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ASX Announcement

Results for Announcement to the Market – FY22 Half Year Results

We **attach** the following for the half year ended 31 December 2021:

- Appendix 4D
- FY22 Half Year Financial Report

Authorised for release by:

The Board of Directors, Qube Holdings Limited

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Qube Holdings Limited
(ABN 14 149 723 053)
APPENDIX 4D Half Year Report 31 December 2021
Results for Announcement to the Market

Statutory Information

Set out below are the statutory results for Qube Holdings Limited (Qube) and its controlled entities for the half year ended 31 December 2021.

It is noted that sale of the warehouse and property assets of the Moorebank Logistics Park (MLP Property Assets) project were completed on 15 December 2021.

In the statement of comprehensive income, the net contribution from the MLP Property Assets and the costs associated with the discontinuation of the Property Division are shown as profit after tax from discontinued operations. These earnings are excluded from the financial information relating to Qube's continuing operations.

The table below highlights that Qube reported a $56.3 million statutory net profit after tax attributable to members for the half year, which includes the contribution from the discontinued operations. However, when the loss from the discontinued operations are excluded, the statutory result from continuing operations is a net profit after tax of $72.5 million.

Statutory Information	**Dec 2021 $m**	**Dec 2020 $m**	**Movement %**
Revenue from ordinary activities	1,181.6	917.0	29%
Revenue from ordinary activities (including discontinued operations)	1,190.4	939.3	27%
EBITDA[1]	231.3	204.9	13%
EBITDA[1] (including discontinued operations)	214.7	219.1	(2)%
Net Profit after tax	72.5	47.2	54%
Net profit after tax attributable to members (including discontinued operations)	56.3	57.8	(3)%
Interim dividend per share (fully franked)	3.0c	2.5c	20%
Basic and Diluted EPS	3.8c	2.5c	52%
Basic and Diluted EPS (including discontinued operations)	2.9c	3.1c	(6)%
Diluted weighted average shares on issue (m)	1,910.2	1,888.5	1%

[1]EBITDA is statutory net profit before tax adjusted to remove share of profit of associates, net finance costs, depreciation and amortisation.

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude certain discontinued operations and other non-cash and non–recurring items in order to more accurately reflect the underlying performance of Qube. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

Underlying information*	**Dec 2021 $m**	**Dec 2020 $m**	**Movement %**
Underlying Revenue	1,216.0	953.3	28%
Underlying EBITDA	190.4	162.6	17%
Underlying EBITA	110.9	93.3	19%
Underlying net profit attributable to members	88.3	74.3	19%
Underlying net profit attributable to members pre-amortisation	96.8	82.8	17%
Underlying diluted EPS	4.6c	3.9c	18%
Underlying diluted EPS pre-amortisation	5.1c	4.4c	16%

Further commentary on the performance of Qube and its operating businesses is set out in the financial statements and ASX announcement issued with this Appendix 4D. Underlying information is inclusive of discontinued operations.

* The underlying information excludes discontinued operations and certain other non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying 'information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

A reconciliation of the statutory results to the underlying results for the half year is presented below:

	Dec-21	Dec-20
	$m	$m
Revenue from external customers	**1,190.4**	**939.3**
Intercompany transactions	**27.6**	23.6
Fair value losses/(gains)	**(3.5)**	(13.0)
Quattro acquisition adjustment	**-**	2.8
Other adjustments	**1.5**	0.6
Underlying revenue	**1,216.0**	**953.3**
Net profit before income tax	**80.8**	**76.6**
Share of profit of equity accounted investments	**(8.6)**	(7.6)
Net finance cost	**18.4**	19.4
Depreciation and amortisation	**124.1**	116.5
EBITDA	**214.7**	**204.9**
Net Fair value loss / (gain)	**2.1**	(13.0)
AASB 16 leasing adjustment	**(49.0)**	(48.5)
Discontinued operations	**7.4**	-
Loss on sale of assets held for sale	**9.7**	-
Impairment of investment in associate	**-**	11.1
Impairment of loan to associate	**-**	1.6
Quattro acquisition adjustment	**-**	2.8
Minto sale adjustment	**-**	2.8
Other adjustments (net)	**5.5**	0.9
Underlying EBITDA	**190.4**	**162.6**
Underlying Depreciation	**(79.5)**	(69.3)
Underlying EBITA	**110.9**	**93.3**
Underlying Amortisation	**(4.5)**	(6.0)
Underlying EBIT	**106.4**	**87.3**
Underlying net finance cost	**(3.8)**	(1.9)
Underlying share of profit of equity accounted investments	**15.7**	13.5
Underlying net profit before income tax	**118.3**	**98.9**
Underlying income tax expense	**(30.8)**	(25.7)
Underlying net profit for the half year	**87.5**	**73.2**
Underlying non-controlling interests	**0.8**	1.1
Underlying net profit after income tax attributable to members	**88.3**	**74.3**
Underlying net profit after income tax attributable to members pre-amortisation [A]	**96.8**	**82.8**
	Cents	**Cents**
Underlying diluted earnings per share *	4.6	3.9
Underlying diluted earnings per share pre-amortisation*	5.1	4.4

[A] Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.

The table above has been extracted from note 2 of the financial statements but is un-audited.

* The underlying information excludes discontinued operations and certain other non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying 'information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

Dividend Information

	Amount (cents per share)	Record Date
Interim dividend - fully franked	3.0	9 March 2022
Payment date	8 April 2022	

Qube paid a fully franked interim dividend of 2.5 cents per share for the six months ended 31 December 2020 on 8 April 2021. A fully franked final dividend of 3.5 cents per share for the year ended 30 June 2021 was paid on 22 October 2021.

Dividend Reinvestment Plan

The DRP has been suspended for the interim dividend payable on 8 April 2022.

Net Tangible Assets per Share

The net tangible assets per share are $1.28 per share (Dec 2020: $1.31 per share).

Additional Information

Additional Appendix 4D disclosures can be found in the notes to the Interim Financial Report.

This Appendix 4D report is based on the 31 December 2021 Interim Financial Report which has been subject to a review by PricewaterhouseCoopers.

Qube Holdings Limited
ABN 14 149 723 053

Consolidated financial report
for the half-year ended 31 December 2021

Contents

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Qube Holdings Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

The directors present their report on the consolidated entity consisting of Qube Holdings Limited (Qube), and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Qube Holdings Limited during the whole of the half-year and up to the date of this report, unless otherwise stated, as detailed below:

Name	Position	Appointed	Retired
Allan Davies	Non-executive Chairman	26 August 2011	
Sam Kaplan	Non-executive Deputy Chairman	23 March 2011	
Paul Digney	Managing Director*	1 July 2021	
Maurice James	Managing Director*	23 March 2011	1 July 2021
Ross Burney	Non-executive Director	9 September 2011	
Nicole Hollows	Non-executive Director	19 October 2020	
John Stephen Mann	Non-executive Director	1 September 2019	
Jackie McArthur	Non-executive Director	17 August 2020	
Alan Miles	Non-executive Director	1 April 2013	

* Paul Digney was appointed to replace Maurice James as Managing Director upon his retirement on 1 July 2021

Dividend

The Directors have declared a fully franked interim dividend of 3.0 cents per share payable on 8 April 2022.

Review of operations

Overview

Qube delivered record underlying earnings (NPATA) in the period with very strong revenue growth. The result was driven by continued organic growth as well as the contribution from acquisitions and growth capex completed in the prior and current periods. This was particularly pleasing given the ongoing impacts from COVID, global supply chain disruptions and some industrial relations challenges which impacted volumes in some of Qube’s markets and also resulted in higher operating costs.

On 15 December 2021, Qube completed the monetisation of the property related components of the Moorebank Logistics Park (MLP), receiving total proceeds (pre-tax) of around $1.36 billion with an additional $0.3 billion in deferred consideration expected to be received **contingent on the satisfaction of certain future events or conditions and completion adjustments**.

This transaction marks the conclusion of a very successful project for Qube that delivered substantial value for shareholders. Qube will continue to remain involved in and benefit over the medium to long term from the MLP development through its ownership and operational role in the MLP IMEX Terminal and MLP Interstate Terminal, and through Qube’s warehouse and logistics operations at MLP.

Following the completion of the monetisation, there will be no change to Qube’s strategy of delivering comprehensive, reliable, innovative logistics solutions to a broad range of customers across import and export supply chains. The favourable characteristics of the markets in which Qube operates combined with Qube’s breadth of operations across its target markets provide significant scope for continued long term organic and inorganic growth.

	Underlying Information		Statutory Information (including discontinued operations*)	
	$m	**Change (from pcp)**	**$m**	**Change (from pcp)**
Revenue	1,216.0	27.6%	1,190.4	26.7%
EBITA	110.9	18.9%	95.1	0.7%
NPAT	88.3	18.8%	56.3	(2.6%)
NPATA	96.8	16.9%	64.8	(2.3%)
EPSA (cents)	5.1	15.9%	3.4	(2.9%)
DPS (cents)	3.0	20.0%	3.0	20.0%

*Note: As a result of the completion of the monetisation of the property related components of the MLP (MLP Property Assets), the earnings associated with these assets were classified under discontinued operations in the H1 FY22 financial statements. Excluding discontinued operations, H1 FY22 Statutory revenue is $1,181.6 million and EBITA is $112.3 million.

Underlying revenue in H1 FY22 was approximately $1.2 billion (+27.6%), underlying earnings (EBITA) was $110.9 million (+18.9%) and underlying net profit after tax before amortisation (NPATA) was $96.8 million (+16.9%). Underlying earnings per share pre-amortisation (EPSA) was 5.1 cents, an increase of around 15.9% on the prior corresponding period.

This underlying earnings growth is particularly pleasing as the prior corresponding period's underlying earnings (EBITA) included around $16.8 million in JobKeeper benefits which offset higher costs and lower revenue due to COVID-19 (nil in the current period). As previously advised, Qube's strong financial performance enabled it to repay these JobKeeper benefits in the second half of FY21.

Statutory revenue increased by 26.7% to approximately $1.2 billion and statutory profit after tax attributable (NPAT) to shareholders decreased by 2.6% to $56.3 million. Statutory diluted earnings per share decreased by 2.9% to 3.4 cents per share.

