24 February 2022

ASX Market Announcements Office
Australian Securities Exchange Limited

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Qantas Group HY22 Appendix 4D and Interim Financial Report

Qantas Airways Limited attaches the following documents relating to its results for the half-year ended 31 December 2021:

- Appendix 4D; and
- Interim Financial Report.

Yours faithfully,

Andrew Finch
Group General Counsel and Company Secretary

Authorised for release by Qantas' Board of Directors.

QANTAS AIRWAYS LIMITED
AND ITS CONTROLLED ENTITIES

APPENDIX 4D AND

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2021

ABN: 16 009 661 901

ASX CODE: QAN

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Results for Announcement to the Market

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

	December 2021 $M	December 2020 (restated)[2] $M	Change $M	Change %
Revenue and other income	3,074	2,330	744	31.9%
Statutory loss after tax	(456)	(1,063)	607	57.1%
Statutory loss after tax attributable to members of Qantas	(456)	(1,063)	607	57.1%
Underlying EBITDA[1]	(245)	86	(331)	(>100%)
Underlying loss before tax[1]	(1,277)	(1,009)	(268)	(26.6%)

DIVIDENDS

No interim dividend will be paid in relation to the half-year ended 31 December 2021.

EXPLANATION OF RESULTS

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

This information should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2021. This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

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

Other Information

		December 2021	June 2021 (restated)[2]
Net assets per ordinary share	$	0.01	0.23
Net tangible assets per ordinary share[3]	$	(0.35)	(0.16)

		December 2021	December 2020 (restated)[2]
Basic statutory loss per share[4]	cents	(24.2)	(56.6)
Diluted statutory loss per share[5]	cents	(24.2)	(56.6)
Underlying loss per share[6]	cents	(49.6)	(39.6)

1 Underlying EBITDA represents Underlying earnings before income tax expense (Underlying PBT/LBT), depreciation, amortisation, net finance costs and impairment. Underlying PBT/LBT is a non-statutory measure and is the primary reporting measure used by the Chief Operating Decision-Making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Qantas Group. Depreciation, amortisation and impairment in the calculation of Underlying EBITDA differs from the depreciation, amortisation and impairment recognised in the Consolidated Income Statement due to items not included in Underlying PBT/LBT. Refer to Note 2(B).
2 The Group adopted IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.
3 Net tangible assets is calculated as net assets adjusted for intangible assets.
4 Based on the weighted average number of shares outstanding during the period excluding unallocated treasury shares.
5 Weighted average number of shares used in basic and diluted Earnings Per Share calculation is the same for the half years ended 31 December 2021 and 31 December 2020 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation.
6 Underlying Loss per share is calculated as Underlying Loss Before Tax less tax benefit (based on the Group's effective tax rate of (26.7) per cent (31 December 2020: (26.3) per cent)) divided by the weighted average number of shares outstanding during the year excluding unallocated treasury shares.

Other Information continued

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

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

OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

FOREIGN OWNERSHIP

As at 1 December 2021, Qantas Airways Limited's foreign ownership level was 20.97 per cent.[2]

1 Jetstar Pacific Airline Aviation Joint Stock Company has been renamed to Pacific Airlines Joint Stock Company. The Group has discontinued equity accounting for its interest and the investment is recognised as Held for Sale.
2 On the basis of its most recent foreign ownership reconciliation, as at 1 December 2021 foreign persons potentially held relevant interests of 20.97 per cent in the issued share capital of Qantas.

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2021 and the Independent Auditor's Review Report thereon.

Directors

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

Name	Period of Directorship
Richard Goyder, AO *Chairman*	*Current, appointed 17 November 2017 – appointed Chairman 26 October 2018*
Alan Joyce, AC *Chief Executive Officer*	*Current, appointed 28 July 2008 – appointed Chief Executive Officer 28 November 2008*
Maxine Brenner	*Current, appointed 29 August 2013*
Jacqueline Hey	*Current, appointed 29 August 2013*
Belinda Hutchinson, AC	*Current, appointed 12 April 2018*
Michael L'Estrange, AO	*Current, appointed 7 April 2016*
Antony Tyler	*Current, appointed 26 October 2018*
Paul Rayner	*Ceased, appointed 16 July 2008 and ceased 5 November 2021*
Todd Sampson	*Current, appointed 25 February 2015*
Barbara Ward, AM	*Ceased, appointed 19 June 2008 and ceased 5 November 2021*

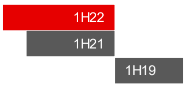
Review of Operations

For the half-year ended 31 December 2021

RESULTS HIGHLIGHTS

Underlying (Loss)/Profit Before Tax

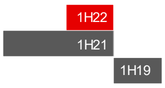
(1,277) $M



1H22	**(1,277)**
1H21	(1,009)
1H19	775

Statutory (Loss)/Profit After Tax

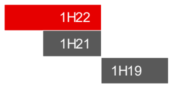
(456) $M



1H22	**(456)**
1H21	(1,063)
1H19	463

Return on Invested Capital

(28.5) %



1H22	**(28.5%)**
1H21	(17.1%)
1H19	19.5%

The Qantas Group adopted the IFRIC Agenda Decision on the treatment of configuration and customisation costs in relation to Cloud Computing Arrangements ("IFRIC Cloud Computing Decision") from 1 July 2021. The results for the first half of financial year 2020/21 have been restated on the same basis, however the results for the first half of financial year 2018/19 have not been restated.

The performance of the Group and individual segments has been compared to the corresponding prior period (first half of financial year 2020/21) and the first half of financial year 2018/19, which represents a proxy for 'pre-COVID' operations. It indicates the degree to which the Group's performance is recovering to pre-COVID levels as the 2018/19 financial year represents the most recent complete financial period not affected by the pandemic.

In the first half of financial year 2021/22, the operations of the Qantas Group continued to be severely impacted by the global COVID-19 pandemic. This included actions taken by governments to address the health impacts by restricting mobility, closing international and domestic borders, imposing localised or state-wide lockdowns, often at short notice, as well as the impact the pandemic has had more broadly on consumer confidence. This has now led to over $20 billion in lost revenue for the Group since the start of the pandemic.

The first half of financial year 2021/22 was heavily affected by the impact of the Delta variant of the COVID-19 virus. Lockdowns started in New South Wales and Victoria in mid-2021 and soon resulted in the closure of most domestic borders. During this period the Domestic airlines were impacted by stranded costs given the sudden nature of restrictions implemented. Once the Delta variant outbreaks were contained from November 2021, the majority of Domestic borders were progressively reopened. International borders were also closed for most of the half, reopening in selected states from November 2021. This was the first time Australian citizens were able to freely travel overseas since March 2020. In December 2021, outbreaks of the new Omicron variant, which arrived in Australia in November 2021, became widespread and impacted travel again as the sudden uptick in COVID cases affected consumer behaviour across various sectors. While demand was again impacted, the Group's focus on restructuring its cost base and repairing its balance sheet has positioned it to better weather ongoing disruptions during the recovery period. A key part of this balance sheet repair has been the sale of surplus land in Mascot, New South Wales, which contributed $754 million in net proceeds in the half.

The Qantas Group reported an Underlying EBITDA [1] loss of ($245) million, down $331 million compared to the first half of 2020/21. Contributing to this result were COVID-19 demand impacts on revenue, stranded costs resulting from sudden border lockdowns as well as the cost of readiness and restart as the Group's operations came out of hibernation and prepared for a growth in capacity in 2022. These readiness activities culminated in the decision in December to stand up and return to work all Australian-based employees that had been stood down during the pandemic.

The Underlying Loss Before Tax [2] (Underlying LBT) was ($1,277) million, a decrease of ($2,052) million compared to the first half of 2018/19 (pre-COVID) and down $268 million compared to the first half of 2020/21. The Group's Statutory Loss Before Tax of ($622) million was adverse ($1,313) million from the first half of 2018/19 (pre-COVID) and improved $820 million compared to the first half of 2020/21. The Statutory Loss Before Tax for the first half of 2021/22 financial year included a net gain on sale of $649 million as a result of the sale of surplus land.

Group total revenue was $3,074 million, down $6.1 billion or 67 per cent compared with the first half of 2018/19 pre-COVID (up $0.7 billion or 32 per cent compared to the first half of 2020/21). Net operating expenses, [3] reduced by 55 per cent compared with the first half of 2018/19. Cumulative Recovery Plan restructuring benefits of $840 million had been delivered by 31 December 2021.

During the period, the Group's Domestic airlines flew approximately 42 per cent of their pre-COVID network. Whilst producing an Underlying EBITDA loss of ($388) million, the Domestic airlines flew 92 per cent of flights on a cash flow positive basis. The Group's International operations were also in losses, contributing an Underlying EBITDA loss of ($31) million, with the Group's International passenger operations largely grounded. Qantas Freight delivered a record Underlying EBITDA, again providing a natural hedge to the flying passenger business and thereby limiting the losses from Group International. The resilience of the Qantas Loyalty business continued as it generated a significant positive cash contribution for the Group and Underlying EBITDA of $157 million (Underlying EBIT of $127 million). The contribution of Qantas Freight and Qantas Loyalty reinforce the benefits of the diversified portfolio of businesses the Group has built over time.

1 Earnings before interest, tax, depreciation, amortisation and impairments (EBITDA).
2 Underlying Loss/Profit Before Tax (Underlying LBT/PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying LBT/ PBT to Statutory (Loss)/Profit Before Tax on Page 16.
3 Group gross Underlying expenditure excluding depreciation and amortisation, impairment/(reversal of impairment) of assets and related costs, share of net loss/(profit) of investments accounted for under the equity method and discount rate changes impact on provisions.

Review of Operations continued

For the half-year ended 31 December 2021

RESULTS HIGHLIGHTS (CONTINUED)

The financial metrics for first half 2021/22 financial year are:

- Statutory Earnings Per Share was a loss of (24.2) cents per share
- Operating cash inflow of $137 million
- Net capital expenditure [4] was a net inflow of $385 million, boosted by proceeds from the sale of surplus land
- Positive Statutory Net Free Cash Flow [5] in the first half of 2021/22 financial year of $552 million
- Net Debt [6] reduced to $5.5 billion as at 31 December 2021.

