

The Qantas International CGU includes the carrying value of the A380 fleet, including spares of $329 million as at 30 June 2022, which had previously been partially impaired. As the Qantas International CGU test reports a surplus, the Group has assessed whether there is an indicator of impairment reversal. Impairment reversal may be required where the individual asset's fair values less costs of disposal are significantly above their impaired carrying amounts.The fair value less costs of disposal of the A380 fleet was estimated with reference to valuations provided by two external and independent aircraft valuers (AVAC and AVITAS) and translated at 30 June 2022 AUD/USD exchange rates.

Jetstar Asia CGU

An impairment test of the Jetstar Asia CGU was undertaken as at 30 June 2022 using updated cash flow projections to calculate the updated recoverable amount. The recoverable amount determined was below the carrying amount of the Jetstar Asia CGU providing an indicator of impairment.

Further impairment is only recognised to the extent that individual asset fair values less costs of disposal are significantly below their carrying amounts. The fair value less costs of disposal was estimated based on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS) and translated at 30 June 2022 into AUD/USD exchange rates.

(B) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. CGU Impairments

CGUs other than Jetstar Asia CGU

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/ New Zealand and Jetstar Japan CGUs during the year ended 30 June 2022 (2021: nil).

No impairment reversal was recognised within the Qantas International CGU in relation to previously impaired A380 aircraft.

Jetstar Asia CGU

No further impairment was recognised within the Jetstar Asia CGU as the fair values less costs of disposal of the individual assets were not significantly different to their carrying amounts as at 30 June 2022 (2021: $73 million).

ii. Other Impairments and/or Reversals of Impairment

Investments accounted for under the equity method

The Group recognised a net reversal of impairment of ($1) million (2021: impairment of $1 million) in relation to its investment in Helloworld Travel Ltd (ASX: HLO). The impairment recognised was determined with reference to the share price as at 30 June 2022.

Assets classified as Held for Sale

The Group recognised impairment of $38 million in relation to aircraft on transfer to Assets Held for Sale at 30 June 2022. This impairment primarily related to the Group's B717 fleet which are being retired as part of the domestic fleet replacement strategy.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

7 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(B) RESULTS OF THE GROUP'S IMPAIRMENT TEST (CONTINUED)

iii. Summary of Impairments and Liabilities Recognised

	2022 $M	2021 $M
Impairment of individual assets		
Impairment of aircraft on transfer to held for sale	38	—
Impairment of A380s and onerous contractual commitments relating to A380s	—	155
(Reversal of impairment)/Impairment of 747s held for sale	(1)	3
(Reversal of impairment)/Impairment of software intangibles and onerous contractual commitments	(1)	33
Impairment of property, plant and equipment and recognition of exit costs	—	7
Total impairment of individual assets	**36**	**198**
CGU impairment		
Impairment of Jetstar Asia CGU	—	73
Total CGU impairment	**—**	**73**
Other (reversal of impairment)/impairment		
(Reversal of impairment)/impairment of investment in Helloworld	(1)	1
Impairment of investment in Pacific Airlines	—	10
Other assets	—	(12)
Total other reversal of impairment	**(1)**	**(1)**
Total impairment of assets and related costs	**35**	**270**

8 INCOME TAX BENEFIT

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2022 $M	2021 (restated) $M
Current income tax expense		
Current income tax – Australia	—	—
Current income tax – foreign	—	(1)
Total current income tax expense	**—**	**(1)**
Deferred income tax benefit		
Origination and reversal of temporary differences	111	(65)
Benefit of tax losses	222	671
Current year deferred income tax benefit	**333**	**606**
Adjustments for the prior year	(2)	2
Total deferred income tax benefit	**331**	**608**
Total income tax benefit in the Consolidated Income Statement	**331**	**607**

(B) RECONCILIATION BETWEEN INCOME TAX BENEFIT AND STATUTORY LOSS BEFORE INCOME TAX

	2022 $M	2021 (restated) $M
Statutory loss before income tax benefit	**(1,191)**	**(2,299)**
Income tax benefit using the domestic corporate tax rate of 30 per cent	357	690
Adjusted for:		
Differences in loss from investments accounted for under the equity method	(37)	(38)
Losses for foreign branches not recognised	(16)	(9)
Losses for controlled entities not recognised	(13)	(38)
Non-assessable gain on property, plant and equipment	43	1
Other net non-assessable items	(5)	(1)
Over provision from prior periods	2	2
Income tax benefit	**331**	**607**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