As previously advised, the earnings from the assets and liabilities sold as part of the monetisation process are classified separately as discontinued operations. The statutory figures above are inclusive of the loss from discontinued operations which amounted to an after-tax loss of $17.0 million. Statutory earnings attributable to members excluding discontinued operations were a profit after tax of $73.3 million.

The major difference between these figures is net outcome of the finalisation of the monetisation process which resulted in a non-recurring loss in the period primarily relating to the transaction consent requirement of the Moorebank Intermodal Company (MIC) that required Qube to sell a 10% interest in the MLP Interstate Terminal to MIC for nominal consideration, as well as the redundancy and related costs associated with discontinuing the Property Division.

The H1 FY22 statutory earnings also include the impact of the lease accounting standard, AASB 16, which has reduced statutory net profit after tax by around $16.1 million (inclusive of the impact of AASB 16 on Qube's share of Patrick's statutory net profit after tax). The corresponding reduction in Qube's statutory net profit after tax in H1 FY21 was $14.5 million.

The underlying financial information is based on the statutory information excluding discontinued operations and certain other non-recurring and non-cash items in order to more clearly reflect the underlying earnings of the business. A reconciliation between statutory and underlying results is provided in note 2 to these financial statements.

<u>Dividend Policy and Interim Dividend</u>

Following the completion of the monetisation process, Qube's remaining businesses are highly cash generative. The Board believes that the dividend policy should provide a balance between distributing the core earnings and cashflow to shareholders as fully franked dividends and retaining some cashflow to fund growth investment to drive continued earnings growth.

Accordingly, going forward, Qube will target a full year dividend payout ratio of 50-60% of underlying earnings per share (pre-amortisation including Qube's share of Patrick's amortisation) (EPSA), taking into account the cashflow generated by the businesses and other relevant considerations including Qube's earnings outlook and capital expenditure. The objective is for the annual dividend to progressively increase aligned to underlying annual EPSA growth.

As a result of Qube's strong financial performance and positive outlook, the Board has increased the interim dividend by 20% to 3.0 cents per share (fully franked), equating to a dividend payout ratio of around 59% being near the top end of the target payout range. The dividend reinvestment plan will not apply for the interim dividend.

<u>Capital Management</u>

As a result of the completion of the Moorebank monetisation, Qube is in an extremely strong financial position with gearing well below the lower end of Qube's target range. This has enabled the Board to support capital management initiatives of up to $400 million to deliver further shareholder value, while still maintaining a conservative balance sheet that enables further investment. The precise nature and timing of these initiatives is dependent upon market conditions and any necessary approvals, but is expected to commence in H2 FY22.

<u>Safety, Health and Sustainability (SHS)</u>

In H1 FY22, Qube improved its SHS performance, including achieving the following outcomes:

- Consistent with the goal of Zero Harm, Qube's Total Recordable Injury Frequency Rate (TRIFR) remained low at 8.8.
- Critical Incident Frequency Rate (CIFR) was also low at 0.3, demonstrating the effectiveness of Qube's robust critical risk systems and processes.
- Rolled out a new Health and Wellbeing program – Thrive. It is about taking a proactive approach in managing health risks, reducing workplace injury and illness, caring for employees and creating a healthy culture focusing on the "Stuff that matters".

Qube will continue to focus on adopting a longer-term goal and a sustainable strategy to address a Low Carbon Future. Qube is currently undertaking a Task Force on Climate-Related Financial Disclosures (TCFD) assessment to assist with this process.

COVID-19 Response

Qube has responded to the global crisis with the health and safety of its people, customers and communities as the number one priority throughout the pandemic.

Quickly adapting and introducing measures to stop the spread of the virus and positioning the business for the subsequent economic impacts has required focused efforts with strong leadership, governance controls and clear communications.

From a financial perspective, COVID-19 has impacted Qube directly through higher operating costs, labour shortages and lower volumes in some locations including due to lockdowns. However, the strength and diversity of Qube’s operations, and the substantial effort of Qube’s workforce enabled the business to overcome these challenges to continue to deliver quality services to its customer base and achieve a pleasing financial outcome.

Operating Division

The Operating Division was the largest driver of the strong H1 FY22 result, generating an underlying EBITA of around $126.4 million (+19.4%). The Logistics & Infrastructure activities contributed underlying EBITA of around $69.9 million (+36.8%), Ports & Bulk activities contributed underlying EBITA of around $70.4 million (+4.3%) and divisional corporate overheads were an EBITA loss of $(13.9) million (9.4% higher than the prior corresponding period).

Although earnings (EBITDA) margins declined in the period to 17.0% from 18.4% in the prior corresponding period, this was largely attributable to changes in Qube’s business mix with certain activities, while very profitable, having inherently lower margins than other activities, as well as the benefit for margins in the prior corresponding period of the JobKeeper proceeds.

The Logistics and Infrastructure result benefitted from high levels of container volumes across transport and container park operations. Additionally, the contribution from agricultural activities increased substantially due to high grain volumes which benefitted Qube’s transport and stevedoring operations, as well as Qube’s grain terminals including Quattro and a partial period’s contribution from the Newcastle Agri Terminal (NAT) which was acquired in September 2021.

The other infrastructure related activities were solid with AAT benefitting from high volumes of machinery, steel and general cargo compared to the prior corresponding period, which offset relatively flat vehicle volumes and much lower project cargo volumes.

The MLP IMEX Terminal continued operating in manual mode with modest volumes of around 5,346 TEU in the period broadly in line with expectations (and compared to 9,972 TEU in the prior corresponding period). However, volumes are expected to progressively increase and in January 2022, the MLP IMEX Terminal handled around 10,000 TEU (being more than the total volume handled in the six months to December 2021).

The MLP IMEX Terminal generated revenue of $0.4 million and an EBITA loss of $2.0 million in the period (compared to $0.6 million revenue and a $2.5 million EBITA loss, respectively, in the prior corresponding period which was reported within the Property Division’s underlying results). The automated MLP IMEX Terminal is expected to commence operations in H1 FY23.

In September 2021, Qube completed the acquisition of the AST Logistics assets (AST) for total consideration of around $15.1 million. AST provides container logistics and warehousing services, and should provide additional volumes for Qube’s intermodal terminals in New South Wales.

Revenue growth was achieved in all regions other than South Australia which had a modest decline. The strongest growth was in New South Wales (agri and container related volumes), followed by Queensland (container related volumes). Activity levels in Victoria were impacted by COVID lockdowns and the flow on effect of industrial relations issues at Patrick.

All industries increased their revenue in the period other than Infrastructure and Project Works. Agri related revenue had the strongest growth, with high volumes (including from the NAT acquisition) across rail and terminals.

The top 10 Logistics and Infrastructure customers represent around 10.6% of the Operating Division’s total revenue and included retailers, manufacturers, food processors, grain traders and shipping lines.

The Ports & Bulk activities generated reasonable earnings growth given the challenges impacting parts of this business.

Revenue growth was achieved in all regions with Western Australia and Northern Territory achieving the strongest growth. This reflects the contribution from new contracts secured in the current and prior periods, partly offset by lower volumes due to labour shortages as a result of border closures.

The period saw higher revenue across almost all products with particularly positive volumes across grain, steel, clinker, machinery and motor vehicles, as well as energy due to increased activities across production and exploration activities for key customers. Australian forestry operations were also higher on increased woodchip volumes (including contributions from prior year acquisitions).

Bulk volumes and activity levels were generally solid across most commodities including iron ore, mineral sands, lithium and other base metals (i.e. copper, zinc and nickel).

These positives were offset by a much weaker contribution from New Zealand forestry operations which were severely impacted initially by COVID lockdowns and then by weaker demand for logs out of China, resulting in lower export volumes. The demand weakness is expected to continue until Q4 FY22 when the impact on construction activity (being a key driver of log demand) of the Chinese New Year and the Winter Olympics should reduce.

Earnings continued to be impacted by labour shortages due to the border restrictions in Western Australia and delays in some renewable's projects.

The top 10 Ports & Bulk customers represent around 19.0% of the Operating Division's total revenue and include mining, energy and resources companies.

<u>Return on Average Capital Employed (ROACE)</u>

The Operating Division's average capital employed (ACE) over the period was around $2.4 billion resulting in ROACE of around 9.8% based on the underlying EBITA for the 12 months to 31 December 2021. The ACE includes assets under development that are not yet operational and excludes goodwill relating to the Qube Restructure undertaken in September 2011.

<u>Associates (ex-Patrick)</u>

The Associates (ex-Patrick) contributed an overall underlying NPAT loss of $1.8 million compared to a small underlying profit of $0.2 million in the prior corresponding period. The result mainly reflects the ongoing impact of COVID-19 on Qube's associates including labour supply challenges in Western Australia and global supply chain and manufacturing issues impacting vehicle imports.

<u>Patrick</u>

The underlying contribution from Qube's 50% interest in Patrick was $23.5 million NPAT and $28.9 million NPATA, an increase of 12.4% and 14.7%, respectively, over the prior corresponding period. This contribution is inclusive of Qube's share of interest income ($6.1 million post-tax) on the shareholder loans provided to Patrick.

The statutory contribution to Qube's NPAT (being interest income on shareholder loans and share of profit after tax) was a profit of $16.4 million (compared to $13.6 million in H1 FY21). Variances to underlying results are largely driven by the impact of the leasing standard (AASB 16).

Patrick's continued high cash generation enabled it to pay cash distributions to Qube in the period of $40.0 million with an additional $20 million paid post period-end to each shareholder.

Market growth (lifts) were around 2% in the period with growth subdued post the initial strong volume recovery from the COVID-19 pandemic in FY21. Overall, Patrick's volumes were relatively flat compared to the prior corresponding period resulting in a small market share decline from around 44% for the rolling 3 months to June 21 to 42% for the comparable period to December 21. This was mainly attributable to the impact of industrial action undertaken across October, vessel scheduling issues and a service secured by a competitor.

During the period, Patrick renewed two contracts (including its largest service) thereby supporting Patrick's future volumes and revenue. These extensions add to agreements already in place with Patrick's two largest customers that run to December 2023.

Patrick undertook total capex in the period of around $23.8 million comprising growth capex of around $6.7 million and maintenance capex of around $17.1 million. The growth capex predominantly relates to Port Botany rail and additional straddles in Port Botany and Fisherman Island.