The Australian Government implemented various programs to support businesses and employees severely affected by the pandemic. Programs which provided direct support to employees or offset costs of the Group in the first half of financial year 2021/22 included:

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

Details on these Australian Government programs can be found in Note 15 of the Consolidated Interim Financial Report.

In addition, the Australian Government commissioned Qantas Airways to conduct various charter repatriation flights in order to return Australians home. Along with other Australian domestic airlines, the Group performed several domestic and regional flights as part of the Regional Airline Network Support (RANS) and Domestic Aviation Network Support (DANS) programs intended to maintain vital air transport links as well as participated in the Tourism Aviation Network Support (TANS) scheme, which offers discounted fares to key tourist regions in Australia to support domestic tourism. Qantas Freight was contracted to conduct freight services under the International Freight Assistance Mechanism (IFAM) to ensure import and export freight routes remained open.

The Group's conservative approach to securing additional liquidity was a prudent measure given the extended border closures in response to localised outbreaks. During the first half of the year, $496 million new debt funding was raised and $384 million of debt was repaid.

At 31 December 2021, cash and cash equivalents totalled $2.7 billion with total liquidity at $4.3 billion including $1.6 billion in committed undrawn facilities. The Group also maintains an unencumbered asset base of more than $2.4 billion. This provides the Group with significant financial flexibility to manage through various scenarios during the COVID recovery phase.

At the end of the first half of 2021/22, Net Debt was $5.5 billion, which is within the Net Debt target range of $4.4 billion to $5.5 billion and lower than the closing Net Debt at 30 June 2021 of $5.9 billion. Importantly, the Group maintained its investment grade credit rating of Baa2 from Moody's Investor Services.

Giving consideration to the requirement to continue to reduce Net Debt to further improve balance sheet strength, maintain a minimum level of liquidity and the ongoing uncertainty of the near-term outlook in recovery, the Board has decided not to make further shareholder distributions until earnings and balance sheet have fully recovered in accordance with the Financial Framework.

4 Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
5 Net cash from operating activities less net cash used in investing activities.
6 Net Debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities.

Review of Operations continued

For the half-year ended 31 December 2021

THREE-YEAR RECOVERY PLAN

The Recovery Plan delivered $840 million in savings since the start of the program. The program is on track to deliver greater than $900 million by the end of financial year 2021/22 and $1 billion in ongoing savings by the end of financial year 2022/23. Initiatives to achieve the 2022/23 targets are greater than 98 per cent complete or initiated.

	Target		
Key Area of Focus	**Metrics**	**Timeframe**	**As at 31 December 2021**
Cost savings	Restructuring cost benefits of $0.6b in FY21, $0.8b by FY22, $1.0b by FY23	FY23	**Achieved $840m of cost benefits program to date**
	Increased target to at least 8,500 exits	FY21	**Complete**
	Group Unit Cost (ex-fuel and depreciation) 10% less than FY20	FY23	**Restructuring in progress**
Deleverage the balance sheet	Gross debt reduction of $1.75b	FY23	**On track, Net Debt reduced by $0.4b in 1H22**
	Net Debt/EBITDA <2.5 times	CY22	**Net Debt reduced by $0.4b in 1H22. 2H22 EBTIDA negatively impacted by Omicron. Target now expected to be achieved by FY23**
Cash flow	Sustainable positive Net Free Cash Flow	FY22 onwards	**Achieved in 1H22. Three consecutive months in 2Q22 of positive Net Free Cash Flow [7]**
	Flying activity is contribution positive (RASK-Variable cost/ASK >0)	From FY21	**92% of Group Domestic flights cash flow positive in 1H22** **93% of Qantas International flights cash flow positive in 1H22**
	Capex [8] for FY21 ~$0.75b	FY21	**Complete. FY22 Capex (excluding land sale) to be $850m**
Fleet management	Defer deliveries of A321neos and 787-9 aircraft	June 2020	**Complete. Deferred deliveries due in FY23**
	Retire 6 x 747s; 12 x A380s in long-term storage	December 2020	**Complete**
Customer and brand	Maintain Customer Advocacy (NPS) premium to domestic competitor	Ongoing	**On track, NPS at historical highs across Qantas, Jetstar and Loyalty**
	Maintain brand and reputation	Ongoing	**On track, Qantas remains most trusted airline in region [9]**
Qantas Loyalty	Return to double digit growth	CY22	**Returned to growth in 2H21 [10]** **Double digit growth now expected by end of CY22 [11]**
Employee engagement	Employee sentiment	Ongoing	**Impacted by ongoing pandemic challenges but improving in line with recovery and our return to flying**

In addition to the $1 billion Recovery Plan, the Group is also committed to achieving additional Transformation benefits designed to offset non-fuel cost increases (including inflation) over the three-year period of financial year 2020/21 to financial year 2022/23. These additional benefits comprise of both cost and revenue benefits.

7 Excluding proceeds from Mascot land sale.
8 Equal to net investing cash flows included in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
9 Survey conducted December 2021. "Overall, how much do you trust the following individual businesses operating in Australia today".
10 Loyalty Underlying EBIT returned to growth in 2H21 vs 1H21 and 2H20.
11 Underlying EBIT 1H23 vs 1H22.

Review of Operations continued

For the half-year ended 31 December 2021

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders. With the aim of generating maintainable Earnings Per Share (EPS) growth over the cycle, which in turn should generate Total Shareholder Returns (TSR) in the top quartile of the ASX100 and a basket of global airlines, [12] the Financial Framework has three clear priorities and associated long-term targets:

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC [14] Through the Cycle	3. Disciplined Allocation of Capital
Minimise cost of capital by targeting a Net Debt range of $4.4 billion to $5.5 billion [13]	Deliver ROIC > 10 per cent [15] through the cycle	Grow Invested Capital with disciplined investment, return surplus capital

MAINTAINABLE EPS [16] GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure

- The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. This results in a Net Debt target range of $4.4 billion to $5.5 billion, based on average Invested Capital for the 12 months ending 31 December 2021 of approximately $6.1 billion. It is defined as Net Debt/ROIC EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. The Group's optimal capital structure is consistent with investment grade credit metrics. The Group is rated Baa2 with Moody's Investor Services.
- At 31 December 2021, Net Debt was $5.5 billion. This was lower than 30 June 2021 of $5.9 billion largely due to the positive Net Free Cash Flow generated in the first half of 2021/22 financial year.

ROIC > WACC Through the Cycle

Return on Invested Capital (ROIC) for the 12 months to 31 December 2021 was less than zero, below the Group's target for value creation of 10 per cent. This was due primarily to the impact of COVID-19 on earnings, including government-imposed travel restrictions and border closures.

Disciplined Allocation of Capital

The Qantas Group takes a disciplined approach to allocating capital with the aim to grow Invested Capital and return surplus capital to shareholders where earnings permit. Giving consideration to the requirement to protect the strength of the balance sheet, maintain a minimum level of liquidity and the uncertainty of the near-term outlook for the business, the Board has decided not to make further shareholder distributions until the Group's earnings and balance sheet have fully recovered in accordance with the Financial Framework.

Maintainable EPS Growth Over the Cycle

Statutory Earnings Per Share was a loss of (24.2) cents per share due to the significant Statutory Loss After Tax.

12 Target Total Shareholder Returns within the top quartile of the ASX100 and the global listed airline peer group as stated in the 2021 Annual Report, with reference to the 2021-2023 Long Term Incentive Plan (LTIP).
13 Based on Average Invested Capital for the 12 months to 31 December 2021 of approximately $6.1 billion.
14 Weighted Average Cost of Capital, calculated on a pre-tax basis.
15 Target of greater than 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.
16 Earnings Per Share.

Review of Operations continued

For the half-year ended 31 December 2021

GROUP PERFORMANCE

The Underlying Loss Before Tax for the first half of 2021/22 financial year was a loss of ($1,277) million. This compares with Underlying Profit Before Tax of $775 million for the first half of 2018/19 pre-COVID and an Underlying Loss Before Tax of ($1,009) million in the first half of 2020/21. Net passenger revenue declined by 81 per cent compared to first half 2018/19 pre-COVID as the domestic airlines operated only 42 per cent of pre-COVID flying and the international scheduled passenger businesses remained largely grounded during the period. Net freight revenue increased due to a surge in e-commerce and a significant reduction in available passenger aircraft belly space. Other revenue declined compared to the first half of 2018/19 primarily due to the decrease in third-party service revenues.

Group Underlying Income Statement Summary [17]	**December 2021 $M**	**December 2020 (restated) $M**	**December 2018 (pre-COVID)** [18] **$M**
Net passenger revenue	1,534	1,298	8,027
Net freight revenue	920	613	525
Other revenue	620	419	654
Revenue and other income	**3,074**	**2,330**	**9,206**
Operating expenses (excluding fuel)[17]	(2,798)	(1,868)	(5,347)
Fuel	(474)	(309)	(1,963)
Depreciation and amortisation[17]	(884)	(949)	(983)
Share of net (loss)/profit of investments accounted for under the equity method	(47)	(67)	3
Total underlying expenditure	**(4,203)**	**(3,193)**	**(8,290)**
Underlying EBIT	**(1,129)**	**(863)**	**916**
Net finance costs	(148)	(146)	(141)
Underlying PBT	**(1,277)**	**(1,009)**	**775**

Operating Statistics		**December 2021**	**December 2020 (restated)**	**December 2018 (pre-COVID)**
Available Seat Kilometres (ASK) [19]	M	13,506	8,837	76,854
Revenue Passenger Kilometres (RPK) [20]	M	7,103	5,568	64,958
Passengers carried	000	5,406	4,915	28,500
Revenue Seat Factor [21]	%	52.6	63.0	84.5
Operating Margin [22]	%	(36.7)	(37.0)	10.0
Unit Revenue (RASK) [23]	c/ASK	8.41	10.33	8.94
Total Unit Cost [24]	c/ASK	(17.86)	(21.75)	(7.93)

Group capacity (ASK) decreased by 82 per cent compared to the first half of 2018/19 pre-COVID, mainly due to the international passenger businesses being largely grounded and the slow recovery of domestic capacity to 42 per cent of pre-COVID levels for the first half of the financial year. Revenue Passenger Kilometres decreased by 89 per cent compared to first half 2018/19 pre-COVID as the Group's Revenue Seat Factor fell to 53 per cent. Group Unit Revenue decreased to 8.41 c/ASK, due to decrease in travel demand. The Group's Total Unit Cost increased to 17.86 c/ASK as a result of the significant decline in ASKs and the Group's fixed cost base, including depreciation and amortisation charges, when compared to December 2018.