8 INCOME TAX BENEFIT (CONTINUED)

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

	2022 $M	2021 $M
Income tax on:		
Cash flow hedges	(95)	(133)
Defined benefit actuarial gains	(87)	(108)
Fair value losses/(gains) on investments	9	(15)
Income tax expense recognised directly in the Consolidated Statement of Comprehensive Income	**(173)**	**(256)**

(D) RECONCILIATION OF INCOME TAX BENEFIT TO INCOME TAX PAYABLE

	2022 $M	2021 (restated) $M
Income tax benefit	**331**	**607**
Adjusted for temporary differences:		
Receivables	(13)	69
Inventories	1	(1)
Investments accounted for under the equity method	(1)	(1)
Property, plant and equipment and intangible assets	(35)	87
Right of use assets	(51)	(66)
Payables	12	11
Revenue received in advance	(28)	(78)
Interest-bearing liabilities	(12)	4
Lease liabilities	38	123
Other financial assets/(liabilities)	18	(16)
Provisions	(12)	78
Other items	(28)	(145)
Temporary differences	**(111)**	**65**
Adjustments for the prior year	2	(2)
Value of recognised tax losses	**222**	**670**
Tax losses recognised (Australian)[1]	(222)	(671)
Income tax receivable/(payable)	**—**	**(1)**

1 A deferred tax asset of $222 million has been recognised for income tax losses and is expected to be recovered in future periods.

(E) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2022 $M	2021 $M
Tax losses available to be utilised in current year	(757)	(86)
Total tax losses brought forward	**(757)**	**(86)**
Tax losses recognised[1]	(222)	(671)
Tax losses carried forward to be utilised in future years[2]	**(979)**	**(757)**

1 Australian tax losses recognised for the year ending 30 June 2022 of ($222) million (at the 30 per cent tax rate) is net of the taxable gain on sale of Mascot land and buildings.
2 A deferred tax asset of $979 million has been recognised for income tax losses and is expected to be recovered in future periods.

9 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

No dividend will be paid in relation to the year ended 30 June 2022.

In August 2022, the Directors announced an on-market buy-back of up to $400 million.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

10 CAPITAL

	2022 $M	2021 $M
Opening balance: 1,886,044,698 (June 2021: 1,863,491,352) ordinary shares, fully paid	3,186	3,104
Capital raising: nil (June 2021: 22,553,346) ordinary shares	—	82
Closing balance: 1,886,044,698 (2021: 1,886,044,698) ordinary shares	**3,186**	**3,186**

On 10 August 2020, the Group completed a retail Share Purchase Plan resulting in the issuance of 22.6 million shares at $3.18 per share totalling $71.7 million. Equity raising costs were accrued against the capital raising as at June 2020 as a reduction in Issued Capital. The tax benefit of these costs was recognised in equity in the year ended 30 June 2021, resulting in an increase in Issued Capital of $10 million. The fully underwritten Institutional Placement in June 2020 and the Share Purchase Plan in July 2020 provided total proceeds of $1,432 million, resulting in an increase in Issued Capital of $1,410 million, net of tax and fees.

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

11 REVENUE RECEIVED IN ADVANCE

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	4,389	—	4,389	2,143	—	2,143
Unredeemed Frequent Flyer revenue	1,168	1,945	3,113	894	2,119	3,013
Other revenue received in advance	306	121	427	240	35	275
Total revenue received in advance	**5,863**	**2,066**	**7,929**	**3,277**	**2,154**	**5,431**

Unavailed passenger revenue relates to sales to passengers in advance of the date of passenger travel. The balance includes tickets relating to travel with a travel date subsequent to year end and tickets which have been transferred to a travel credit as a result of flight cancellations from border closures and other restrictions due to the impact of COVID-19.

Tickets generally expire either within 12 months after the planned travel date if they are not used within that time period, or on the date of planned travel, depending on the terms and conditions. At the time of travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends.