The Port Botany Rail Development (Automated Rail Terminal) commenced full operations in June 2021 and has been performing strongly, with the Automated Rail Mounted Gantry (ARMG) productivity levels already meeting the business case. Phase 2 of civil works are expected to be delivered by mid-2023 which is a slight delay on the original timeline due to COVID-19 constraints.

Additionally, Patrick commissioned its new Port Botany Liebherr crane in early FY22 increasing handling capability, and the crane automation pilot program in Fisherman Island is in progress, with semi-automation to be delivered in early 2022.

During the period, Patrick commenced construction on the Melbourne Rail Project, with the project due for completion by mid-2023. The redevelopment of the Fremantle terminal agreed as part of the lease extension is expected to commence in early 2022 and be completed by mid-2023. During the period, Patrick also implemented Pondus (container weighing) in Fisherman Island, East Swanson Dock and Port Botany, helping to drive safety outcomes.

On 7 February 2022, Patrick reached an in-principle agreement with the Maritime Union of Australia (MUA) for a new four-year enterprise agreement effective from 1 January 2022. The new agreement will achieve the removal of restrictive recruitment conditions and also deliver other much-needed flexibilities for the Patrick operations across all four terminals. The parties are progressing the process towards putting the agreement to an employee vote.

Patrick’s ACE (Qube’s 50% share) over the period was around $1.4 billion resulting in a ROACE for Qube on its investment in Patrick of around 6.0% based on the underlying EBITA for the 12 months to 31 December 2021.

Post period end, on 6 January 2022, Patrick announced its increases to its landside and ancillary charges that will apply from 7 March 2022. These increases will assist Patrick to generate reasonable returns on its significant investment in infrastructure and equipment to improve the overall efficiency of the supply chain through its terminals.

Property Division

The Property Division delivered underlying revenue of $8.9 million and a breakeven underlying EBITA in line with expectations.

The key focus during the period was on completing the MLP monetisation process with the LOGOS consortium which successfully completed on 15 December 2021.

Qube received total up-front proceeds of around $1.36 billion with another $0.3 billion deferred consideration expected to be received contingent on the satisfaction of certain future events or conditions and completion adjustments. Part of the deferred amount will be paid as construction of Stage 1 of the MLP Interstate Terminal is delivered and the balance is payable upon receipt of certain planning approvals for the remainder of the warehousing development. Additionally, with respect to the LOGOS shareholding in the MLP Interstate Terminal, part of the contingent consideration is paid on completion of Stage 1, and the balance is paid subject to achievement of specific volume hurdles. Qube is well positioned to prudently manage the risks associated with the deferred consideration and other transaction obligations.

Qube will retain full ownership of the MLP IMEX Terminal and majority ownership of the future MLP Interstate Terminal. The transaction documents include alignment principles to align the long-term interests and objectives between the property leasing and rail terminal and logistics activities.

As part of the MLP monetisation transaction, Qube and the LOGOS Consortium have entered into agreements that allocate responsibility for the ongoing development of the project between the parties and provides certain indemnities to each other, some of which, if triggered, could result in a substantial payment by Qube to the LOGOS Consortium. This includes indemnifying the LOGOS Consortium for certain financial loss that arises if there is a termination event under the Development and Operations Deed (DOD) due to a failure by Qube to complete construction of Stage 1A of the MLP Interstate Terminal by the target date of 19 December 2023 (subject to extension for valid relief events), events of default under the DOD caused by Qube and in respect of certain contamination claims that may be brought against the LOGOS Consortium.

The nature and specific terms of these agreements are commercially sensitive and have therefore not been disclosed. However, having regards to the circumstances that could give rise to a claim and Qube’s ability to mitigate, Qube does not expect any material financial exposure to arise as a result of the indemnities provided and accordingly no contingent liability has been recognised in Qube’s financial statements.

As part of the process of securing MIC consent and resolving outstanding disputes, there were some changes to the future ownership of the MLP Interstate Terminal.

Under the terms of the original contractual arrangements with MIC when the MLP was established, Qube was obliged to develop an interstate rail terminal with capacity of at least 250,000 TEU (Stage 1) and to increase the capacity through expansion to at least 500,000 TEU (Stage 2) if required by demand. As previously advised, there was a dispute between MIC and Qube as to whether or not an Event of Default had occurred in relation to delivery of Stage 1 of the MLP Interstate Terminal.

As part of the resolution of this matter, Qube, MIC and the LOGOS Consortium agreed new arrangements for the future ownership and operation of the MLP Interstate Terminal comprising the following key elements:

- Establishment of a new Joint Development Model (JDM) to undertake the management of the MLP Interstate Terminal following completion of the initial stage of construction.

- Qube to retain responsibility to manage the construction of Stage 1 of the MLP Interstate Terminal, and to initially fund the Stage 1 construction.

- MIC will obtain a 10% interest in the JDM for nominal cost, with Qube funding MIC’s share of the Stage 1 capex required to create 250,000 TEU capacity. MIC will be required to either fund its proportionate share of the cost of developing

Stage 2 of the MLP Interstate Terminal (increasing capacity from 250,000-500,000 TEU) or be diluted.

- LOGOS to purchase a 25% interest in the JDM from Qube with a call option to increase its ownership of the JDM to up to 45%.
- MIC to have veto rights over a limited number of matters predominantly relating to open access arrangements in order to support the operation of the terminal as a best in class, multi-user terminal.

The benefits to Qube of the revised arrangements are to align the interests of Qube, the LOGOS Consortium and MIC to attract warehouse tenants and other rail freight owners seeking an efficient, well located and competitive rail terminal.

Beveridge

Qube also continued with the planning approval process for the future development of the Beveridge site. Qube and MIC have reached a conditional agreement regarding Qube's option to acquire land at Beveridge, Victoria. Qube has recognised a fair value loss of around $5.6 million (pre-tax) at 31 December 2021 on the carrying value of its investment relating to the Beveridge project. Although there is no certainty that a binding agreement will be reached with MIC, Qube has determined that the fair value of its investment should reflect the expected transaction parameters being negotiated with MIC.

Capital Expenditure

Qube spent approximately $440.4 million of gross capital expenditure in the period. The majority of the capex (around $327.2 million) was spent in the Operating Division and the balance in the Property Division.

Key items of expenditure included the NAT and AST acquisitions, completion of the equipment procurement for the BlueScope contract, equipment for other new contracts and maintenance capex.

The Property division capex will be largely reimbursed by the LOGOS Consortium as part of the monetisation proceeds (net of other adjustments).

Funding

Qube finished the period in a very strong financial position with cash and available undrawn debt facilities of around $1.8 billion at 31 December 2021. At 31 December 2021, the weighted average maturity of Qube's debt facilities was around 2.6 years.

As a result of the receipt of the monetisation proceeds, Qube is very conservatively leveraged with net debt of around $388 million, a leverage ratio (net debt / net debt + equity) of around 10.3%, being well below the lower end of its target leverage range of 30% to 40%, and significant headroom to Qube's financial covenants.

In conjunction with the capital management initiatives, Qube intends to review its funding requirements and required facilities to ensure that it maintains an efficient balance sheet that supports growth, and is well placed to manage future debt maturities.

Summary and Outlook

The strong underlying financial performance in the period despite a number of challenges demonstrates the resilience of Qube's operations and the strength of Qube's business.

The completion of the MLP monetisation transaction in the period enabled Qube to realise the substantial value that has been created through the acquisition, development and leasing of this property, while enabling Qube to retain long term financial upside at the MLP through its involvement in the rail terminals and logistics activities. Importantly, the monetisation transaction has delivered substantial cash to Qube that will be utilised for debt reduction, capital management initiatives and for future investment in growth opportunities that will drive further shareholder value. The transaction has also relieved Qube of the substantial future capex associated with warehousing development and completion of the precinct infrastructure.

Going forward, Qube will continue to implement its strategy of delivering integrated logistics solutions for import and export supply chains. Qube will continue to look for opportunities to expand its activities within its current markets and will target suitable new markets that are consistent with Qube's strategy. Further investment is expected to be undertaken on facilities, equipment, technology and people to expand Qube's geographic and service capability, further diversify Qube's operations and enhance Qube's operating efficiency and safety outcomes. Qube will also continue to assess acquisitions to accelerate growth where the investment meets Qube's strategic, financial and risk hurdles.

Although Qube expects continued cost pressures in some parts of its business, it is well placed to mitigate this through mechanisms within the majority of its contracts to recover certain input cost increases, as well as through continued operational efficiencies and productivity improvements to reduce costs. Additionally, Qube will continue to work closely with its customer base to identify and implement changes to their logistics supply chains that can deliver improved service and cost outcomes. The breadth of services offered by Qube across the various supply chains in which it operates provides Qube with an unrivalled ability to deliver superior and cost-effective logistics outcomes for its customers whilst generating attractive financial returns for Qube.

In FY22, Qube expects to deliver strong underlying earnings growth from the Operating Division from continued strength in container and agri activities, as well as the recent commencement of the BlueScope contract which is expected to contribute meaningfully to earnings from March 2022. Solid volumes are expected to continue across most ports' activities and bulk commodities. This will be partly offset by continuing COVID related costs and ongoing weakness in NZ forestry exports.

Qube expects a strong underlying earnings contribution from Patrick (comprising interest income on shareholder loans and underlying share of profit) although this outcome will depend on a range of factors including the impact of vessel scheduling issues over the remainder of the period, COVID-19 related labour shortages and the successful conclusion of the in-principle industrial relations agreement.

The Property Division is expected to produce an approximately breakeven underlying result, and post-completion of the monetisation process, has been discontinued.

Corporate costs (EBIT) are expected to increase in FY22 mainly due to MLP transition costs and higher insurance costs.

Qube is presently forecasting H2 FY22 capex to be around $300 million to $400 million. Major capex items expected to be undertaken in the second half of the period include the MLP IMEX Terminal automation, the commencement of the development of the MLP Interstate Terminal, the acquisition of grain wagons to provide further capacity for Qube's agri activities, further bolt-on acquisitions in the Operating Division, as well as maintenance capex.

The actual level of capital expenditure in FY22 could vary materially (up or down) from this estimate and will depend on finding suitable opportunities that meet Qube's key investment criteria. This guidance does not take into account any deferred consideration relating to the MLP monetisation process that may be received in the period.