17 Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 16.
18 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decisions") retrospectively. December 2018 (pre-COVID) has not been restated. Refer to Note 17 for further information.
19 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
20 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
21 Revenue Seat Factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.
22 Operating Margin is Group Underlying EBIT divided by Group total revenue.
23 Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).
24 Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.

Review of Operations continued

For the half-year ended 31 December 2021

CASH GENERATION

Cash Flow Summary	December 2021 $M	December 2020 $M	Change $M	Change %
Operating cash flows	137	(861)	998	116
Investing cash flows	415	(514)	929	181
Net Free Cash Flow	**552**	**(1,375)**	**1,927**	**140**
Financing cash flows	(72)	468	(540)	(115)
Cash at beginning of year	2,221	3,520	(1,299)	(37)
Effect of foreign exchange on cash	4	(7)	11	157
Cash at end of year	**2,705**	**2,606**	**99**	**4**

Debt Analysis		December 2021 $M	June 2021 $M	Change $M	Change %
Net on balance sheet debt [25]	$M	(4,284)	(4,609)	325	7
Capitalised aircraft lease liabilities [26]	$M	(1,240)	(1,281)	41	3
Net Debt [27]		**(5,524)**	**(5,890)**	**366**	**6**

Operating cash inflows for the first half of financial year 2021/22 were $137 million, with negative Underlying EBITDA being offset by positive working capital movements largely driven by growth of Revenue Received in Advance.

Net Investing cash inflows for the first half of financial year 2021/22 were $415 million, with gross cash outflows of ($347) million offset by the proceeds from the sale of land at Mascot, NSW and other assets of $762 million. Net capital expenditure [28] was positive $385 million including the impact of capitalised aircraft leases. Capital expenditure was primarily directed to capitalised maintenance.

Net financing cash outflows for the first half of financial year 2021/22 of ($72) million included a $496 million drawdown of debt offset by debt repayments of ($384) million and ($184) million in net aircraft and non-aircraft lease repayments.

At 31 December 2021, the Group's unencumbered asset base was greater than $2.4 billion, [29] including 45 per cent of the Group's fleet [30] spare engines and other assets.

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

25 Net on balance sheet debt includes interest-bearing liabilities reduced by cash and cash equivalents.
26 Capitalised aircraft lease liabilities are a non-statutory measure. It is measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis. Residual value of capitalised aircraft lease liability denominated in foreign currency is translated at a long-term exchange rate.
27 Net Debt is a non-statutory measure. It includes on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework.
28 Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.
29 Aircraft valuations based on the average of AVAC and AVITAS market values as at 31 December 2021.
30 Based on number of aircraft as at 31 December 2021. The Group's fleet totalled 309 aircraft including Jetstar Asia (Singapore) owned fleet and excludes Pacific Airlines (formerly Jetstar Pacific) and Jetstar Japan.

Review of Operations continued

For the half-year ended 31 December 2021

FLEET

The determination of the optimal fleet for the Qantas Group balances a number of factors and varies by fleet type, including the availability of any new technology, the level of capacity growth required in the markets that it serves, the competitive landscape, sustainability strategies and whether the investment is earnings accretive.

At all times, the Group retains significant flexibility to respond to changes in market conditions and the competitive landscape by deploying several strategies including fleet redeployment, refurbishment, renewal and retirement. This was demonstrated during COVID-19 with the deferral of the Group's fleet deliveries to financial year 2022/23.

In first half of financial year 2021/22, one A320-200s was transferred from Jetstar to QantasLink. In financial year 2021/22, the Group announced that two A380s that were in storage would not be returned to operations.

At 31 December 2021, the Qantas Group fleet [31] totalled 309 aircraft.

Fleet Summary (Number of Aircraft)	December 2021	June 2021
A380	10	12
A330-200/300	28	28
737-800	75	75
787-9	11	11
717-200	20	20
Q200/300/400	50	50
F100	18	18
A320-200	11	10
Total Qantas (including QantasLink and Network Aviation)	**223**	**224**
A320/A321-200	66	67
787-8	11	11
Total Jetstar Group	**77**	**78**
737-300/400F	5	5
767-300F	1	1
A321-200F	3	3
Total Freight	**9**	**9**
Total Group	**309**	**311**

Through the first half of 2021/22 financial year, the Group's fleet strategy adjusted to the new demand environment. The first A380 aircraft exited storage and prepared to return to service in January 2022. Four of Jetstar Japan's aircraft (not included in the table above) were repositioned to Australia providing additional optional capacity to Jetstar Domestic. Jetstar Group A320ceos continued to be transferred to QantasLink for redeployment into the growing resources sector market in Western Australia and Jetstar Group A321ceos converted to freighter aircraft commenced operations in Qantas Freight. The E190 capacity hire arrangement with Alliance Aviation increased to activate five of up to the 18 aircraft available. To ensure operational readiness, grounded passenger A330-300s were redeployed as freighters to support IFAM. Qantas' 787-9s were flown for repatriation flights, until international borders opened late in 2021 and Jetstar's 787-8 fleet was being utilised by the domestic network and also to IFAM.

31 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and Network Aviation and excludes aircraft operated by Jetstar Japan and Pacific Airlines (formerly Jetstar Pacific).

Review of Operations continued

For the half-year ended 31 December 2021

SEGMENT PERFORMANCE

Segment Performance Summary (EBIT)	December 2021 $M	December 2020 (restated) $M	December 2018 (pre-COVID)[32] $M
Qantas Domestic	(613)	(329)	478
Qantas International	(238)	(279)	119
Jetstar Group	(417)	(323)	253
Qantas Loyalty	127	125	175
Corporate	(53)	(50)	(91)
Unallocated/Eliminations	65	(7)	(18)
Underlying EBIT	**(1,129)**	**(863)**	**916**
Net finance costs	(148)	(146)	(141)
Underlying PBT	**(1,277)**	**(1,009)**	**775**

QANTAS DOMESTIC

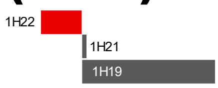
Revenue

1,127 $M

1H22	**1,127**
1H21	1,003
1H19	3,230

Underlying EBITDA

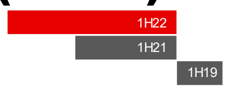
(265) $M



1H22	**(265)**
1H21	28
1H19	857

Operating Margin

(54.4) %



1H22	**(54.4%)**
1H21	(32.8%)
1H19	14.8%

Metrics		December 2021	December 2020	December 2018
ASKs	M	7,677	5,220	17,314
Seat factor	%	49.6	58.1	79.6

Qantas Domestic reported an Underlying EBITDA Loss of ($265) million for the first half of financial year 2021/22.

The result was largely impacted by prolonged lockdowns and border closures. Whilst agile network management continued, the result was impacted by stranded costs in the first quarter of financial year 2021/22 as borders were shut quickly due to the Delta outbreak. Since the reopening of borders, slower demand recovery from the impact of the Omicron outbreak has also impacted seat factors. In addition, unwinding of COVID-19 relief measures and restart and readiness costs also contributed to the result.

With the continuing focus on generating cash and returning people back to work, Qantas Domestic announced 41 new routes since July 2020, growing capacity to 65 per cent of pre-COVID flying in December 2021. Flying included a mixture of commercial routes (including those supported by TANS) and routes where demand was insufficient to fly without the government-sponsored RANS and DANS. This combined network provided vital links to regional Australia and between capital cities with a significant amount of intra-state travel while borders were closed. Qantas Domestic continues to focus on cash flow positive flying, with 91 per cent of flights cash flow positive in the half.

Strength in the resource and intra-state markets were maintained, as these markets were largely unaffected by border closures. Qantas Domestic has grown its yield premium to its main competitor and had maintained its average fares when compared to pre-COVID. As part of the $1 billion Recovery Plan, Qantas Domestic has delivered approximately $400 million in recovery cost benefits since the start of the recovery program and is on track for approximately $500 million in cumulative benefits by the end of financial year 2022/23.

To capture the emerging Central Australia and Northern Territory demand, the Group's capacity hire arrangements to access the E190 fleet has grown to 5 aircraft as at 31 December 2021. This is part of the Alliance Aviation deal announced in February 2021 which allows Qantas Domestic to wet lease up to 18 aircraft.

In response to the ongoing COVID-19 pandemic, Qantas Domestic has extended the 'Fly Flexible' program to April 2022, giving customers confidence to book and fly by providing more flexible booking terms and conditions, this amongst other customer initiatives has helped achieve record levels of Net Promoter Scores.

Through its multi-gauge fleet, the benefit of significant cost restructuring driving a margin advantage, and clear leadership in the corporate market, Qantas Domestic continues to maintain its leading premium position in the market.

32 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decisions") retrospectively. December 2018 (pre-COVID) has not been restated. Refer to Note 17 for further information.

Review of Operations continued

For the half-year ended 31 December 2021

QANTAS INTERNATIONAL

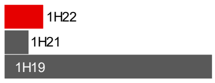
Revenue

1,317 $M

1H22	**1,317**
1H21	722
1H19	3,693

Underlying EBITDA

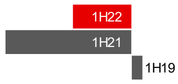
89 $M



1H22	**89**
1H21	55
1H19	477

Operating Margin

(18.1) %



1H22	**(18.1%)**
1H21	(38.6%)
1H19	3.2%

Metrics		December 2021	December 2020	December 2018
ASKs	M	1,245	31	35,151
Seat factor	%	62.0	25.8	85.5

Qantas International's passenger business was largely grounded, except for Australian Government-sponsored repatriation charter flights, until the government opened international borders for Australians in November 2021. Due to the readiness level the business had maintained, Qantas International was able to move quickly and capture the high levels of pent-up demand when international borders opened earlier than expected.