Travel credits are available to be used for future flights and are typically eligible for refund. Where customers have made refund claims by 30 June 2022, these are no longer classified as unavailed passenger revenue and are reported as payables in the Consolidated Balance Sheet. Notwithstanding that travel credits may not be utilised in the next 12 months, unavailed passenger revenue is classified as current on the basis that the Group does not have an unconditional right to defer usage of the ticket for at least 12 months.

Unredeemed Frequent Flyer revenue relates to performance obligations associated with Qantas Points which have been issued but not redeemed. Qantas Points are issued by the Group as part of the Qantas Frequent Flyer program or are sold to third parties such as credit cards providers, who issue them as part of their loyalty programs. Unredeemed Frequent Flyer revenue is classified as either current or non-current based on the Group's expectation of redemption patterns by members within the next 12 months under the Financial Plan. The non-current amount of Unredeemed Frequent Flyer revenue will be materially recognised as revenue over three years. Significant changes in Qantas Points expected to expire unredeemed are recognised within other revenue and income using estimates based on the terms and conditions of the Frequent Flyer program, experience and historical and expected future trends.

Other revenue received in advance primarily relates to prepaid Qantas Club membership fees, revenue received in advance for travel packages, revenue collected on behalf of other airlines, unavailed cargo revenue and grants or supplier incentives the Group has received but which are recognised over time. Other revenue is classified as current where it is expected to be recognised or transferred to another carrier within the next 12 months.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

12 CASH AND CASH EQUIVALENTS AND INTEREST-BEARING LIABILITIES

(A) CASH AND CASH EQUIVALENTS

	2022 $M	2021 $M
Cash balances	254	143
Cash at call	302	327
Short-term money market securities and term deposits	2,787	1,751
Total cash and cash equivalents	**3,343**	**2,221**

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

Short-term money market securities of $201 million (2021: $250 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded.The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

(B) INTEREST-BEARING LIABILITIES

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	308	1,321	1,629	433	1,628	2,061
Bank loans – unsecured	—	438	438	—	436	436
Other loans – secured	361	1,566	1,927	241	2,328	2,569
Other loans – unsecured	—	1,966	1,966	295	1,469	1,764
Total interest-bearing liabilities	**669**	**5,291**	**5,960**	**969**	**5,861**	**6,830**

13 PROVISIONS

	2022 $M			2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	358	—	358	375	—	375
Long service leave	303	38	341	340	50	390
Redundancies and other employee benefits	189	—	189	123	—	123
Total employee benefits	**850**	**38**	**888**	**838**	**50**	**888**
Onerous contracts	12	—	12	31	—	31
Make good on leased assets	50	641	691	131	523	654
Insurance, legal and other	189	115	304	136	116	252
Total other provisions	**251**	**756**	**1,007**	**298**	**639**	**937**
Total provisions	**1,101**	**794**	**1,895**	**1,136**	**689**	**1,825**

14 DE-DESIGNATION AND INEFFECTIVENESS OF FUEL AND FOREIGN EXCHANGE HEDGES

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

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

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

Given the significant decrease in flying activity compared to expectations at 30 June 2021, particularly in the first half of financial year 2021/22, ($22) million was recognised immediately in the Consolidated Income Statement in relation to de-designated hedges.

Hedge reserve balance

Designated hedging deemed effective (where fuel consumption is probable to occur), remains deferred in reserves and will be recognised in the Consolidated Income Statement in the same reporting period as the fuel expense being hedged.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

15 GOVERNMENT GRANTS AND ASSISTANCE

To mitigate the impact of COVID-19, governments provided businesses, and specifically the aviation sector, various support packages in the form of rebates and other financial assistance. The Group has recognised government grants and assistance where there is reasonable assurance that the Group will comply with the associated conditions and the grants/assistance will be received. A summary of the material government grants recognised in the Consolidated Income Statement during the financial year 2021/22 is below:

Packages[1]	Description
International Aviation Support (IAS) Package[2] *Recognised within other revenue and income*	The program provided support to maintain a core Australian international aviation workforce and operational capability to ensure airlines could quickly restart commercial international flights once international restrictions were lifted. Announced on 11 March 2021, the IAS program was originally due to run between 1 April 2021 and 31 October 2021. On 20 September 2021, the government announced an extension to the program which ended on 31 March 2022. The funding covered employee support and retention payments to maintain international workforce capability, training to ensure international workers maintain their skills and currency, maintenance and costs associated with bringing international aircraft out of long-term storage, and port readiness costs. Income of $129 million was recognised in the Consolidated Income Statement during the period. The costs to awaken aircraft and the training of the international workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel and other expenses. Further to the payments made in relation to international readiness, the IAS package also provided $59 million of employee retention payments which were wholly passed through to impacted employees and the Group received no benefit.
Retaining Domestic Airline Capability (RDAC) Program[2] *Recognised within other revenue and income*	The program assisted airlines to maintain core domestic aviation capabilities, through the retention of essential aviation sector skills and knowledge to ensure airlines could quickly increase capacity as border restrictions eased. Announced on 2 August 2021, the RDAC program was originally due to run between 2 August 2021 and 31 December 2021. Following the removal of all COVID Commonwealth hotspots, the program ended on 1 December 2021. The funding covered employee support and retention payments for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capability, training to ensure domestic workers maintain their skills and currency and maintenance costs associated with ensuring aircraft are in flight-ready condition. Income of $31 million was recognised in the Consolidated Income Statement. The costs to maintain aircraft and the training of the domestic workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable and other expenses. Further to the payments made in relation to domestic readiness, the RDAC program also provided $8 million of employee support payments which were wholly passed through to impacted employees and the Group received no benefit.
Tourism Aviation Network Support (TANS) **Tourism aviation discount fares (Part 1)** *Recognised within other revenue and income*	This program reduced the cost of flying for consumers by discounting ticket prices to certain regions through half price airfares. Discounts were offered on a selected number of routes across key tourism regions with the original sale period between 1 April 2021 and 31 July 2021 for travel by 30 September 2021. On 2 August 2021, the travel and sale period for the TANS program was extended until 30 November 2021. On 30 November 2021, the program was further extended and ended on the 28 February 2022. Income of $27 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.

1 The Domestic Airport Security Cost Support (DASCS) program provided funding to meet eligible costs related to mandatory security screening obligations under the Aviation Transport Security Regulations 2005 between 29 March 2021 and 30 September 2021 for Qantas' operations at Melbourne Terminal 1. On 2 August 2021, the Australian Government announced the DASCS program would be extended and ended on the 31 December 2021. The Airservices Fee Waiver provides a 50 per cent reduction in charges, including charges by the Bureau of Meteorology, for regular public transport (RPT) and aeromedical services. The waiver was extended to 31 December 2021 and lessened the operating costs for airlines in providing RPT and aeromedical flights. In addition, the International Airports Security Costs Rebate (IASCR) program assisted eligible airports to maintain regulated security obligations for international flights. As a result of the aforementioned support, the providers have granted waivers to the Group of $68 million and the Group directly received $2 million from the DASCS program for the 2021/22 financial year.

2 A portion of the underlying funding is to support capital expenditure relating to IAS $35 million and RDAC $19 million. These amounts have been deferred and will be recognised in the Income Statement over the useful life, with $3 million recognised in the Income Statement in the 2021/22 financial year.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

15 GOVERNMENT GRANTS AND ASSISTANCE (CONTINUED)

In addition to the above, the government also contracted Qantas to provide passenger and freight services as part of the overall Australian Government COVID recovery strategy. A summary of the material government grants recognised in the Consolidated Income Statement during financial year 2021/22 is below:

Packages	Description
Tourism Aviation Network Support (TANS) **TANS - Tourism aviation capacity (Part 2)** *Recognised within other revenue and income*	This program increased the number of flight frequencies above minimum connectivity to selected regions which had been heavily impacted by the loss of international tourists. The program ended on 30 September 2021. Income of $10 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
RANS, DANS and government repatriation flights *RANS/DANS recognised within other revenue and income* *Government repatriation flights recognised within net passenger revenue*	This package was underwritten by the Australian Government on a cost offset basis. The Group operated a series of domestic and regional flights on behalf of the Australian Government to maintain critical links otherwise impacted by COVID-related travel restrictions. It included a baseline network of domestic passenger flights servicing the most critical metropolitan and regional routes while providing freight belly space capacity. In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights. The Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS) and government repatriation flights were operated as a fee-for-service, with fare revenue offsetting the cost. Income of $163 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses. On 2 August 2021, the government announced the extension of the DANS and RANS program until 31 December 2021. On 20 December 2021, the government announced an extension to the RANS program which ended on 31 March 2022.
International Freight Assistance Mechanism (IFAM) *Recognised within net freight revenue*	This mechanism restored critical global supply chains which have been heavily impacted by COVID-19 containment measures around the world to ensure exporters maintained connectivity to strategic markets. On 11 March 2021, the government announced an extension of the program to the end of September 2021. On 27 August 2021, a further extension was announced which ended on 30 June 2022. Income of $320 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.

16 CAPITAL COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2022 are $15,774 million (2021: $8,114 million). The Group has certain rights within its aircraft purchase contracts which can defer the capital expenditure commitments. In May 2022, the Group announced several major fleet decisions that will reshape its international and domestic networks through 'Project Sunrise' (12 Airbus A350-1000s) and 'Project Winton' (20 Airbus A321XLRs and 20 Airbus A220-300s).

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 2022 closing exchange rate of $0.69 (2021: $0.75).

17 ACQUISITION OF SUBSIDIARY

On 31 May 2022, the Group acquired a 51 per cent controlling equity interest in TAD Holdco Pty Limited (TripADeal) which has been consolidated into the Group as a subsidiary.

TripADeal was established in 2011, specialising in packaged holidays with set itineraries, including flights, hotel accommodation and tours. TripADeal will continue to work with a range of airlines, including Qantas and Jetstar, on the holiday packages it offers. TripADeal's packaged holiday offering complements the Group's existing online travel businesses, which focus on flights and hotel packages.

From the date of acquisition up to 30 June 2022, TripADeal's contribution to revenue and earnings before interest and tax was not material.

Identifiable assets acquired and liabilities assumed

The fair value of TripADeal's intangible assets (including customer relationships, brand names and intellectual property) has been measured provisionally, pending completion of an independent valuation. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition and identifies adjustments to the amounts recognised, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Condensed Notes to the Preliminary Final Report continued
For the year ended 30 June 2022

17 ACQUISITION OF SUBSIDIARY (CONTINUED)

Goodwill

The goodwill is mainly attributable to the skills and technical talent of TripADeal's workforce, the benefits from integrating TripADeal into the Group's Loyalty and Airline strategies and expected synergies, and intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

	2022 $M
Payment for the acquisition of controlled entities, net of cash acquired[1]	(54)
Brand names and trademarks	40
Other assets	40
Customer contracts/relationships	7
Revenue received in advance	(103)
Other liabilities	(17)
Deferred tax liabilities	(12)
Fair value of identifiable net liabilities acquired (excluding cash)	**(45)**
Non-controlling interest	(5)
Goodwill	**104**

1 Net of $56 million cash acquired.

Put and Call Option

In addition, the Group has a call option and minority shareholders have a put option over the remaining 49 per cent of the shares in TripADeal, exercisable after four years. The put option liability was initially recognised against Reserves as reported in the Statement of Changes in Equity. Subsequent changes in measurement are recognised in Reserves through the Statement of Other Comprehensive Income.

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT

IFRIC Cloud Computing Arrangement Decision

IFRIC published a final agenda decision in April 2021 in relation to the capitalisation of costs associated with cloud computing arrangements, which provided new guidance and requirements in assessing whether costs incurred to implement these arrangements were capitalised as intangible assets.

The Group's accounting policy has historically been to capitalise costs related to cloud computing arrangements in line with prevailing accounting standards and interpretations, where they meet the relevant criteria for capitalisation.

As a result of the final agenda decision and new guidance, the Group is required to retrospectively apply the decision as a change in accounting policy, and instead expense certain costs relating to cloud computing arrangements or, in certain circumstances, to defer these expenses as a prepayment and recognise them over the term of the cloud computing arrangement.