Overall, Qube expects to deliver strong underlying earnings growth in both NPATA and EPSA in FY22 compared to FY21.

This assumes no material adverse change to current conditions in Qube's markets or domestic or global economic conditions, including any deterioration due to COVID-19 that impacts Qube's customers, markets or operations.

<u>Matters Subsequent to the end of the period</u>

On 24 February 2022, Qube announced that it intended to proceed with capital management initiatives of up to $400 million in addition to the interim ordinary dividend. The precise nature and timing of these initiatives is dependent upon market conditions and any necessary approvals, but is expected to commence in H2 FY22.

Other than as noted in this report, there have been no events that have occurred subsequent to 31 December 2021 and up to the date of this report that have had a material impact on Qube's financial performance or position.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest hundred thousand dollars in accordance with that ASIC Corporations Instrument.

This report is made in accordance with a resolution of directors.

Allan Davies
Chairman

Sydney
24 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Qube Holdings Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Qube Holdings Limited and the entities it controlled during the period.

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
24 February 2022

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	Notes	**31 Dec 2021 $m**	31 Dec 2020 $m
Revenue from continuing operations			
Revenue from sales and services	3	**1,170.0**	915.1
Other income	3	**11.6**	1.9
Total income		**1,181.6**	917.0
Direct transport and logistics costs		**319.9**	221.2
Repairs and maintenance costs		**72.6**	59.0
Employee benefits expense	4	**427.1**	355.3
Fuel, oil and electricity costs		**77.5**	45.2
Occupancy and property costs		**20.4**	12.4
Depreciation and amortisation expense	4	**123.5**	116.2
Professional fees		**9.1**	7.2
Impairment of non-current assets		**-**	12.7
Fair value loss on non-current asset		**5.6**	-
Other expenses		**18.1**	13.6
Total expenses		**1,073.8**	842.8
Finance income		**9.6**	12.3
Finance costs	4	**(22.9)**	(30.8)
Net finance costs		**(13.3)**	(18.5)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		**8.6**	7.6
Profit before income tax		**103.1**	63.3
Income tax expense		**(30.6)**	(16.1)
Profit for the half-year from continuing operations		**72.5**	47.2
Discontinued operations			
Profit/(loss) after tax for the half-year from discontinued operations	5	**(17.0)**	9.5
Profit for the half year		**55.5**	56.7
Other comprehensive income for the half-year, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3.6)**	(3.5)
Change in fair value of cash flow hedges		**(1.8)**	(2.8)
Share of other comprehensive income of joint venture		**0.8**	1.1
Total comprehensive income for the half-year, net of tax		**50.9**	51.5
Profit for the half-year attributable to:			
Owners of Qube Holdings Limited		**56.3**	57.8
Non-controlling interests		**(0.8)**	(1.1)
		55.5	56.7
Total comprehensive income for the half-year is attributable to:			
Owners of Qube Holdings Limited		**51.7**	51.5
Non-controlling interests		**(0.8)**	1.1
		50.9	52.6
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share from continuing operations		3.8	2.5
Diluted earnings per share from continuing operations		3.8	2.5
Basic earnings per share from continuing and discontinued operations		2.9	3.1
Diluted earnings per share from continuing and discontinued operations		2.9	3.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ASSETS	Notes	31 Dec 2021 $m	30 June 2021 $m
Current assets			
Cash and cash equivalents		**447.9**	125.8
Trade and other receivables		**727.7**	426.3
Inventories		**15.6**	6.5
Derivative Financial Instruments		**-**	0.1
		1,191.2	558.7
Assets classified as held for sale		**-**	1,660.2
Total current assets		**1,191.2**	2,218.9
Non-current assets			
Loans and receivables	6	**240.7**	237.4
Investment in equity accounted investments	7	**558.7**	578.8
Property, plant and equipment	9	**1,794.5**	1,599.6
Right of use assets		**795.3**	636.8
Deferred tax asset		**102.0**	-
Investment properties	12	**50.0**	46.5
Intangible assets	8	**912.5**	875.0
Derivative financial instruments		**27.7**	22.3
Other assets		**64.6**	25.8
Total non-current assets		**4,546.0**	4,022.2
Total assets		**5,737.2**	6,241.1
LIABILITIES			
Current liabilities			
Trade and other payables		**302.7**	256.9
Lease liabilities		**85.8**	74.5
Current tax payable		**166.2**	9.8
Borrowings	11	**61.2**	-
Derivative financial instruments		**-**	0.9
Provisions		**122.5**	119.1
Total current liabilities		**738.4**	461.2
Liabilities directly associated with the assets held for sale		**-**	165.0
Total current liabilities		**738.4**	626.2
Non-current liabilities			
Trade and other payables		**3.9**	4.7
Borrowings	11	**793.8**	1,525.8
Lease liabilities		**811.3**	642.6
Deferred tax liabilities		**-**	64.2
Derivative financial instruments		**-**	5.2
Provisions		**16.1**	13.6
Total non-current liabilities		**1,625.1**	2,256.1
Total liabilities		**2,363.5**	2,882.3
Net assets		**3,373.7**	3,358.8
EQUITY			
Contributed equity	10	**3,138.3**	3,088.9
Reserves		**(19.7)**	3.3
Retained earnings		**258.9**	269.6
Capital and reserves attributable to owners of Qube		**3,377.5**	3,361.8
Non-controlling interests		**(3.8)**	(3.0)
Total equity		**3,373.7**	3,358.8

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

		Attributable to owners					
		Contributed equity	**Reserves**	**Retained earnings**	**Total**	**Non-con-trolling interests**	**Total equity**
	Notes	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at 1 July 2020		3,024.3	6.6	278.0	3,308.9	(3.2)	3,305.7
Correction of error		-	-	(9.1)	(9.1)	-	(9.1)
Restated total equity at 1 July 2020		3,024.3	6.6	268.9	3,299.8	(3.2)	3,296.6
Profit for the half-year		-	-	57.8	57.8	(1.1)	56.7
Other comprehensive income		-	(5.2)	-	(5.2)	-	(5.2)
Total comprehensive income for the half-year		-	(5.2)	57.8	52.6	(1.1)	51.5
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	10	49.8	-	-	49.8	-	49.8
Issue of treasury shares to employees	10	5.7	-	-	5.7	-	5.7
Acquisition of treasury shares	10	(6.5)	-	-	(6.5)	-	(6.5)
Dividends provided for or paid	14	-	-	(43.4)	(43.4)	-	(43.4)
Fair value movement on allocation and vesting of securities	10	2.7	-	-	2.7	-	2.7
Employee share schemes		-	(4.2)	-	(4.2)	-	(4.2)
		51.7	(4.2)	(43.4)	4.1	-	4.1
Balance at 31 December 2020		3,076.0	(2.8)	283.3	3,356.5	(4.3)	3,352.2
Balance at 1 July 2021		**3,088.9**	**3.3**	**269.6**	**3,361.8**	**(3.0)**	**3,358.8**
Profit for the half-year		**-**	**-**	**56.3**	**56.3**	**(0.8)**	**55.5**
Other comprehensive income		**-**	**(4.6)**	**-**	**(4.6)**	**-**	**(4.6)**
Total comprehensive income for the half-year		**-**	**(4.6)**	**56.3**	**51.7**	**(0.8)**	**50.9**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	10	**42.0**	**-**	**-**	**42.0**	**-**	**42.0**
Issue of treasury shares to employees	10	**26.2**	**-**	**-**	**26.2**	**-**	**26.2**
Acquisition of treasury shares	10	**(25.6)**	**-**	**-**	**(25.6)**	**-**	**(25.6)**
Dividends provided for or paid	14	**-**	**-**	**(67.0)**	**(67.0)**	**-**	**(67.0)**
Fair value movement on allocation and vesting of securities	10	**6.8**	**-**	**-**	**6.8**	**-**	**6.8**
Employee share schemes		**-**	**(18.4)**	**-**	**(18.4)**	**-**	**(18.4)**
		49.4	**(18.4)**	**(67.0)**	**(36.0)**	**-**	**(36.0)**
Balance at 31 December 2021		**3,138.3**	**(19.7)**	**258.9**	**3,377.5**	**(3.8)**	**3,373.7**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**31 Dec 2021 $m**	31 Dec 2020 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,325.0**	1,019.9
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,142.3)**	(836.3)
		182.7	183.6
Dividends and distributions received		**32.5**	15.4
Interest received		**10.5**	17.9
Interest paid		**(44.4)**	(39.6)
Income taxes paid		**(33.6)**	(27.8)
Net cash inflow from operating activities		**147.7**	149.5
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**(111.8)**	0.1
Proceeds from the monetisation of MLP Property Assets held for sale	5	**1,361.9**	-
Payments for property, plant and equipment		**(214.6)**	(194.7)
Payments for development of assets held for sale / investment property		**(114.0)**	(143.2)
Loans advanced to associates		**(8.3)**	(0.5)
Loan repayments received from associates and related parties		**0.1**	0.1
Proceeds from sale of investment property		**-**	200.1
Proceeds from sale of property, plant and equipment		**8.3**	9.3
Payments for investment in associate		**(1.5)**	-
Net cash inflow/(outflow) from investing activities		**920.1**	(128.8)
Cash flows from financing activities			
Proceeds from share issues	10	**3.8**	34.1
Payment for treasury shares		**(1.2)**	(2.4)
Share issue transaction costs		**-**	(0.1)
Proceeds from borrowings		**510.0**	160.0
Repayment of borrowings		**(1,185.0)**	(200.0)
Termination of derivatives		**-**	(23.8)
Principal element of lease payments		**(23.9)**	(35.9)
Dividends paid to Company's shareholders		**(49.4)**	(34.2)
Net cash outflow from financing activities		**(745.7)**	(102.3)
Net increase/(decrease) in cash and cash equivalents		**322.1**	(81.6)
Cash and cash equivalents at the beginning of the half-year		**125.8**	224.2
Effects of exchange rate changes on cash and cash equivalents		**-**	-
Cash and cash equivalents at the end of the half-year		**447.9**	142.6

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation of half-year report

Qube Holdings Limited (the Company), is a company incorporated and domiciled in Australia. The consolidated half-year financial report of the Company for the half-year ended 31 December 2021 comprises the Company and its controlled entities (the Group) and the Group's interests in joint ventures and associates.