Routes to London, Los Angeles and Singapore restarted in November. Qantas International also took advantage of new route opportunities such as Sydney and Melbourne to Delhi, which launched in the half. One A380, which was previously in long-term storage, flew back into Australia in the half and returned to service in January 2022.

The Freight operations continued to provide a very valuable natural hedge to the performance of the international passenger operations, helping to largely offset the losses. As airlines globally responded to the pandemic by grounding and retiring aircraft, a shortage of international belly space emerged. Strong international freight yields combined with surging e-commerce demand and record Christmas volumes domestically drove a record EBITDA performance for Qantas Freight.

This resulted in an Underlying EBITDA profit of $89 million for the total Qantas International Segment. Qantas International delivered approximately $325 million in recovery cost benefits since the start of the recovery program and are on track for greater than $400 million in cumulative benefits by the end of financial year 2022/23.

Fleet investment continues with three A321 converted freighters in operation by December 2021 and two A330 conversions scheduled to commence in mid calendar year 2022.

Qantas Freight also maintained support for Australian exporters via IFAM ensuring vital export routes remained open.

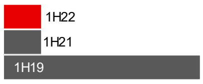
Review of Operations continued

For the half-year ended 31 December 2021

JETSTAR GROUP

Revenue

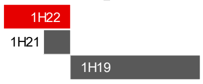
394 $M



1H22	**394**
1H21	384
1H19	2,048

Underlying EBITDA

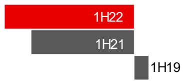
(243) $M



1H22	**(243)**
1H21	(98)
1H19	471

Operating Margin

(105.8) %



1H22	**(105.8%)**
1H21	(84.1%)
1H19	12.4%

Metrics		December 2021	December 2020	December 2018
ASKs	M	4,584	3,586	24,389
Seat factor	%	55.0	70.5	86.6

The Jetstar Group reported an Underlying EBITDA loss of ($243) million. All businesses are well advanced in relaunching operations. As at 31 December 2021, all Australian and New Zealand A320, A321 and most 787-8 have been deployed and all Australian-based crew have returned to work. All domestic destinations have been relaunched and international operations have recommenced.[33]

Jetstar's Australian Domestic business delivered an Underlying EBITDA loss of ($123) million for the first half of 2021/22. The result was impacted by reduced capacity to 38 per cent of pre-COVID levels and an average seat factor of 59 per cent, reflecting reduced demand from Delta, Omicron, border restrictions and increased competitive pressures. The cost base was also partially impacted by readiness activities and stranded costs as capacity in the first quarter rapidly adjusted to the sudden border restrictions, as well as the unwind of COVID relief measures. Jetstar's Australian Domestic business continues to focus on cash flow positive flying, with 93 per cent of flights cash flow positive in the half.

The business extended its domestic network advantage with seven new routes announced since July 2020, resulting in capacity growing to 68 per cent of pre-COVID levels in December 2021. Jetstar is well positioned to maintain its low fares leadership with unit cost significantly below its domestic competitors. Delivery commences for the Airbus 321neo fleet in July 2022, further enabling lower operating costs and greater network flexibility.

The Jetstar Australia, New Zealand and Jetstar Asia (Singapore) international operations reported Underlying EBITDA loss of ($74) million having been impacted by a lack of international flying and associated fixed costs until international flying restarted late in the year. Jetstar Asia commenced flying on vaccinated travel lane routes in December, providing connecting passenger feed onto Qantas Group services in Singapore.

Jetstar Japan's result improved compared to the first half of financial year 2020/21 with domestic capacity increasing to 79 per cent of pre-COVID levels and load factors of 75 per cent for the half. Jetstar Group's result includes ($46) million attributable to the share of statutory losses for Jetstar Japan. Jetstar Japan is temporarily transferring six aircraft to Australia to support domestic growth and reduce Jetstar Japan's fixed costs, four of which were transferred in the first half of financial year 2021/22.

Through its low cost base, the benefit of scale and its clear leadership in the price sensitive leisure market, the Jetstar Group is uniquely positioned to capture demand in the leisure-led recovery in travel.

33 Jetstar Australia recommenced flights to Singapore, Fiji and within New Zealand Domestic, with Phuket launched in January 2022. Domestic destinations exclude the relaunch of Western Australian destinations until after the opening of Western Australian borders on 3 March 2022.

Review of Operations continued

For the half-year ended 31 December 2021

QANTAS LOYALTY

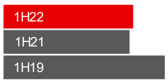
Revenue

485 $M

1H22	**485**
1H21	438
1H19	809

Underlying EBITDA

157 $M



1H22	**157**
1H21	152
1H19	195

Operating Margin

26.2 %

1H22	**26.2%**
1H21	28.5%
1H19	21.6%

Metrics		December 2021	December 2020	December 2018
QFF members	M	13.8	13.5	12.6

Qantas Loyalty provided an important source of diversified earnings and positive cash flow throughout the first half of financial year 2021/22. The cash contribution to the Group was greater than $500 million from gross sales to external parties. Underlying EBITDA was $157 million and Underlying EBIT was $127 million as the strategy to diversify earnings lessened the impact of the significant decline in air travel.

Qantas Loyalty continued its leadership position in the credit card market, with approximately 35 per cent of consumer credit spend occurring on a Qantas Points earning credit card. Spend on Qantas Points-earning credit cards returned to pre-COVID levels in the half and new cards acquired was up more than 10 per cent on pre-COVID levels.

Retail businesses such as Qantas Wine and Qantas Rewards Store saw strong redemptions continue even as the demand for airline redemptions returned. The Qantas Insurance portfolio continues to perform well with continued growth in the first half of the financial year.

Qantas Loyalty has extended its competitive position during the pandemic with the renewal of all five major financial services agreements and the renewal of the Woolworths partnership.

Despite the significantly reduced flying of the Group's airlines, the program maintained its relevance with continued strength in member engagement supported by ongoing program generosity maintaining record Net Promoter Scores. This included the largest release of Classic Reward seats to members, resulting in the single biggest day for flight redemptions with almost half a billion points redeemed in 24 hours in October. The business also launched a new program tier, Green Tier, rewarding members who make sustainable choices at home and when they travel.

Qantas Loyalty continues to invest in Hotels and Holidays brands to capture anticipated growth ahead as the travel industry recovers. Coupled with the recovery of travel and further growth in Financial Services opportunities this supports Qantas Loyalty's target of $500-600 million Underlying EBIT by financial year 2023/24.

Review of Operations continued

For the half-year ended 31 December 2021

RECONCILIATION OF UNDERLYING PBT TO STATUTORY (LOSS)/PROFIT BEFORE TAX

The Statutory Loss Before Tax of ($622) million for the first half of 2021/22 compares to a Statutory Loss Before Tax of ($1,442) million for the first half of 2020/21.

Underlying PBT

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

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the half-year ended 31 December 2021 as recognised within Underlying PBT is down $6.1 billion compared to the half-year ended 31 December 2018 (pre-COVID), which is consistent with the reduction of revenue recognised within the Group's Statutory Loss.

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

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

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

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

RECONCILIATION OF UNDERLYING PBT TO STATUTORY (LOSS)/PROFIT BEFORE TAX	December 2021 $M	December 2020 (restated) $M	December 2018 (pre-COVID) [34] $M
Underlying PBT	**(1,277)**	**(1,009)**	**775**
Items not included in Underlying PBT			
- Transformation costs and discretionary bonus for non-executive employees [35]	-	-	(125)
- Recovery Plan restructuring costs [36]	(12)	(284)	-
- Reversal of impairment/(Impairment) of assets and related costs	18	(167)	43
- De-designation of pre-COVID fuel and foreign exchange hedges	-	3	
- Net gain on Mascot land and buildings	649	-	-
- Net gain on disposal of assets	-	15	45
- Unrealised foreign exchange movements from the adoption of AASB 16 and the IFRIC Fair Value hedging agenda decision	-	-	(47)
Total items not included in Underlying PBT	**655**	**(433)**	**(84)**
Statutory (Loss)/Profit Before Income Tax Expense	**(622)**	**(1,442)**	**691**

34 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decisions") retrospectively. December 2018 (pre-COVID) has not been restated. Refer to Note 17 for further information.
35 Costs incurred under the Transformation Program in previous years are reported under Transformation costs.
36 Costs incurred in relation to the Group's Recovery Plan are reported under Recovery Plan restructuring costs.

Review of Operations continued

For the half-year ended 31 December 2021

Underlying PBT (continued)

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

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$12 million included people restructuring costs of $5 million and other restructuring costs of $7 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan.
Reversal of impairment of assets and related costs	Reversal of impairments included ($17) million from the partial reversal of impairment of the Group's investment in Helloworld and ($1) million other impairment reversals.
Net gain on disposal of Mascot land and buildings	The net gain on disposal of assets of $649 million arose from the sale of land in Mascot that was not core to the Group's long-term strategy.

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

Review of Operations continued

For the half-year ended 31 December 2021

MATERIAL BUSINESS RISKS

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

Material business risks arising from COVID-19, notably liquidity risks, are being critically managed to ensure the ongoing sustainability of the Group. The Recovery Plan is on track to deliver $900 million of restructuring cost benefits by financial year 2021/22 and the targeted $1 billion of ongoing structural cost benefits by financial year 2022/23. As the impact of COVID-19 evolves, the Group continues to plan for a wide range of scenarios and risks to ensure the Group is well-positioned to achieve the required level of transformation to support target outcomes.