This has resulted in the restatement of the Consolidated Balance Sheet at 30 June 2020 and 30 June 2021, and the Consolidated Income Statement and the Operating Segment results for the year ended 30 June 2021. There was no impact to the Consolidated Cash Flow Statement for the year ended 30 June 2021.

Revised Accounting Policy for Software

Software is stated at cost less accumulated amortisation and impairment losses. Software development expenditure, including the cost of materials, direct labour and other direct costs, is only recognised as an asset when the Qantas Group controls future economic benefits as a result of the costs incurred and it is probable that those future economic benefits will eventuate and the costs can be measured reliably.

Cloud computing arrangements involve service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Where the Group does not receive a software intangible asset at the contract commencement date, costs incurred for the customisation and configuration are generally recognised as an expense when the work is performed. Fees for use of the underlying software are recognised as the service is provided over the contract period.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

Application of the New Guidance

In applying the new accounting policy, Management has made the following key judgements that may have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Determining whether configuration and customisation services are distinct from the access to the cloud provider's application software

Implementation costs, including costs to configure or customise the cloud provider's application software, are generally recognised as an expense when the services are received.

Where the cloud computing service supplier provides the configuration and/or customisation services, judgement has been applied to determine whether or not these services are distinct from the underlying use of the cloud provider's application software.

Distinct configuration and/or customisation costs are expensed as incurred, which is typically upfront, as the software is configured, customised or integrated. Distinct configuration and/or customisation costs are costs incurred by the Qantas Group or third parties engaged by the Group to implement or integrate a cloud computing arrangement.

Non-distinct configuration and/or customisation costs are expensed over the cloud computing contract term, as these are typically performed by the cloud provider and are not separable from the cloud computing arrangement itself. Non-distinct customisation activities significantly enhance or modify a cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based application is significant or not.

Capitalisation of configuration and customisation costs in cloud computing arrangements

In implementing cloud computing arrangements, the Group may develop software code that either enhances, modifies or creates additional capability to the Group's existing controlled software. This software code may, for example, be used to connect with the cloud-based application to existing controlled software. Where the costs incurred are unique to the cloud computing arrangement and do not provide the Group with any further benefits in another cloud arrangement and do not significantly enhance existing controlled software, these are expensed as incurred.

Judgement has been applied in determining whether the changes to the controlled software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATED

The impact on the Consolidated Balance Sheet as at 30 June 2020 is:

	30 June 2020 $M	IFRIC Cloud Computing Decision $M	30 June 2020 (restated) $M
CURRENT ASSETS			
Cash and cash equivalents	3,520	—	3,520
Receivables	520	—	520
Lease receivables	2	—	2
Other financial assets	216	—	216
Inventories	306	—	306
Assets classified as held for sale	58	—	58
Income tax receivable	137	—	137
Other	193	—	193
Total current assets	**4,952**	**—**	**4,952**
NON-CURRENT ASSETS			
Receivables	101	—	101
Lease receivables	23	—	23
Other financial assets	139	—	139
Investments accounted for under the equity method	59	—	59
Property, plant and equipment	11,726	—	11,726
Right of use assets	1,440	—	1,440
Intangible assets	1,050	(156)	894
Deferred tax assets	167	47	214
Other	369	—	369
Total non-current assets	**15,074**	**(109)**	**14,965**
Total assets	**20,026**	**(109)**	**19,917**
CURRENT LIABILITIES			
Payables	2,351	—	2,351
Revenue received in advance	2,784	—	2,784
Interest-bearing liabilities	868	—	868
Lease liabilities	524	—	524
Other financial liabilities	238	—	238
Provisions	1,539	—	1,539
Total current liabilities	**8,304**	**—**	**8,304**
NON-CURRENT LIABILITIES			
Payables	99	—	99
Revenue received in advance	2,256	—	2,256
Interest-bearing liabilities	5,825	—	5,825
Lease liabilities	1,318	—	1,318
Other financial liabilities	47	—	47
Provisions	651	—	651
Total non-current liabilities	**10,196**	**—**	**10,196**
Total liabilities	**18,500**	**—**	**18,500**
Net assets	**1,526**	**(109)**	**1,417**
EQUITY			
Issued capital	3,104	—	3,104
Treasury shares	(51)	—	(51)
Reserves	(173)	—	(173)
Accumulated losses	(1,357)	(109)	(1,466)
Equity attributable to members of Qantas	**1,523**	**(109)**	**1,414**
Non-controlling interests	3	—	3
Total equity	**1,526**	**(109)**	**1,417**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(A) CONSOLIDATED BALANCE SHEET RESTATED (CONTINUED)