The consolidated half-year financial report was approved by the Directors on 24 February 2022.

Statement of compliance

The condensed consolidated half-year financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Company is a company of a kind referred to in accordance with ASIC Corporations Instrument 2016/191, and amounts in the consolidated half-year financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in this consolidated half-year financial report are consistent with those applied by the Group in the financial report for the year ended 30 June 2021 and the corresponding half-year reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Impact of COVID-19 on the Group

Qube's operations and financial performance continued to be impacted by COVID-19 in the period through higher costs, labour shortages as well as lower volumes in some markets. Overall, the strength and diversity of Qube's operations, and the substantial effort of Qube's workforce enabled the business to overcome these challenges to continue to deliver high quality services to its customer base and achieve a pleasing financial outcome.

Additional information of the impact of COVID-19 is included in the Directors Report to these Financial Statements.

2. Segment information

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA, NPAT and NPATA which excludes certain non-cash and non-recurring items from the statutory results to reflect core earnings. This reflects the way the operating businesses are managed and assessed from a profit and loss perspective by the chief operating decision maker.

On 15th December 2021, Qube completed the monetisation of 100% of its interest in the warehousing and property components of the MLP project (MLP Property Assets) to the LOGOS Consortium. To reflect changes to strategic and operational responsibilities as a result of the monetisation process, the MLP port-shuttle (IMEX) Terminal has been reported in the Operating Division with effect from 1 July 2021 and the development and involvement in the MLP Interstate Terminal will also be reported in the Operating Division.

Due to the sale of the MLP Property Assets and the reporting structure changes, the prior year figures are not comparable.

(a) Description of segments

Operating Division

The Operating Division comprises two core business units, being Logistics & Infrastructure and Ports & Bulk, with these units supported by a Divisional Corporate function.

Logistics & Infrastructure provides a broad range of services relating to the import and export of mainly containerised cargo as well as outsourced industrial logistics services across heavy transport, mobile crane and renewable energy industries. The services currently provided include the physical and documentary processes and tasks of the import/export supply chain such as road and rail transport of containers to and from ports, operation of container parks, customs and quarantine services, warehousing, intermodal terminals, international freight forwarding, provision of lifting services or equipment and bulk rail and containerised haulage storage and handling for rural commodities. The business operates nationally with strategic locations near the ports in key capital cities. It also includes, AAT, a multi-user facility provider to the Australian stevedoring industry, operating terminals with facilities for importing and exporting motor vehicles, machinery, and projects and general cargo.

From 1 July 2021, the MLP IMEX Terminal (previously reported in the Property Division), and the MLP Interstate Terminal development and future operations are also part of Logistics & Infrastructure.

Ports and Bulk has two core activities comprising port logistics and bulk logistics. It provides a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, forestry, bulk and break bulk products.

Qube's port logistics activities are focused on the provision of an integrated logistics solution for the automotive industry, covering a range of activities including stevedoring, processing and delivery. Qube also provides stevedoring and related logistics services for the energy industry, forestry products and project and general cargo.

Qube's bulk logistics activities are aimed at offering customers a comprehensive logistics solution from mine-to-ship covering activities including transport, stockpile management, storage facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, copper, nickel concentrate and mineral sands.

Property Division (Formerly Infrastructure & Property)

This Division has been discontinued as it primarily comprised the MLP project. The property related assets of this project were sold in December 2021 and the remaining logistics activities have been transferred to the Operating Division. Accordingly, this Division was discontinued effective from the 15th December 2021.

Patrick

Qube owns a 50% interest in Patrick with the other 50% owned by Brookfield and its managed funds. Patrick is an established national operator providing container stevedoring services in the Australian market with operations in the four largest container terminal ports in Australia. Given the material nature of this investment to Qube, this joint venture is being reported as a separate segment.

Corporate and Other

Corporate and Other is the only non-operating segment reported to the Board. The primary focus of the corporate head office is to provide strategic, commercial and treasury support to the divisions as well as to develop and manage new growth opportunities that do not fall within one of the existing divisions. It also includes managing a broad range of reporting, safety, health and environment, corporate governance and other functions of the Group. Costs relating to certain development projects in the planning and analytical phase are also reported within this segment.

2. Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2021	Operating Division $m	Property Division $m	Corporate & Other $m	Patrick* $m	Total $m
Revenue and other income	**1,181.5**	**8.8**	**0.1**		**1,190.4**
Intercompany trading	27.6	-	-	-	27.6
Fair value gains	(3.5)	-	-	-	(3.5)
Other	1.2	0.1	0.2	-	1.5
Underlying Revenue	**1,206.8**	**8.9**	**0.3**	**-**	**1,216.0**

A reconciliation of net profit before income tax to underlying net profit after tax attributable to members is as follows:

	Operating Division $m	Property Division $m	Corporate & Other $m	Patrick* $m	Total $m
Net profit/(loss) before income tax	**111.3**	**(28.3)**	**(21.2)**	**19.0**	**80.8**
Share of profit of equity accounted investments	1.7	-	-	(10.3)	(8.6)
Net finance (income)/cost	16.6	5.6	4.9	(8.7)	18.4
Depreciation and amortisation	122.7	0.6	0.8	-	124.1
EBITDA	**252.3**	**(22.1)**	**(15.5)**	**-**	**214.7**
Fair value gain on investment property	(3.5)	-	-	-	(3.5)
AASB 16 leasing adjustment	(48.1)	(0.4)	(0.5)	-	(49.0)
Discontinued operations	-	7.4	-	-	7.4
Loss on sale of assets held for sale	-	9.7	-	-	9.7
Fair value loss	-	5.6	-	-	5.6
Other	4.9	-	0.6	-	5.5
Underlying EBITDA	**205.6**	**0.2**	**(15.4)**	**-**	**190.4**
Underlying depreciation	(79.2)	(0.2)	(0.1)	-	(79.5)
Underlying EBITA	**126.4**	**-**	**(15.5)**	**-**	**110.9**
Underlying amortisation	(4.5)	-	-	-	(4.5)
Underlying EBIT	**121.9**	**-**	**(15.5)**	**-**	**106.4**
Underlying net finance income/(cost)	(0.5)	-	(12.0)	8.7	(3.8)
Underlying share of profit/(loss) of equity accounted investments	(1.8)	-	-	17.5	15.7
Underlying net profit/(loss) before income tax	**119.6**	**-**	**(27.5)**	**26.2**	**118.3**
Underlying income tax benefit/(expense)	(36.4)	-	8.2	(2.6)	(30.8)
Underlying net profit/(loss) after tax	**83.2**	**-**	**(19.3)**	**23.6**	**87.5**
Underlying non-controlling interests	0.8	-	-	-	0.8
Underlying net profit/(loss) after tax attributable to members	**84.0**	**-**	**(19.3)**	**23.6**	**88.3**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**87.2**	**-**	**(19.3)**	**28.9**	**96.8**

Underlying diluted earnings per share (cents)	**4.6**
Underlying diluted earnings pre-amortisation per share (cents)	**5.1**

	Operating Division $m	Property Division $m	Corporate & Other $m	Patrick* $m	Total $m
Total segment assets	**4,521.5**	**-**	**453.1**	**762.6**	**5,737.2**
Total assets includes:					
Investments in associates and joint ventures	36.6	-	-	522.1	558.7
Loans to equity accounted investments	21.6	-	-	240.5	262.1
Additions to non-current assets (other than financial assets and deferred tax)	483.3	177.8	-	-	661.1
Total segment liabilities	**1,375.3**	**-**	**988.2**	**-**	**2,363.5**

2. Segment information (continued)

(b) Segment information provided to the Board (continued)

Half-year ended 31 December 2020	Operating Division $m	Property Division $m	Corporate & Other $m	Patrick* $m	Total $m
Revenue and other income	**915.3**	**23.9**	**0.1**	**-**	**939.3**
Intercompany trading	22.2	1.4	-	-	23.6
Fair value gains	-	(13.0)	-	-	(13.0)
Quattro Acquisition adjustment	2.8	-	-	-	2.8
AASB 16 leasing adjustments	0.6	-	-	-	0.6
Underlying Revenue	**940.9**	**12.3**	**0.1**	**-**	**953.3**

A reconciliation of net profit before income tax to underlying net profit after tax attributable to members is as follows:

Net profit/(loss) before income tax	**91.6**	**(5.4)**	**(26.5)**	**16.9**	**76.6**
Share of profit of equity accounted investments	(1.6)	-	-	(6.0)	(7.6)
Net finance (income)/cost	13.4	3.6	13.3	(10.9)	19.4
Depreciation and amortisation	113.7	2.0	0.8	-	116.5
EBITDA	**217.1**	**0.2**	**(12.4)**	**-**	**204.9**
Fair value gains on investment property	-	(13.0)	-	-	(13.0)
AASB 16 leasing adjustment	(47.5)	(0.2)	(0.8)	-	(48.5)
Impairment of investment in associate	-	11.1	-	-	11.1
Impairment of loan to associate	1.6	-	-	-	1.6
Quattro acquisition adjustment	2.8	-	-	-	2.8
Minto sale adjustment	-	2.8	-	-	2.8
Other	(0.5)	1.4	-	-	0.9
Underlying EBITDA	**173.5**	**2.3**	**(13.2)**	**-**	**162.6**
Underlying depreciation	(67.6)	(1.6)	(0.1)	-	(69.3)
Underlying EBITA	**105.9**	**0.7**	**(13.3)**	**-**	**93.3**
Underlying amortisation	(6.0)	-	-	-	(6.0)
Underlying EBIT	**99.9**	**0.7**	**(13.3)**	**-**	**87.3**
Underlying net finance income/(cost)	0.5	-	(13.3)	10.9	(1.9)
Underlying share of profit/(loss) of equity accounted investments	0.2	-	-	13.3	13.5
Underlying net profit/(loss) before income tax	**100.6**	**0.7**	**(26.6)**	**24.2**	**98.9**
Underlying income tax benefit/(expense)	(30.1)	(0.2)	7.9	(3.3)	(25.7)
Underlying net profit/(loss) after tax	**70.5**	**0.5**	**(18.7)**	**20.9**	**73.2**
Underlying non-controlling interests	1.1	-	-	-	1.1
Underlying net profit/(loss) after tax attributable to members	**71.6**	**0.5**	**(18.7)**	**20.9**	**74.3**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**75.8**	**0.5**	**(18.7)**	**25.2**	**82.8**
Underlying diluted earnings per share (cents)***					**3.9**
Underlying diluted earnings pre-amortisation per share (cents)***					**4.4**
Total segment assets	**3,359.7**	**1,714.5**	**52.0**	**850.3**	**5,976.5**
Total assets includes:					
Investments in associates and joint ventures	38.7	-	-	553.3	592.0
Loans to equity accounted investments	-	-	9.3	297.0	306.3
Additions to non-current assets (other than financial assets and deferred tax)	231.1	186.2	0.5	-	417.8
Total segment liabilities	1,040.7	137.7	1445.9	-	2,624.3

*A reconciliation of the Patrick underlying contribution to the Group's results can be found in Note 7.
**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Group's proportionate share of Patrick amortisation net of tax.