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

COVID-19 outbreak management: Through its 'Fly Well' and 'Work Well' programs, Qantas has continued implementing initiatives aimed at preventing the introduction and spread of COVID-19 in workplaces and aircraft for the protection of our people and our customers. These controls not only seek to protect health but also support business continuity. As Australia enters the next phase of the pandemic, where COVID-19 circulates amongst a highly vaccinated population, the Qantas Group continues to adapt its risk mitigations to changing circumstances and government regulations and restrictions. Given the Group's geographic footprint, these changes are often jurisdiction specific, requiring a multi-layered framework to ensure compliance. In November 2021, the Group's COVID-19 Vaccination Policy came into effect for all Australian-based frontline employees and these requirements also apply in certain circumstances to our suppliers and contractors. From March 2022, vaccination requirements will also apply to non-frontline employees. The Group continues to monitor the evolving COVID-19 situation in Australia and abroad, and will adapt its policies, processes and practices as appropriate.

International Restart and Domestic Ramp-up: Following the lifting of domestic lockdown and reopening of international borders, the Group brought forward the restart of international operations to November 2021 through a phased approach and stood up all Australian based employees from 1 December 2021. An Operational Restart Framework was implemented to provide Group-wide governance over the resumption of operations following an extended period of stand down, and ensure health, safety, personnel training, aircraft return to services, supplier readiness and regulatory compliance risks were appropriately identified and managed. However, customers confidence to travel have been impacted by the unexpected outbreak of the Omicron variant, given sudden changes to travel restrictions and testing requirements both domestically and in countries overseas. This has continued to impact the Group's ability to fast track domestic ramp up and international operations and realise planned capacity settings.

The Australian Government's announcement of the return of international tourists and business travellers to Australia (except Western Australia) from February 2022, travel restrictions easing globally, and greater consistency in government policies regarding travel restrictions, will continue to improve customers confidence to travel. The Group continues to focus on cash positive flying with the flexibility to increase capacity if demand recovers quicker than planned.

General economic conditions post-crisis: As air travel is closely linked with economic growth, the Qantas Group's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. COVID-19 has created considerable uncertainty and volatility surrounding these macroeconomic factors, and any further deterioration may have a materially adverse impact on the business, financial condition and prospects of the Qantas Group. The Group's agility allows it to adjust its operational capacity in response to this volatility to ensure it is well-positioned to adapt to changes in consumer demand as a result of economic factors or changes in the COVID-19 health situation in Australia and abroad. A phased approach to international restart provides opportunity to monitor viability of planned routes and adjust capacity accordingly.

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

In the first half of 2021/22, the Group focused on returning stood down employees to work in response to planned increases in demand for air travel. These plans were impacted by significant COVID-19 outbreaks which led to widespread lockdowns in New South Wales and Victoria. The Group recognises that future outbreak of COVID-19 due to new variants may lead to employees having to further self-isolate. This situation requires increased efforts to ensure that our people remain connected to the organisation, and their health and wellbeing is supported. Relevant information continues to be communicated to our people through a series of channels, including regular Town Hall meetings hosted by the Group Executive Committee, with several thousand employees remotely joining these sessions. Employee mental health continues to be a key area of focus, with enhanced services provided through our Employee Assistance Program as well as manager toolkits to assist with increasing awareness, identification, support and monitoring of employee mental health.

The prolonged impact of COVID-19 on the airline industry continues to negatively impact the ability to attract and retain appropriate talent and technical/specialist resources. In addition, the Qantas Group also has certain key management personnel whose institutional knowledge, expertise, relationships and experience are considered important to the continued success of the business. These could adversely impact the Qantas Group's business and future performance. The Group continues to develop action plans to ensure the business is adequately supported.

Review of Operations continued

For the half-year ended 31 December 2021

MATERIAL BUSINESS RISKS (CONTINUED)

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly in light of the significant competition for passengers that characterises the aviation industry.

The significant financial and operational challenges posed by COVID-19, the impact of the pandemic on the travel industry, the opening and closing of domestic and international borders and the response of the Qantas Group to these challenges could also impact customer satisfaction and loyalty. In particular, a diminution of customer satisfaction due to the cancellation and refund policies of the Qantas Group in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future. This is exacerbated by a potential decline in customer confidence in travelling due to border restrictions, health risks and testing requirements. The Group continues to provide customers with flexibility and options to utilise the value of travel that had been purchased but impacted by COVID-19 related travel restrictions. This includes flight credits, vouchers, TravelPass product for eligible Qantas customers, and ongoing extension of fee-free travel date changes as appropriate.

In addition, the Qantas Group is vulnerable to longer-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group's future operating and financial performance.

Climate change: The Qantas Group is subject to short-term and long-term climate-related physical and transition risks (including both increasing customer and investor climate change expectations and government climate change policy risks). These risks are an inherent part of the operations of an airline and are managed by undertaking scenario analysis to shape the Group's strategy, strengthening governance, and adopting lower-emissions technology, operational and market-based controls, including proactive consideration of how changing factors (including global climate policies) impact the proximity of climate-related risks. The Qantas Group has also set ambitious but achievable targets to reduce our emissions by capping emissions at 2019 levels, and achieving net-zero emissions by 2050, while also investing in the development of sustainable aviation fuels (SAF). Interim targets are also under development to ensure progress towards net zero. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning our corporate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD). These disclosures are available at https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-planet.html.

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

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

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

Fuel and foreign exchange volatility: The Qantas Group is subject to fuel and foreign exchange risks. These risks are an inherent part of the operations of an airline. The continued focus on forecasting and the operational agility of our aviation operations are supporting the Group to manage the residual uncertainty. Accordingly, the size of the Group's fuel and foreign exchange risk will vary in line with operational changes. The Qantas Group manages fuel and foreign exchange risks through a comprehensive hedging program. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group has a mix of collars and outright options in place to cover fuel price risk and is actively managed for changes in capacity.

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

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

Review of Operations continued

For the half-year ended 31 December 2021

MATERIAL BUSINESS RISKS (CONTINUED)

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

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

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

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

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

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

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

The Lead Auditor's Independence Declaration is set out on page 53 and forms part of the Directors' Report for the half-year ended 31 December 2021.

ROUNDING

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

ASIC GUIDANCE

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

In line with previous years and in accordance with the *Corporations Act 2001*, the Directors' Report is unaudited. Notwithstanding this, the Directors' Report (including the Review of Operations) contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half-year ended 31 December 2021 which has been reviewed by the Group's Independent Auditor.

Signed pursuant to a Resolution of the Directors:

Richard Goyder

RICHARD GOYDER, AO
Chairman

ALAN JOYCE, AC
Chief Executive Officer

Sydney
24 February 2022

Consolidated Income Statement

For the half-year ended 31 December 2021

	Notes	December 2021 $M	December 2020 (restated)[1] $M
REVENUE AND OTHER INCOME			
Net passenger revenue		1,534	1,298
Net freight revenue		920	613
Other revenue and income	4(B)	620	419
Revenue and other income		**3,074**	**2,330**
EXPENDITURE			
Manpower and staff-related		1,327	865
Aircraft operating variable		838	569
Fuel		474	309
Depreciation and amortisation	5	884	953
Share of net loss of investments accounted for under the equity method		47	67
(Reversal of impairment)/Impairment of assets and related costs	7	(18)	167
De-designation and ineffectiveness of fuel and foreign exchange hedges	14	(20)	(3)
Redundancies and related costs		5	268
Net gain on disposal of assets		(653)	(18)
Other	6	664	449
Expenditure		**3,548**	**3,626**
Statutory loss before income tax expense and net finance costs		**(474)**	**(1,296)**
Finance income		6	12
Finance costs		(154)	(158)
Net finance costs		**(148)**	**(146)**
Statutory loss before income tax expense		**(622)**	**(1,442)**
Income tax benefit	8(A)	166	379
Statutory loss for the period		**(456)**	**(1,063)**
Attributable to:			
Members of Qantas		(456)	(1,063)
Non-controlling interests		-	-
Statutory loss for the period		**(456)**	**(1,063)**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic statutory loss per share (cents)	3	**(24.2)**	**(56.6)**
Diluted statutory loss per share (cents)	3	**(24.2)**	**(56.6)**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2021

	December 2021 $M	December 2020 (restated)[1] $M
Statutory loss for the period	**(456)**	**(1,063)**
Items that are or may be subsequently reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	35	96
Transfer of effective hedging (gains)/losses from hedge reserve to the Consolidated Income Statement, net of tax[2]	(64)	48
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	(19)	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	2	4
Net changes in hedge reserve for time value of options, net of tax	12	(1)
Foreign currency translation of controlled entities	(11)	1
Foreign currency translation of investments accounted for under the equity method	(4)	-
Share of other comprehensive (loss)/income of investments accounted for under the equity method	(2)	7
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial gains, net of tax	83	38
Fair value (losses)/gains on investments, net of tax	(11)	18
Other comprehensive income for the period	**21**	**226**
Total comprehensive loss for the period	**(435)**	**(837)**

Attributable to:		
Members of Qantas	(435)	(837)
Non-controlling interests	-	-
Total comprehensive loss for the period	**(435)**	**(837)**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.
2 These amounts were allocated to revenue of ($10) million (2020: nil), fuel expenditure of ($82) million (2020: $64 million), foreign exchange gains/(losses) (within other expenses) of nil (2020: $4 million) and income tax expense of $28 million (2020: ($20) million) in the Consolidated Income Statement.