The impact on the Consolidated Balance Sheet as at 30 June 2021 is:

	30 June 2021 $M	IFRIC Cloud Computing Decision $M	30 June 2021 (restated) $M
CURRENT ASSETS			
Cash and cash equivalents	2,221	—	2,221
Receivables	579	—	579
Lease receivables	5	—	5
Other financial assets	176	—	176
Inventories	279	—	279
Assets classified as held for sale	1	—	1
Other	169	—	169
Total current assets	**3,430**	**—**	**3,430**
NON-CURRENT ASSETS			
Receivables	54	—	54
Lease receivables	47	—	47
Other financial assets	185	—	185
Investments accounted for under the equity method	57	—	57
Property, plant and equipment	10,787	—	10,787
Right of use assets	1,109	—	1,109
Intangible assets	849	(104)	745
Deferred tax assets	675	31	706
Other	687	—	687
Total non-current assets	**14,450**	**(73)**	**14,377**
Total assets	**17,880**	**(73)**	**17,807**
CURRENT LIABILITIES			
Payables	1,813	—	1,813
Revenue received in advance	3,277	—	3,277
Interest-bearing liabilities	969	—	969
Lease liabilities	383	—	383
Other financial liabilities	17	—	17
Provisions	1,136	—	1,136
Total current liabilities	**7,595**	**—**	**7,595**
NON-CURRENT LIABILITIES			
Payables	44	—	44
Revenue received in advance	2,154	—	2,154
Interest-bearing liabilities	5,861	—	5,861
Lease liabilities	1,016	—	1,016
Other financial liabilities	5	—	5
Provisions	689	—	689
Total non-current liabilities	**9,769**	**—**	**9,769**
Total liabilities	**17,364**	**—**	**17,364**
Net assets	**516**	**(73)**	**443**
EQUITY			
Issued capital	3,186	—	3,186
Treasury shares	(18)	—	(18)
Reserves	432	—	432
Accumulated losses	(3,087)	(73)	(3,160)
Equity attributable to members of Qantas	**513**	**(73)**	**440**
Non-controlling interests	3	—	3
Total equity	**516**	**(73)**	**443**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(B) CONSOLIDATED INCOME STATEMENT RESTATED

The impact on the Consolidated Income Statement for the year ended 30 June 2021 is:

	30 June 2021 $M	IFRIC Cloud Computing Decision $M	30 June 2021 (restated) $M
REVENUE AND OTHER INCOME			
Net passenger revenue	3,766	—	3,766
Net freight revenue	1,316	—	1,316
Other revenue and income	852	—	852
Revenue and other income	**5,934**	**—**	**5,934**
EXPENDITURE			
Manpower and staff-related	1,970	—	1,970
Aircraft operating variable	1,555	—	1,555
Fuel	835	—	835
Depreciation and amortisation	1,929	(52)	1,877
Share of net loss of investments accounted for under the equity method	129	—	129
Impairment of assets and related costs	270	—	270
De-designation of fuel and foreign exchange hedges	(33)	—	(33)
Redundancies and related costs	297	—	297
Net gain on disposal of assets	(26)	—	(26)
Other	1,058	—	1,058
Expenditure	**7,984**	**(52)**	**7,932**
Statutory loss before income tax expense and net finance costs	**(2,050)**	**52**	**(1,998)**
Finance income	20	—	20
Finance costs	(321)	—	(321)
Net finance costs	**(301)**	**—**	**(301)**
Statutory loss before income tax expense	**(2,351)**	**52**	**(2,299)**
Income tax benefit	623	(16)	607
Statutory loss for the period	**(1,728)**	**36**	**(1,692)**

Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2022

18 IFRIC AGENDA DECISION IN RELATION TO CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (CONTINUED)

(C) ALLOCATION OF ADOPTION OF IFRIC CLOUD COMPUTING DECISION TO OPERATING SEGMENTS

The impact of the IFRIC Cloud Computing decisions on the results of the operating segments for the year ended 30 June 2021 is:

30 June 2021	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations	Consolidated
$M							
Underlying EBIT as previously reported	**(590)**	**(575)**	**(550)**	**272**	**(99)**	**17**	**(1,525)**
Segment allocation of IFRIC Cloud Computing Decision impacting amortisation expense	15	27	9	—	1	—	52
Restated Underlying EBIT	**(575)**	**(548)**	**(541)**	**272**	**(98)**	**17**	**(1,473)**
Net finance costs					(301)		(301)
Underlying PBT					**(399)**		**(1,774)**

(D) EARNINGS PER SHARE

	30 June 2021	IFRIC Cloud Computing Decision	30 June 2021 (restated)
	$M	**$M**	**$M**
Basic earnings per share (cents)	(91.8)	1.9	(89.9)
Diluted earnings per share (cents)	(91.8)	1.9	(89.9)

19 POST BALANCE SHEET DATE EVENTS

Other than as noted in Note 9 – Dividends and Other Shareholder Distributions, there has not arisen, in the interval between 30 June 2022 and the date of this Report, any other event that would have a material impact on the Consolidated Financial Statements as at 30 June 2022.

Operational Statistics

For the year ended 30 June 2022

(unaudited)		June 2022	June 2021 (restated)[1]	June 2019 (pre-COVID)
TRAFFIC AND CAPACITY				
Qantas Domestic (INCLUDING QANTASLINK)				
Passengers carried	'000	11,127	8,439	21,989
Revenue Passenger Kilometres (RPKs)	M	12,921	9,883	26,339
Available Seat Kilometres (ASKs)	M	21,233	16,951	33,866
Revenue Seat factor	%	60.9	58.3	77.8
JETSTAR DOMESTIC				
Passengers carried	'000	7,138	6,045	14,153
Revenue Passenger Kilometres (RPKs)	M	8,992	7,443	16,459
Available Seat Kilometres (ASKs)	M	12,164	10,059	18,888
Revenue Seat Factor	%	73.9	74.0	87.1
GROUP DOMESTIC				
Group Domestic Available Seat Kilometres (ASKs)	M	33,397	27,010	52,754
QANTAS INTERNATIONAL				
Passengers carried	'000	1,234	121	8,822
Revenue Passenger Kilometres (RPKs)	M	9,186	274	59,808
Available Seat Kilometres (ASKs)	M	12,187	640	69,571
Revenue Seat factor	%	75.4	42.8	86.0
JETSTAR INTERNATIONAL				
Passengers carried	'000	1,279	1,194	6,386
Revenue Passenger Kilometres (RPKs)	M	2,718	872	18,302
Available Seat Kilometres (ASKs)	M	3,708	1,197	21,157
Revenue Seat Factor	%	73.3	72.8	86.5
JETSTAR ASIA				
Passengers carried	'000	479	67	4,463
Revenue Passenger Kilometres (RPKs)	M	546	85	6,584
Available Seat Kilometres (ASKs)	M	1,341	527	7,948
Revenue Seat Factor	%	40.7	16.1	82.8
GROUP INTERNATIONAL				
Group International Available Seat Kilometres (ASKs)	M	17,236	2,364	98,676
QANTAS GROUP OPERATIONS				
Passengers carried	'000	21,257	15,866	55,813
Revenue Passenger Kilometres (RPK)	M	34,363	18,557	127,492
Available Seat Kilometres (ASKs)	M	50,633	29,374	151,430
Revenue Seat Factor	%	67.9	63.2	84.2
Group Unit Revenue (RASK)	c/ASK	9.48	9.72	8.85
Aircraft at end of the year	#	322	315	314

[1] 2020/21 financial year has been restated to include the embedded lease and related financing of Embraer E190s. Group Fleet now includes embedded lease and related financing of Embraer E190s and 747 Atlas Freighters as they have been recognised as debt in accordance with the Financial Framework. The Financial Framework recognises lease arrangements that serve permanent capacity.