2. Segment information (continued)

(b) Segment information provided to the Board (continued)

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude discontinued operations and certain other non-cash and non-recurring items in order to more accurately reflect the underlying performance of Qube. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates and applying a 30% tax rate to the NPBT for each of Qube's associates.

EBITDA is net profit before tax adjusted to remove share of profit of associates, net finance costs, depreciation and amortisation.

EBITA is **EBITDA** adjusted to remove depreciation.

EBIT is **EBITA** adjusted to remove amortisation.

NPAT is net profit after tax attributable to the Group's shareholders

NPATA is **NPAT** pre-amortisation net of tax, including the Group's proportionate share of Patrick amortisation net of tax.

(c) Other segment information

Qube operates principally in Australia and no single customer's revenues amount to 10% or more of total revenue.

(i) ***Segment assets***
The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

(ii) ***Segment liabilities***
The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings (excluding leases and debt facilities for ISO) are not considered to be segment liabilities but rather managed centrally by the treasury function.

3. Revenue and other income

	Half-year ended 31 Dec 2021 $m	31 Dec 2020 $m
Sales revenue		
Logistics & Infrastructure revenue	517.8	377.0
Ports & Bulk revenue	629.7	517.3
Rental and property related income	5.0	6.1
Management fees	2.0	0.1
Other revenue	15.5	14.6
Total revenue	1,170.0	915.1
Other income		
Fair value gains on investment property	3.5	-
Net (loss)/ gain on disposal of property, plant and equipment	4.4	-
Other	3.7	1.9
Total other income	11.6	1.9

4. Expenses

(a) Profit before income tax includes the following specific expenses

	31 Dec 2021 $m	31 Dec 2020 $m
Depreciation		
Buildings	3.3	3.8
Plant and equipment	68.0	58.3
Leasehold improvements	8.1	6.3
Right of use asset	39.6	41.7
Total depreciation	119.0	110.1
Amortisation		
Customer contracts	2.6	4.2
Port Concessions	1.9	1.9
Total amortisation	4.5	6.1
Total depreciation and amortisation expense	123.5	116.2
Finance expenses		
Interest and finance costs paid/payable to other persons	8.2	14.2
Lease borrowing costs	21.8	16.8
Fair value gain on derivative instruments	(7.1)	(0.2)
Total finance costs expense	22.9	30.8
Rental expense relating to operating leases		
Property	9.8	3.2
Plant, equipment and motor vehicles	8.2	4.7
Total rental expense relating to operating leases	18.0	7.9
Employee benefits expense		
Defined contribution superannuation expenses	28.1	22.6
Share based payment expenses	3.4	4.2
Other employee benefits expense	395.6	328.5
Total employee benefits expense	427.1	355.3

(b) Income tax

The effective tax rate for the Australian accounting consolidated group for the half-year to 31 December 2021 was 31%, compared to 26% for the half-year ended 31 December 2020. After adjusting for share of profit of associates, this rate was 35% (29% in the prior corresponding period). The higher effective tax rate is primarily attributable to historical differences between the accounting carrying value and tax value relating to the sale of the MLP Property Assets and non-deductible acquisition costs incurred during the period. The prior period comparative was lower primarily due to the utilisation of capital losses which had not been previously recognised due to uncertainty of their use at the time those losses were incurred.

5. Discontinued operations

On 5 July 2021, Qube announced that it had entered into binding transaction documentation with the LOGOS Consortium for the sale of 100% of its interest in the warehousing and property components of the MLP project (MLP Property Assets). This sale completed on 15th December 2021 for consideration before tax, transaction costs and adjustments of around $1.67 billion inclusive of around $0.3 billion of deferred consideration expected to be received contingent on the satisfaction of certain future events or conditions and completion adjustments.

Part of the deferred consideration will be paid as construction of Stage 1 of the MLP Interstate Terminal is delivered and the balance is payable upon receipt of certain planning approvals for the remainder of the warehousing development. Additionally, with respect to the LOGOS shareholding in the MLP Interstate Terminal, part of the contingent consideration is paid on completion of Stage 1, and the balance is paid subject to achievement of specific volume hurdles. The fair value of the deferred consideration is referred to in the financial performance information below as fair value of contingent consideration.

The Group has also determined that the transaction meets the definition of discontinued operations based on the requirements of *AASB 5 – Non-current Assets held for sale and discontinued operations*.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are for the 6 months ended 31 December 2021 and 2020.

	31 Dec 2021 $m	31 Dec 2020 $m
Revenue	**7.6**	5.7
Other income	**1.2**	3.6
Fair value uplift	**-**	13.0
Operating expenses	**(9.8)**	(8.1)
Net finance costs	**(5.1)**	(0.9)
Redundancy costs	**(6.5)**	-
Net loss on assets held for sale	**(9.7)**	-
(Loss) / Profit before income tax	**(22.3)**	13.3
Income tax benefit / (expense)	**5.3**	(3.8)
(Loss) / Profit after income tax of Discontinued operations	**(17.0)**	9.5
Net cash outflow from operating activities	**(7.7)**	(32.5)
Net cash outflow from investing activities	**(111.7)**	(140.0)
Net cash inflow from financing activities	**125.1**	173.6
Net increase in cash generated	**5.7**	1.1

Details of the monetisation of MLP Property Assets

	31 Dec 2021 $m	30 June 2021 $m
Consideration received or receivable:		
Cash	**1,361.9**	-
Fair value of contingent consideration	**304.9**	-
Total disposal consideration	**1,666.8**	-
Carrying amount of net assets sold	**(1,604.6)**	-
Interstate liabilities assumed	**(52.9)**	
Transaction cost on disposal	**(19.0)**	
Gain / (loss) before income tax expense	**(9.7)**	-
Income tax benefit / (expense) on loss	**2.9**	-
Gain / (loss) after income tax	**(6.8)**	-

<u>MLP Interstate Terminal</u>

Under the terms of the original contractual arrangements with MIC when the MLP was established, Qube was obliged to develop an interstate rail terminal with capacity of at least 250,000 TEU (Stage 1) and to increase the capacity through expansion to at least 500,000 TEU (Stage 2) if required by demand. At 30 June 2021 there was a dispute between MIC and Qube as to whether or not an Event of Default had occurred in relation to delivery of Stage 1 of the MLP Interstate Terminal.

In order to obtain MIC consent for the finalisation of the MLP Property Assets sale, Qube, MIC and the LOGOS Consortium agreed new arrangements for the future ownership and operation of the MLP Interstate Terminal comprising the following elements:

- Establishment of a new Joint Development Model (JDM) to undertake the management of the MLP Interstate Terminal following completion of the initial stage of construction.
- Qube to retain responsibility to manage the construction of Stage 1 of the MLP Interstate Terminal, and to initially fund the Stage 1 construction which is estimated to cost $150m.
- MIC will obtain a 10% interest in the JDM for nominal cost, with Qube funding MIC's share of the Stage 1 capex.
- LOGOS to purchase a 25% interest in the JDM from Qube with a call option to increase its ownership of the JDM to up to 45%.
- MIC to have veto rights over a limited number of matters predominantly relating to open access arrangements in order to support the operation of the terminal as a best in class, multi-user terminal.

Management views this new arrangement as linked with the broader Moorebank sale given it was executed to obtain MIC consent.

In calculating the gain on sale, consideration has been made as to whether any other assets and liabilities need to be recorded as a result of the new arrangement. In doing so, management has performed an assessment as to whether the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. This assessment has been made with reference to the construction obligations Qube has with respect to the MIC, LOGOS and Qube shareholdings.

<u>MIC shareholding</u>

A provision of around $15 million has been booked for construction costs to be borne by Qube in relation to MIC's future shareholding as part of the gain on sale calculation.

<u>Qube shareholding</u>

A critical judgement exists with respect to whether a provision should be recorded in relation to Qube's shareholding. Any amount recognised is reflective of management's best estimate to settle the present obligation as at 31 December.

Management have concluded the economic benefits expected to be received under the contract are equal to or greater than Qube's estimated costs to fund construction of Stage 1 for Qube's shareholding. Whilst this is management's best estimate, there is risk that these costs will not be recovered which may occur if management's assumptions are not realised.

In this instance, Qube may not fully recover through use or sale its proportionate share of the total construction costs which is expected to be around $97.5 million.

<u>LOGOS shareholding</u>

Management have recognised a liability to fund LOGOS' portion of construction costs for $37.5 million, or 25% of the estimated total construction costs, within the gain on sale calculation. Qube are entitled to receive $7.5 million in contingent consideration upon completion of the Stage 1 build with an additional $30 million of contingent consideration which will be received based on achieving specific volume (TEU) hurdles.

AASB 10, Consolidated Financial statements requires that contingent consideration is recognised at fair value.

Qube holds a call option giving Qube the ability to purchase LOGOS's 25% shareholding at a future date in certain circumstances. LOGOS holds a counter call option should they wish to retain the 25% which triggers a requirement for LOGOS to pay all remaining contingent consideration to Qube irrespective of volume throughput.

Given the structure of the call and countercall, management have determined that the fair value of the consideration is $37.5 million, as Qube will either receive $37.5 million cash or shares which are considered to be worth at least $37.5 million assuming that Qube's cost is fully recoverable. Whilst this is management's best estimate, there is risk that these costs will not be recovered which may occur if management's assumptions are not realised.