Consolidated Balance Sheet

As at 31 December 2021

	Notes	December 2021 $M	June 2021 (restated)[1] $M
CURRENT ASSETS			
Cash and cash equivalents	12(A)	2,705	2,221
Receivables		837	579
Lease receivables		6	5
Other financial assets		216	176
Inventories		286	279
Assets classified as held for sale		3	1
Other		167	169
Total current assets		**4,220**	**3,430**
NON-CURRENT ASSETS			
Receivables		58	54
Lease receivables		47	47
Other financial assets		197	185
Investments accounted for under the equity method		72	57
Property, plant and equipment		10,288	10,787
Right of use assets		1,051	1,109
Intangible assets		680	745
Deferred tax assets		854	706
Other		771	687
Total non-current assets		**14,018**	**14,377**
Total assets		**18,238**	**17,807**
CURRENT LIABILITIES			
Payables		1,896	1,813
Revenue received in advance	11	3,871	3,277
Interest-bearing liabilities	12(B)	952	969
Lease liabilities		395	383
Other financial liabilities		26	17
Provisions	13	1,010	1,136
Total current liabilities		**8,150**	**7,595**
NON-CURRENT LIABILITIES			
Payables		1	44
Revenue received in advance	11	2,165	2,154
Interest-bearing liabilities	12(B)	6,037	5,861
Lease liabilities		985	1,016
Other financial liabilities		22	5
Provisions	13	863	689
Total non-current liabilities		**10,073**	**9,769**
Total liabilities		**18,223**	**17,364**
Net assets		**15**	**443**
EQUITY			
Issued capital	10	3,186	3,186
Treasury shares		(4)	(18)
Reserves		451	432
Accumulated losses		(3,621)	(3,160)
Equity attributable to members of Qantas		**12**	**440**
Non-controlling interests		3	3
Total equity		**15**	**443**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

December 2021 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[2]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2021 (restated)[1]	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD									
Statutory loss for the period	-	-	-	-	-	-	(456)	-	(456)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	35	-	-	-	-	35
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(64)	-	-	-	-	(64)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	(19)	-	-	-	-	(19)
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	2	-	-	-	-	2
Net changes in hedge reserve for time value of options, net of tax	-	-	-	12	-	-	-	-	12
Foreign currency translation of controlled entities	-	-	-	-	(11)	-	-	-	(11)
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	(4)	-	-	-	(4)
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(2)	-	-	-	-	(2)
Defined benefit actuarial gains, net of tax	-	-	-	-	-	83	-	-	83
Fair value gains on investments, net of tax	-	-	-	-	-	(11)	-	-	(11)
Transfer of accumulated fair value losses to accumulated losses	-	-	-	-	-	6	(6)	-	-
Total other comprehensive (loss)/income for the period	**-**	**-**	**-**	**(36)**	**(15)**	**78**	**(6)**	**-**	**21**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**(36)**	**(15)**	**78**	**(462)**	**-**	**(435)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Share-based payments	-	-	7	-	-	-	-	-	7
Shares vested and transferred to employees/rights unvested and lapsed	-	14	(15)	-	-	-	1	-	-
Total contributions by and distributions to owners	**-**	**14**	**(8)**	**-**	**-**	**-**	**1**	**-**	**7**
Total transactions with owners	**-**	**14**	**(8)**	**-**	**-**	**-**	**1**	**-**	**7**
Balance as at 31 December 2021	**3,186**	**(4)**	**26**	**140**	**11**	**274**	**(3,621)**	**3**	**15**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.
2 Other Reserves as at 31 December 2021 includes the Defined Benefit Reserve of $261 million and the Fair Value Reserve of $13 million.

Consolidated Statement of Changes in Equity continued

For the half-year ended 31 December 2021

December 2020 (restated)[1] $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[2]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2020	**3,104**	**(51)**	**54**	**(147)**	**4**	**(84)**	**(1,466)**	**3**	**1,417**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD									
Statutory loss for the period	-	-	-	-	-	-	(1,063)	-	(1,063)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	96	-	-	-	-	96
Transfer of effective hedging losses from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	48	-	-	-	-	48
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	15	-	-	-	-	15
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	4	-	-	-	-	4
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(1)	-	-	-	-	(1)
Foreign currency translation of controlled entities	-	-	-	-	1	-	-	-	1
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of investments accounted for under the equity method	-	-	-	7	-	-	-	-	7
Defined benefit actuarial gains, net of tax	-	-	-	-	-	38	-	-	38
Fair value gains on investments, net of tax	-	-	-	-	-	18	-	-	18
Total other comprehensive income for the period	**-**	**-**	**-**	**169**	**1**	**56**	**-**	**-**	**226**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**169**	**1**	**56**	**(1,063)**	**-**	**(837)**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY									
Contributions by and distributions to owners									
Capital raising, net of tax	82	-	-	-	-	-	(6)	-	76
Share-based payments	-	-	14	-	-	-	-	-	14
Shares vested and transferred to employees/rights unvested and lapsed	-	33	(39)	-	-	-	4	-	(2)
Total contributions by and distributions to owners	**82**	**33**	**(25)**	**-**	**-**	**-**	**(2)**	**-**	**88**
Total transactions with owners	**82**	**33**	**(25)**	**-**	**-**	**-**	**(2)**	**-**	**88**
Balance as at 31 December 2020	**3,186**	**(18)**	**29**	**22**	**5**	**(28)**	**(2,531)**	**3**	**668**

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

1 The Group adopted the IFRIC agenda decision in relation to Cloud Computing ("IFRIC Cloud Computing decision") retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.
2 Other Reserves as at 31 December 2020 includes the Defined Benefit Reserve of ($35) million and the Fair Value Reserve of $7 million.

Consolidated Cash Flow Statement

For the half-year ended 31 December 2021

	December 2021 $M	December 2020 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	3,821	2,747
Cash payments to suppliers, payments to employees (excluding cash payments to employees for redundancies and related costs) and refunds to customers from receipts in prior periods.	(3,514)	(3,163)
Cash payments to employees for redundancies and related costs	(47)	(470)
Interest received	5	10
Interest paid (interest-bearing liabilities)	(94)	(92)
Interest paid (lease liabilities)	(34)	(34)
Australian income taxes refund received	-	141
Net cash inflow/(outflow) from operating activities	**137**	**(861)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangible assets	(286)	(547)
Interest paid and capitalised on qualifying assets	(7)	(14)
Proceeds from disposal of property, plant and equipment, net of costs	762	47
Payments for investments accounted for under the equity method	(54)	-
Net cash inflow/(outflow) from investing activities	**415**	**(514)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital raising, net of costs	-	58
Proceeds from interest-bearing liabilities, net of costs	496	831
Repayments of interest-bearing liabilities	(384)	(202)
Repayments of lease liabilities	(186)	(219)
Proceeds from lease receivables	2	-
Net cash (outflow)/inflow from financing activities	**(72)**	**468**
Net increase/(decrease) in cash and cash equivalents held	**480**	**(907)**
Cash and cash equivalents at the beginning of the period	2,221	3,520
Effects of exchange rate changes on cash and cash equivalents	4	(7)
Cash and cash equivalents at the end of the period	**2,705**	**2,606**

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

Condensed Notes to the Consolidated Interim Financial Report

For the half-year ended 31 December 2021

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the *Qantas Sale Act 1992* (Cth).

The Consolidated Interim Financial Report of Qantas for the half-year ended 31 December 2021 comprises the Qantas Group and its controlled entities (together referred to as the Qantas Group or the Group) and the Qantas Group's interest in investments accounted for using the equity method. The Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2021 is available at www.qantas.com.au or upon request from the registered office of Qantas Group at 10 Bourke Road, Mascot NSW 2020, Australia.

This Consolidated Interim Financial Report for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 24 February 2022.

(B) STATEMENT OF COMPLIANCE

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

The Consolidated Interim Financial Report does not include all of the information required for an Annual Financial Report and should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2021. This report should also be read in conjunction with any public announcements made by Qantas Group in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

The Consolidated Interim Financial Report is presented in Australian dollars, which is the functional currency of the Qantas Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values. The Report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due.

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

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

The accounting policies adopted in the preparation of the Consolidated Interim Financial Report are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended 30 June 2021, except for the IFRIC final agenda decision outlined below which have been adopted from 1 July 2021, including restatement of comparative reporting periods.

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

The nature and effect of the changes from adoption of the IFRIC Cloud Computing decision are disclosed in Note 17. Where relevant, comparative information has been restated and changes have been footnoted throughout the financial statements.

(D) COMPARATIVES

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

(E) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing this Report, judgements made by Management in the application of Australian Accounting Standards that have a significant effect on the Consolidated Interim Financial Report and estimates with a significant risk of material adjustment in future periods were the same as those applied to the Qantas Annual Report for the year ended 30 June 2021 (with the exception of those arising from the adoption of the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement as outlined above). The impact of COVID-19 on estimates and judgements is outlined in Note 1(F).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) IMPACT OF COVID-19 ON FINANCIAL REPORTING

The impact of COVID-19 on the Qantas Group has been unprecedented and continues to evolve. The section below outlines key areas of impact relevant to the Consolidated Interim Financial Report for the half-year ended 31 December 2021. Additional information on how the Group has been impacted by COVID-19 and its ongoing response is provided in the Review of Operations.

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

The measures taken by governments across the world to slow the spread of COVID-19 through travel restrictions and border closures continue to severely impact airlines. These travel restrictions, and the resulting decrease in demand, have resulted in significant capacity reductions domestically and internationally. Through the half-year, the Group continued to take decisive action to mitigate the impact of COVID-19, including a reduction in flight capacity (Domestic and International), workforce stand downs, operational cost-out measures and capital expenditure deferrals.

Governments worldwide have enacted relief packages to support affected businesses, including the aviation industry, to mitigate the impact of COVID-19. The International Aviation Support (IAS) program was introduced to maintain a core Australian international aviation capability and ensure Australian airlines can quickly recommence commercial international flights as international restrictions are lifted. This program also included employee support payments made directly to employees through the International Readiness Payment (IRP). The Retaining Domestic Airline Capability (RDAC) program was introduced to assist airlines maintain core domestic aviation capabilities, through the retention of essential aviation sector skills and knowledge to ensure airlines can quickly increase capacity as border restrictions ease. This program also included employee support payments made directly to employees through the Domestic Retention Payment (DRP) for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capability.

In addition, the Australian Government has commissioned Qantas to conduct various charter repatriation flights and, along with other Australian domestic airlines, Qantas also operated domestic and regional flights as part of the RANS, DANS and TANS intended to maintain vital air transport links. Qantas also secured a contract to conduct freight services under IFAM to ensure import and export freight routes remained open.

Recovery Plan

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

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

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

Key actions during the first half of financial year 2021/22:
- Delivered $840 million in structural cost benefits program to date. On track for $900 million by financial year 2021/22 and $1 billion in annual cost improvements from the 2022/23 financial year onwards with greater than 98 per cent of initiatives completed or initiated
- Returned all stood down Australian-based employees in December 2021
- Generated positive Statutory Net Free Cash Flow supported by the Mascot land sale and strong Qantas Loyalty cash contribution delivering debt reduction
- Net Debt declined to $5.5 billion at December 2021, which is within the optimal target range of $4.4 billion to $5.5 billion
- Maintained strong liquidity and retained Baa2 investment grade credit rating.

Accelerating the Group's recovery in 2022:
- Well-positioned as demand returns
  - Extended competitive positions across all segments
  - Agile ways of working now embedded across the Group
  - Ability to scale capacity quickly and highly leveraged to recovery in travel demand
  - Continued focus on cash positive flying
- Continuing on balance sheet repair
  - Net Debt maintained within target range with focus to move towards bottom of the range
  - Replenish unencumbered assets with selective prepayment of secured debt and option to fund new deliveries with cash
- Delivery of $1 billion Recovery Plan by financial year 2022/23
- Continued investment in customer experience with an emphasis on digital experience and reward for Loyalty, maintaining high levels of NPS
- Qantas Loyalty returning to double digit growth by end of calendar year 2022 (first half 2022/23 compared to first half 2021/22) and Freight profitability structurally higher than pre-COVID levels.

Condensed Notes to the Consolidated Interim Financial Report continued
For the half-year ended 31 December 2021

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ii. Capital Structure and Liquidity

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

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

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

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

During the first half of the 2021/22 financial year, the Group raised $500 million of additional debt to support the repayment of a $300 million bond maturing in May 2022.

As at 31 December 2021, the Group's available liquidity is $4.3 billion, including $2.7 billion of cash and cash equivalents and committed undrawn facilities of $1.6 billion.

As at 31 December 2021, Net Debt (as measured by the Group's Financial Framework) is $5.5 billion with no financial covenants.

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

At the present time, the Group continues to consider that COVID-19 will not impact the Group's ability to continue as a going concern or to pay its debts as and when they become due and payable.

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iii. Impact on Accounting Judgements and Estimates

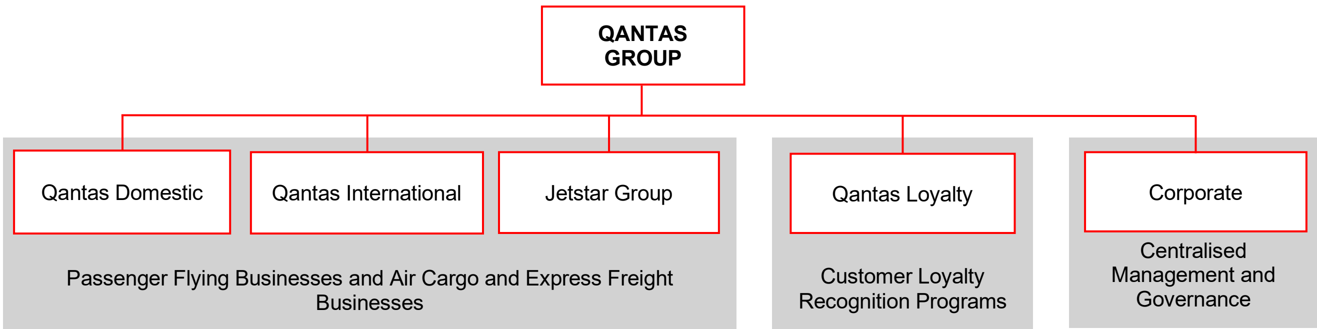
The Group's Recovery Plan in response to COVID-19 has influenced certain accounting judgements and estimates impacting the Consolidated Interim Financial Report for the half-year ended 31 December 2021. The Recovery Plan influenced key judgements and estimates within the following areas of the Financial Report:

Area of Financial Report	Impact on Judgements and Estimates
Impairment testing	The Recovery Plan informed cash flows used in the determination of the recoverable amount of Cash Generating Units (CGUs) using the value in use method. Refer to Note 7 for further details on impairment testing.
Fleet strategy	The Recovery Plan informed judgements around the Group's fleet strategy, which influences estimates impacting property, plant & equipment, right of use assets, lease liabilities and provisions (including provisions for makegood on leased assets).
Provision for redundancies	Decisions and actions to implement the Recovery Plan have informed the recognition of redundancy provisions as at 31 December 2021.
Hedge designation and hedge accounting	The Recovery Plan informed key inputs to hedge designation and hedge accounting requirements including forecast fuel consumption and forecast income and expenditure denominated in foreign currencies. Refer to Note 14 for details on hedge designation and hedge accounting.
Balance sheet presentation	The Recovery Plan informed judgements around the presentation of balance sheet items, particularly in relation to the presentation of revenue received in advance as either current or non-current.
Revenue recognition (Impact of breakage assumptions)	The significant impact of COVID-19, together with strategies within the Recovery Plan, informed judgements around customer and member behaviour and customer engagement strategies which impacted assumptions around breakage.
Income tax	The Recovery Plan informed judgements around the recognition and recoverability of a net deferred tax asset relating to income tax losses. Refer to Note 8 for details on income tax and deferred tax assets.

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

(A) OPERATING SEGMENTS

The Qantas Group comprises the following operating segments:



i. Underlying EBIT

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(A) OPERATING SEGMENTS (CONTINUED)

ii. Analysis by Operating Segment

December 2021 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	1,005	1,304	379	473	6	(93)	3,074
Inter-segment revenue and other income	122	13	15	12	-	(162)	-
Total segment revenue and other income	**1,127**	**1,317**	**394**	**485**	**6**	**(255)**	**3,074**
Share of net loss of investments accounted for under the equity method	(1)	-	(46)	-	-	-	(47)
Underlying EBITDA[2]	**(265)**	**89**	**(243)**	**157**	**(48)**	**65**	**(245)**
Depreciation and amortisation[2]	(348)	(327)	(174)	(30)	(5)	-	(884)
Underlying EBIT	**(613)**	**(238)**	**(417)**	**127**	**(53)**	**65**	**(1,129)**
Net finance costs					(148)		(148)
Underlying PBT					**(201)**		**(1,277)**
Twelve Month ROIC %[3]							**(28.5%)**

December 2020 (restated)[4] $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	919	717	371	431	4	(112)	2,330
Inter-segment revenue and other income	84	5	13	7	-	(109)	-
Total segment revenue and other income	**1,003**	**722**	**384**	**438**	**4**	**(221)**	**2,330**
Share of net loss of investments accounted for under the equity method	-	-	(67)	-	-	-	(67)
Underlying EBITDA[2]	**28**	**55**	**(98)**	**152**	**(44)**	**(7)**	**86**
Depreciation and amortisation[2]	(357)	(334)	(225)	(27)	(6)	-	(949)
Underlying EBIT	**(329)**	**(279)**	**(323)**	**125**	**(50)**	**(7)**	**(863)**
Net finance costs					(146)		(146)
Underlying PBT					**(196)**		**(1,009)**
Twelve Month ROIC %[3]							**(17.1%)**

1 Unallocated/Eliminations represents unallocated and other businesses of the Qantas Group which are not considered to be reportable segments including consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 6) and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
2 Underlying EBITDA represents Underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment. Depreciation and amortisation and impairment differs from the depreciation and amortisation and impairment recognised in the Consolidated Income Statement due to items not included in Underlying PBT. Refer to Note 2(B).
3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).
4 The Group adopted IFRIC agenda decision in relation to Cloud Computing (“IFRIC Cloud Computing decision”) retrospectively. The comparative period presented has been restated accordingly. Refer to Note 17 for further information.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(A) OPERATING SEGMENTS (CONTINUED)

ii. Analysis by Operating Segment (continued)

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

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

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

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

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

Underlying PBT includes the impact of COVID-19 on the operating performance of the Group. Group revenue for the half-year ended 31 December 2021 as recognised within Underlying PBT is down $6.1 billion compared to the half-year ended 31 December 2018 (pre-COVID), which is consistent with the reduction of revenue recognised within the Group's Statutory Loss.

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

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

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

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

RECONCILIATION OF UNDERLYING PBT TO STATUTORY LOSS BEFORE TAX	December 2021 $M	December 2020 (restated) $M
Underlying PBT	**(1,277)**	**(1,009)**
Items not included in Underlying PBT		
- Recovery Plan restructuring costs	(12)	(284)
- Reversal of impairment/(impairment) of assets and related costs	18	(167)
- De-designation of pre-COVID fuel and foreign exchange hedges	-	3
- Net gain on Mascot land and buildings	649	-
- Net gain on disposal of assets	-	15
Total items not included in Underlying PBT	655	(433)
Statutory Loss Before Income Tax Expense	**(622)**	**(1,442)**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

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

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

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$12 million included people restructuring costs of $5 million and other restructuring costs of $7 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan.
Reversal of impairment of assets and related costs	Reversal of impairments included ($17) million from the partial reversal of impairment of the Group's investment in Helloworld and ($1) million other impairment reversals.
Net gain on disposal of Mascot land and buildings	The net gain on disposal of assets of $649 million arose from the sale of land in Mascot that was not core to the Group's long-term strategy.

The first half of 2020/21 financial year included the following items:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$284 million included people restructuring costs of $268 million and other restructuring costs of $16 million. People restructuring costs include redundancy costs related to announced restructuring initiatives. Other restructuring costs primarily resulted from changes to fleet strategy as a result of the Recovery Plan. Included in other restructuring costs is $4 million of non-cash accelerated depreciation.
Impairment of assets and related costs	Impairments of assets and related costs of $167 million includes: – $71 million impairment of the Group's A380 fleet resulting from changes in the market value of the aircraft, changes in the onerous contractual commitments and movement in foreign exchange rates between 30 June 2020 and 31 December 2020. – $4 million impairment relating to the early retirement of the Group's 747 fleet driven by movement in foreign exchange rates between 30 June 2020 and 31 December 2020. – $23 million impairment of property, plant and equipment, intangible assets and other assets and related costs not expected to be recovered in the Recovery Plan. – $78 million impairment of property, plant and equipment and right of use assets relating to aircraft in the Jetstar Asia cash generating unit. – ($9) million partial reversal of impairment of the Group's investment in Helloworld. Refer to Note 7 for details on impairment of assets and related costs.
Net gain on disposal of assets	$15 million relates to the sale of Qantas' share of its interest in the Joint User Hydrant Installation.
De-designation of pre-COVID fuel and foreign exchange hedges	The Group hedges fuel price risk in accordance with the Treasury Risk Management policy. Hedge accounting is applied when the requirements of AASB 9 *Financial Instruments* are met. Where the forecast fuel purchase transaction is no longer expected to occur, then hedge accounting is discontinued prospectively, and the amount accumulated in equity is reclassified to the Consolidated Income Statement. The significant decrease in flying activity compared to expectations at 30 June 2020 resulted in hedge accounting being discontinued where forecast fuel purchases are no longer expected to occur. Where the underlying derivatives, while de-designated for hedge accounting purposes had remained unrealised or unsettled, foreign exchange and mark-to-market movements have occurred. These movements have also been recognised as ineffectiveness in the Consolidated Income Statement. De-designation and ineffectiveness of fuel and foreign exchange hedges of $3 million has been recognised immediately in the Consolidated Income Statement.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(C) RETURN ON INVESTED CAPITAL

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

i. ROIC EBIT

ROIC EBIT is derived by adjusting Underlying EBIT for the year to exclude leased aircraft depreciation under AASB 16 and to include notional depreciation for these aircraft to account for them as if they were owned.