6. Non-current loans and receivables

	31 Dec 2021	30 June 2021
	$m	$m
Loans and receivables	**240.7**	237.4

The Group provided a related party loan to Patrick as part of the acquisition of its 50% interest. The loan is for a fixed term of 10 years, subordinated to all creditors, with an effective interest rate of 7.3% and no conversion rights.

Loans and receivables are held for collection of contractual cash flows. The cash flows solely represent payments of principal and interest and therefore the loans and receivables are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit or loss.

The Group assesses on a forward-looking basis the expected credit loss associated with its loans and receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the necessity of whether a loss allowance is required for any given financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities.

7. Investments accounted for using the equity method

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 31 December 2021. The entities listed below have share capital/units consisting solely of ordinary shares/units, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

Name of entity	Place of business/country of incorporation	% Ownership interest 31 Dec 2021	30 June 2021	Carrying amount 31 Dec 2021	30 June 2021
		%	%	**$m**	$m
Patrick[1]	Australia	**50**	50	**522.1**	541.9
Other equity accounted investments				**36.6**	36.9
Total equity accounted investments				**558.7**	578.8

[1.] The Group's 50% investment in Patrick is held through PTH No. 1 Pty Ltd. The carrying amount above excludes shareholder loans provided by Qube to PTH No.1 of $237.4 million ($237.4 million in June 2021) which also forms part of Qube's total investment in Patrick.

Other than Patrick, the Group's equity accounted investments are considered individually immaterial and are discussed in part (c) below.

(b) Summarised financial information of joint ventures

The tables below provide summarised statutory financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Qube Holdings Limited's share of those amounts. They have been amended to reflect the adjustments made by Qube when using the equity method, including fair value adjustments and modifications for differences in accounting policy where material.

	PTH No. 1 Pty Ltd (Patrick) 31 Dec 2021	30 June 2021
	$m	$m
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**34.5**	24.3
Other current assets	**120.6**	96.9
Total current assets	**155.1**	121.2
Total non-current assets	**3,878.4**	3,918.0
Current liabilities		
Financial liabilities*	**17.8**	**16.9**
Other current liabilities	**160.7**	164.2
Total current liabilities	**178.5**	181.1
Non-current liabilities		
Financial liabilities*	**1,084.1**	1,053.5
Shareholder loans	**481.0**	474.8
Other non-current liabilities	**1,373.0**	1,373.4
Total non-current liabilities	**2,938.1**	**2,**901.7
Net Assets	**916.9**	956.4

*Excluding trade payables

	PTH No. 1 Pty Ltd (Patrick) 31 Dec 2021	30 June 2021
	$m	$m
Reconciliation to carrying amounts		
Opening net assets	**956.4**	994.0
Profit for the period	**20.6**	25.6
Dividends	**(62.0)**	(68.5)
Return of capital	**-**	-
Movement in reserves	**1.9**	5.3
Closing net assets	**916.9**	956.4
Group's share in %	**50%**	50%
Group's share in $m	**458.5**	478.2
Goodwill	**63.6**	63.6
Carrying amount	**522.1**	541.8

	31 Dec 2021	31 Dec 2020
	$m	$m
Summarised statement of comprehensive income		
Revenue	**373.3**	344.7
Interest Income	**-**	-
Depreciation & amortisation	**(71.9)**	(62.6)
Interest expense	**(53.5)**	(57.7)
Income tax expense	**(7.6)**	(4.4)
Profit for the period	**20.6**	12.0
Other comprehensive income	**1.9**	2.2
Total comprehensive income	**22.5**	14.2

7. Investments accounted for using the equity method (continued)

(b) Summarised financial information of joint ventures (continued)

A reconciliation of the underlying trading performance of Patrick to Qube's share of underlying net profit after tax per Note 2 is included in the table below for the half-years ended 31 December 2021 and 31 December 2020. The statutory figures below represent non-statutory numbers compiled based on statutory PBT after add backs for Interest, Tax, Depreciation & Amortisation.

Patrick underlying contribution reconciliation (100%) **For the half-year ended 31 December 2021**	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	**373.3**	**(22.3)**	**351.0**
EBITDA	**153.5**	**(23.3)**	**130.2**
EBITA	**97.0**	**(3.6)**	**93.4**
EBIT	**81.7**	**(3.7)**	**78.0**
Interest expense (net) - External	**(36.0)**	**25.0**	**(11.0)**
Interest expense - Shareholders	**(17.5)**	**-**	**(17.5)**
Net profit before tax	**28.2**	**21.3**	**49.5**
Taxation	**(7.6)**	**(7.1)**	**(14.7)**
Net profit after tax	**20.6**	**14.2**	**34.8**
Net profit after tax pre-amortisation	**31.4**	**14.2**	**45.6**
Qube share (50%) of net profit after tax	**10.3**	**7.1**	**17.4**
Qube share (50%) of net profit after tax pre-amortisation	**15.7**	**7.1**	**22.8**
Qube interest income net of tax from Patrick[1]	**6.1**	**-**	**6.1**
Qube net profit after tax from Patrick	**16.4**	**7.1**	**23.5**
Qube net profit after tax pre-amortisation from Patrick	**21.8**	**7.1**	**28.9**

Patrick underlying contribution reconciliation (100%) **For the half-year ended 31 December 2020**	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	**344.7**	**(14.6)**	**330.1**
EBITDA	**137.1**	**(21.1)**	**116.0**
EBITA	**86.7**	**(3.4)**	**83.3**
EBIT	**74.5**	**(3.4)**	**71.1**
Interest expense (net) - External	**(36.3)**	**24.8**	**(11.5)**
Interest expense - Shareholders	**(21.8)**	**-**	**(21.8)**
Net profit before tax	**16.4**	**21.4**	**37.8**
Tax (@ 30%)	**(4.4)**	**(6.9)**	**(11.3)**
Net profit after tax	**12.0**	**14.5**	**26.5**
Net profit after tax pre-amortisation	**20.5**	**14.5**	**35.0**
Qube share (50%) of net profit after tax	**6.0**	**7.3**	**13.3**
Qube share (50%) of net profit after tax pre-amortisation	**10.3**	**7.3**	**17.6**
Qube interest income net of tax from Patrick[1]	**7.6**	**-**	**7.6**
Qube net profit after tax from Patrick	**13.6**	**7.3**	**20.9**
Qube net profit after tax pre-amortisation from Patrick	**17.9**	**7.3**	**25.2**

[1]Qube's share of shareholder interest income is subject to a prima facie 30% tax charge, whereas Qube's share of profit from Patrick trading results has already been tax effected.

[2]For the half-year to 31 December 2021 underlying adjustments included net after tax AASB 16 leasing adjustments of $14.2 million (Qube share $7.1 million) and $14.6 million (Qube share $7.3 million) in the prior corresponding period.

7. Investments accounted for using the equity method (continued)

(c) Individually immaterial associates and joint ventures

In addition to the interests disclosed above in Patrick, the Group also has interests in a number of individually immaterial associates[1] that are accounted for using the equity method.

	31 Dec 2021 $m	30 June 2021 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	**36.6**	36.9

	31 Dec 2021 $m	31 Dec 2020 $m
Aggregate amounts of the Group's share of:		
Profit/(Loss) for the period	**(1.7)**	1.6
Other comprehensive income	**-**	-
Total comprehensive income	**(1.7)**	1.6

[1] 'K' Line Auto Logistics Pty Ltd, Northern Stevedoring Services Pty Ltd, Intermodal Group Pty Ltd, Intermodal Train Services Pty Ltd and Southern Export Terminals Pty Ltd. TQ Holdings Pty Limited ceased being an associate in December 2020 and became a subsidiary. The Group acquired an additional 25% interest in Prixcar through its investment in K Line Auto Logistics Pty Ltd in December 2020 and now holds a 50% indirect interest.

(d) Commitments and contingent liabilities of associates and joint ventures

Other than as noted above there has been no material change in contingent liabilities of associates and joint ventures as set out in Qube's 2021 Annual Report.

(e) Significant judgement: consolidation of entities with 50% ownership

The directors have concluded that where the Group holds 50% of the voting rights of an entity that this does not in itself confer that the Group has control of that entity. To establish whether control exists, the Group determines whether it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

In the case of PTH No.1 Pty Ltd, Northern Stevedoring Services Pty Ltd, "K" Line Auto Logistics Pty Ltd and Southern Export Terminals Pty Ltd, Qube does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders and therefore these are accounted for as associates and joint ventures as outlined in the Group's accounting policy.

8. Intangible assets

	Goodwill $m	Port Concessions $m	Customer contracts $m	Total $m
At 30 June 2021				
Cost	778.5	113.5	73.7	965.7
Accumulated amortisation and impairment	-	(17.0)	(73.7)	(90.7)
Net book amount	778.5	96.5	-	875.0
Half-year ended 31 December 2021				
Opening net book amount	**778.5**	**96.5**	**-**	**875.0**
Acquisition of business	**32.9**	**-**	**8.1**	**41.0**
Exchange differences	**1.0**	**-**	**-**	**1.0**
Amortisation charge	**-**	**(1.9)**	**(2.6)**	**(4.5)**
Closing net book amount	**812.4**	**94.6**	**5.5**	**912.5**
At 31 December 2021				
Cost	**812.4**	**113.5**	**81.8**	**1,007.7**
Accumulated amortisation	**-**	**(18.9)**	**(76.3)**	**(95.2)**
Net book amount	**812.4**	**94.6**	**5.5**	**912.5**

9. Property, plant and equipment

	Land & Buildings $m	Plant & Equipment $m	Leasehold Improvements $m	Total $m
At 30 June 2021				
Cost	297.8	1,918.5	344.2	2,560.5
Accumulated amortisation	(44.8)	(775.5)	(140.6)	(960.9)
Net book amount	253.0	1,143.0	203.6	1,599.6
Half-year ended 31 December 2021				
Opening net book amount	**253.0**	**1,143.0**	**203.6**	**1,599.6**
Acquisition of a business		**16.3**	**40.7**	**57.0**
Additions	**11.7**	**209.0**	**26.0**	**246.7**
Reclassifications	**(1.6)**	**6.0**	**-**	**4.4**
Disposals	**-**	**(10.1)**	**-**	**(10.1)**
Exchange differences	**-**	**2.5**	**-**	**2.5**
Depreciation charge	**(3.3)**	**(94.1)**	**(8.2)**	**(105.6)**
Closing net book amount	**259.8**	**1,272.6**	**262.1**	**1,794.5**
At 31 December 2021				
Cost	**307.8**	**2,142.3**	**410.9**	**2,861.0**
Accumulated amortisation	**(48.0)**	**(869.7)**	**(148.8)**	**(1,066.5)**
Net book amount	**259.8**	**1,272.6**	**262.1**	**1,794.5**

10. Equity securities issued

	31 Dec 2021 Shares	31 Dec 2020 Shares	**31 Dec 2021 $m**	31 Dec 2020 $m
(a) Issues of ordinary shares during the half-year				
Opening balance as at 1 July	**1,906,960,085**	1,883,518,039	**3,096.3**	3,034.1
Acquisition of subsidiary	**-**	-	**-**	-
Underwritten dividend reinvestment plan	**-**	13,310,531	**-**	34.1
Dividend reinvestment plan	**5,514,801**	3,681,916	**17.6**	9.2
Employee share plan issues	**7,726,305**	2,309,135	**24.4**	6.5
Closing balance 31 December	**1,920,201,191**	1,902,819,621	**3,138.3**	3,083.9
(b) Movements in treasury shares during the half-year				
Opening balance as at 1 July	**(223,881)**	(223,717)	**(7.4)**	(9.8)
Treasury shares acquired	**(383,109)**	(900,000)	**(1.2)**	(2.4)
Treasury shares issued	**(7,726,305)**	(1,480,991)	**(24.4)**	(4.1)
Transfer of treasury shares	**8,323,274**	2,142,270	**26.2**	5.7
Fair value movement on allocation and vesting of securities	**-**	-	**6.8**	2.7
Closing balance 31 December	**(10,021)**	(462,438)	**-**	(7.9)
Total contributed equity	**1,920,191,170**	1,902,357,183	**3,138.3**	3,076.0

Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Holdings Limited Employee Share Trust for the purpose of allocating shares that vest under the Short-Term Incentive Plan (STI) and the Long-Term Incentive Plan (LTI). Details of the plans were disclosed in the Remuneration Report of the Qube Holdings Limited 2021 Annual Report.

11. Borrowings

During the period Qube extended the maturity of $200 million of debt facilities for an additional 2 years and entered into new bilateral bridge facilities totalling $200 million for a term of 2 years. Following completion of the Moorebank monetisation the majority of Qube's revolving debt facilities were paid down.

Qube’s debt facilities have a weighted average maturity of around 2.6 years (June 2021: 3.0 years). Debt facilities totalling approximately $61.2 million mature within the next 12 months and have therefore been classified as current liabilities by the Group. All other facilities terms extend beyond 12 months and have been disclosed as non-current liabilities.

Financing arrangements

The Group has access to the following undrawn borrowing facilities at the end of the reporting period:

	31 Dec 2021	30 June 2021
Floating rate	**$m**	$m
Expiring within one year	**-**	-
Expiring beyond one year*	**1,375.9**	500.4
	1,375.9	500.4

*Undrawn facilities as at 31 December 2021 are adjusted for $29.1 million in bank guarantees (June 2021: $29.6 million) drawn under the working capital facilities.

Subject to the continuance of satisfactory covenant compliance, the bank facilities may be drawn down at any time.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the half-year to 31 December 2021.

12. Fair value measurement

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments and non-financial assets since the 2021 annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets, non-financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021 on a recurring basis:

At 31 December 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Fair value measurements				
Assets				
Investment Properties	-	-	50.0	50.0
Contingent consideration	-	-	304.9	304.9
Derivatives designated as hedges	-	26.4	-	26.4
Derivatives not designated as hedges	-	1.3	-	1.3
Total assets	-	27.7	354.9	382.6
Liabilities				
Derivative designated as hedges	-	-	-	-
Derivatives not designated as hedges	-	-	-	-
Total liabilities	-	-	-	-
At 30 June 2021				
Fair value measurements				
Assets				
Investment Properties	-	-	46.5	46.5
Assets classified as held for sale	-	-	1,660.2	1,660.2
Derivatives designated as hedges	-	22.4	-	22.4
Total assets	-	22.4	1,706.7	1,729.1
Liabilities				
Derivatives not designated as hedges	-	6.1	-	6.1
Total liabilities	-	6.1	-	6.1

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- Cross currency interest rate swaps, interest rate swaps and collars - Present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
- Forward exchange contracts and options - Quoted forward exchange rates at reporting date for contracts with similar maturity profiles.
- Other techniques, such as discounted cash flow analysis are used to determine fair value for the remaining financial instruments such as contingent consideration.

All of the resulting fair value estimates are included in levels 1 and 2.

12. Fair value measurement (continued)

Non-financial assets

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations performed by an independent valuer who holds a recognised and relevant qualification and any other relevant factors. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including independent valuations prepared by third party valuers. These valuations typically include information such as:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Term and reversion calculations which reflect the certainty of income to lease expiry, the nature of any current property improvements and any deferred underlying land value and underlying re-development of a property;
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- Discounted cash flow projections based on reliable estimates of future cash flows.

The primary valuation methodology for the Group's Russell Park investment property is the discounted cash flow and capitalisation approaches, which resulted in the fair value estimate for Russell Park being included in level 3

(c) Fair value measurements using significant unobservable inputs (level 3)

Financial instruments

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the half-year to 31 December 2021.

There were also no changes made to any of the valuation techniques applied in prior periods.

Non-financial assets

(ii) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the half-year to 31 December 2021.

12. Fair value measurement (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

Non-financial assets (continued)

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements for investment property. See below for the valuation techniques adopted:

Description	Fair value at 31 Dec 2021 $m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	**50**	Discount rate	**9.0%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**8.5%**	
		Capitalisation rate	**8.0%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	**0.57%**	
		Rental growth rate	**3.2%**	The higher the rental growth rate, the higher the fair value
		Market rent (per sqm)	**$65**	Market rent represents the net market income per sqm used for valuation purposes

(iv) Valuation processes

For level 3 assets being independently valued the Group engages external, independent and qualified valuers to determine the fair value at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows: Property assets – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an independent valuer based on comparable transactions and industry data.

The contingent consideration's fair value has been determined by taking into account the contracted amount of the contingent consideration and where applicable adjusting it for the probability of meeting the relevant milestones and the expected timing of the receipt of the consideration.

13. Business Combinations

On 30 September 2021, Qube acquired 100% of the issued share capital of Newcastle Agri Terminal Pty Ltd (NAT) for $92.5 million.

Details of the purchase consideration, the provisionally determined net assets acquired and goodwill are as follows:

	$m
Purchase consideration:	
Cash paid	92.5
Completion adjustments	-
Total purchase consideration	92.5

The provisionally determined fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $m
Cash	4.2
Trade and other receivables	11.5
Inventory	0.1
Deferred tax asset	3.5
Property, plant and equipment	57.0
Right of use asset	13.3
Trade payables	(13.4)
Customer contract	5.7
Lease liability	(13.3)
Net identified assets acquired	68.6
Add: Provisional goodwill	23.9
Net assets acquired	92.5

(i) Acquisition related costs

Acquisition related costs of $0.3 million are included in professional fees and Landholder duty costs of $4.0 million are included in stamp duty in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $11.6 million have predominantly all been recovered for those amounts due and payable.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $8.7 million and EBIT of $4.7 million to the Group for the period from 30 September to 31 December 2021.

If the acquisition had occurred on 1 July 2021, revenue and EBIT for the period ended 31 December 2021 would have been $19.6 million and $10.3 million respectively.

a) Total business combination purchase consideration – cash outflow

Purchase consideration – cash outflow

	$m
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**92.5**
Less: Cash balances acquired	**(4.2)**
Net cash consideration	**88.3**

On 24 September 2021, Qube acquired the business from AST group of companies for a total purchase consideration of $15.1m.

On 15th October 2021 Qube acquired 100% of the issued shares of CTC Holdings (NSW) Pty Ltd and its subsidiary subsequent to acquiring Newcastle Agri Terminal Pty Ltd for a total purchase consideration of $9.2m.

14. Dividends

	Half-year ended 31 Dec 2021 $m	Half-year ended 31 Dec 2020 $m
(a) Ordinary shares		
Dividends provided for or paid during the half-year	**67.0**	**43.4**
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3.0 cents per fully paid ordinary share (December 2020 – 2.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 8 April 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at the end of the half-year, is	**57.6**	**47.6**

15. Contingencies

Contingent liabilities

As part of the MLP monetisation transaction, Qube and the LOGOS Consortium have entered into agreements that allocate responsibility for the ongoing development of the project between the parties and provides certain indemnities to each other, some of which, if triggered, could result in a substantial payment by Qube to the LOGOS Consortium. This includes indemnifying the LOGOS Consortium for certain financial loss that arises if there is a termination event under the Development and Operations Deed (DOD) due to a failure by Qube to complete construction of Stage 1A of the MLP Interstate Terminal by the target date of 19 December 2023 (subject to extension for valid relief events), events of default under the DOD caused by Qube and in respect of certain contamination claims that may be brought against the LOGOS Consortium.

The nature and specific terms of these agreements are commercially sensitive and have therefore not been disclosed. However, having regards to the circumstances that could give rise to a claim and Qube's ability to mitigate, Qube does not expect any material financial exposure to arise as a result of the indemnities provided and accordingly no contingent liability has been recognised in Qube's financial statements.

Other than as noted above there has been no material change in contingent liabilities as set out in Qube's 2021 Annual Report.

16. Events occurring after the reporting period

On 24th February 2022, Qube announced that it intended to proceed with capital management initiatives of up to $400 million in addition to the interim ordinary dividend. The precise nature and timing of these initiatives is dependent upon market conditions and any necessary approvals, but is expected to commence in H2-FY22.

Other than as noted in this report, there have been no events that have occurred subsequent to 31 December 2021 and up to the date of this report that have had a material impact on Qube's financial performance or position.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 32 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Allan Davies
Chairman

Sydney
24 February 2022

Independent auditor's review report to the members of Qube Holdings Limited

Report on the half-year financial report

Conclusion
We have reviewed the half-year financial report of Qube Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Qube Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

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

Basis for conclusion
We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
24 February 2022