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

	Twelve months to 31 December 2021 $M	Twelve months to 31 December 2020 (restated) $M
Underlying EBIT		
– For the six months ended 30 June	(610)	(505)
– For the six months ended 31 December	(1,129)	(863)
Total Underlying EBIT for the period	**(1,739)**	**(1,368)**
Addback: Lease depreciation under AASB 16	339	400
Less: Notional depreciation[1] for the twelve months ended 31 December	(106)	(107)
Less: Cash expenses for non-aircraft leases	(224)	(202)
ROIC EBIT for the twelve months ended 31 December	**(1,730)**	**(1,277)**
Average Invested Capital for the twelve months ended 31 December	**6,064**	**7,489**
ROIC %[2]	**(28.5%)**	**(17.1%)**

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

ii. Average Invested Capital

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

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

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

	December 2021 $M	December 2020 (restated) $M
INVESTED CAPITAL		
Receivables (current and non-current)	895	735
Inventories	286	296
Other assets (current and non-current)	938	602
Investments accounted for under the equity method	72	65
Property, plant and equipment	10,288	11,340
Intangible assets	680	830
Assets classified as held for sale	3	41
Payables (current and non-current)	(1,897)	(1,890)
Provisions (current and non-current)	(1,873)	(2,133)
Revenue received in advance (current and non-current)	(6,036)	(4,907)
Capitalised leased aircraft[1]	1,852	1,676
Invested Capital as at 31 December	**5,208**	**6,655**
Average Invested Capital for the twelve months ended 31 December	**6,064**	**7,489**

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

iii. ROIC %

	December 2021 %	December 2020 (restated) %
Twelve Month ROIC %[1]	**(28.5)**	**(17.1)**

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

iv. ROIC (Statutory EBIT) %

	December 2021 %	December 2020 (restated) %
Twelve Month ROIC (Statutory EBIT) %[1]	**(19.2)**	**(59.0)**

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

v. Underlying Loss per Share

	December 2021 cents	December 2020 (restated) cents
Underlying Loss per share[1]	**(49.6)**	**(39.6)**

1 Underlying Earnings per share is calculated as Underlying Loss before tax less tax benefit based on the Group's effective tax rate of (26.7) per cent (2020: (26.3) per cent) divided by the weighted average number of shares during the year, excluding unallocated treasury shares.

3 EARNINGS PER SHARE

	December 2021 cents	December 2020 (restated) cents
Basic statutory loss per share[1]	**(24.2)**	**(56.6)**
Diluted statutory loss per share[2]	**(24.2)**	**(56.6)**

1 Weighted average number of shares used in basic Earnings Per Share calculation of 1,886 million (December 2020: 1,880 million) excludes unallocated treasury shares.
2 Weighted average number of shares used in basic and diluted Earnings Per Share calculation is the same for the half-years ended 31 December 2021 and 31 December 2020 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation. Weighted average number of shares used in diluted Earnings Per Share calculation of 1,886 million (December 2020: 1,880 million) excludes unallocated treasury shares.

	December 2021 $M	December 2020 (restated) $M
Statutory loss attributable to members of Qantas	**(456)**	**(1,063)**

	December 2021 Number M	December 2020 Number M
NUMBER OF SHARES		
Issued shares as at 1 July	1,886	1,863[1]
Capital raising	-	23
Issued shares as at 31 December	**1,886**	**1,886**
Weighted average number of shares as at 31 December	**1,886**	**1,881**

1 Issued shares includes capital raising completed in June 2020 and shares issued on 1 July 2020.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	December 2021 $M	December 2020 $M
Net passenger and freight revenue		
Australia	1,833	1,528
Overseas	621	383
Total net passenger and freight revenue	**2,454**	**1,911**
Other revenue and income	620	419
Total revenue and other income	**3,074**	**2,330**

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

(B) OTHER REVENUE AND INCOME

	December 2021 $M	December 2020 $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	235	214
Qantas Rewards Store and other redemption revenue[1,2]	37	40
Third-party services revenue	82	62
Other income	266	103
Total other revenue and income	**620**	**419**

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

5 DEPRECIATION AND AMORTISATION

	December 2021 $M	December 2020 (restated) $M
Property, plant and equipment	657	687
Right of use assets	162	196
Intangible assets	65	70
Total depreciation and amortisation	**884**	**953**

6 OTHER EXPENDITURE

	December 2021 $M	December 2020 $M
Commissions and other selling costs	72	57
Computer and communication	197	140
Capacity hire (excluding lease components)	82	84
Property occupancy and utility expenses	65	53
Marketing and advertising	35	23
Discount rate changes impact on provisions	(30)	20
Other	243	72
Total other expenditure	**664**	**449**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

7 (REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF ASSETS AND RELATED COSTS

(A) IMPAIRMENT TESTING OF CASH GENERATING UNITS

i. Identification of CGUs

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

The identified CGUs by operating segment for the half-year ended 31 December 2021 are outlined in the table below.

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

ii. Impairment Assessment

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

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

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

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

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

Impairment Assessment of CGUs

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

Significant Assumption	How it was Determined
Calculation of recoverable amount	The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast in the Recovery Plan. For the half-year ended 31 December 2021, the recoverable amount was determined with reference to the 30 June 2021 impairment test updated as required for changes in future cash flow forecasts.
Individual assets tested separately	Assets that have been tested for impairment individually are not allocated to CGUs. Consistent with the approach taken at 30 June 2021, the carrying value of the A380 fleet has been allocated to the Qantas International CGU for impairment testing.
Recovery Plan	The Group's Recovery Plan was developed with reference to expected demand scenarios domestically and internationally. The immediate focus of the plan is to: – Rightsize the Group's workforce, fleet and other costs according to demand projections, with the ability to scale-up as flying returns – Restructure to deliver ongoing cost savings and efficiencies across the Group's operations in a changing market – Recapitalise through the equity raising completed in August 2020 to strengthen the Group's financial resilience to recovery and the opportunities it presents. The long-term annual ongoing restructuring benefit to the Group of the Recovery Plan is estimated to be $1 billion from financial year 2022/23 onwards. As the impact of COVID-19 continues to evolve, it is extremely challenging to predict the full extent and duration of the impact on the Group's operations. The Group's Recovery Plan and the structural changes achieved to date and underway, mean the Group is well-positioned to respond to the changing environment. For the half-year ended 31 December 2021, the Group has delivered $840 million in structural cost benefits to date. The Group is on track to deliver $900 million by financial year 2021/22 and $1 billion in annual cost improvements from the 2022/23 financial year onwards with greater than 98 per cent of initiatives completed or underway.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

7 (REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

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

Period of cash flows forecast	The Group's Recovery Plan is a three-year plan. The financial forecasts used in the impairment testing have been extended if necessary to the year where capacity recovery is expected to reach full run-rate. For the purposes of performing an impairment test using value in use under AASB 136, the final year of the forecast has been used to inform the determination of the terminal year. Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flow forecast under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Cash flows	Cash flows were projected based on the Board-approved Recovery Plan. For the half-year ended 31 December 2021, the cash flows were determined with reference to the 30 June 2021 impairment test updated as required for changes in future cash flow forecasts. Cash flows to determine a terminal value were extrapolated using a constant growth rate of 2.5 per cent per annum, which does not exceed the long-term average growth rate for the industry. Cash outflows include capital and maintenance expenditure for the purchase of aircraft and other property, plant and equipment. These cash outflows do not include capital expenditure that enhances the current performance of assets and related cash flows have been treated consistently.
Discount rate	A pre-tax discount rate of 10 per cent per annum has been used in discounting the projected cash flows of the CGUs, reflecting a market estimate of the weighted average cost of capital of the Qantas Group (2020: 10 per cent per annum). Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flows under the Recovery Plan for these uncertainties rather than adjusting the discount rate.
Foreign exchange rate used	AUD/USD: 0.72
Sensitivity to significant changes in assumptions	Pre-COVID, the Group was reporting ROIC in excess of the Group's Weighted Average Cost of Capital. For example, the 12-month ROIC as at 31 December 2019 was 19.6 per cent, and as at 30 June 2019 was 19.2 per cent, compared to the Group's WACC of 10 per cent. This, combined with an assessment of other factors under AASB 136, evidenced that pre-COVID there were no indicators of impairment of the Group's CGUs. *Sensitivity to Changes in Cash Flows (CGUs other than Jetstar CGUs in Asia)* The terminal year in the impairment test has the most material impact on the determination of the recoverable amount and of the surplus between the recoverable amount and carrying value of CGUs. The earlier years in the Recovery Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. Reasonably possible changes in the short-term to the timing of domestic and international recovery are unlikely to result in impairment of the CGUs, assuming that the overall recovery expectations remain. The terminal value cash flow is in excess of the break-even cash flow and reasonably possible changes in this assumption do not result in impairment. *Sensitivity to Changes in Cash Flows (Jetstar CGUs in Asia)* The Group recognised impairment in the Jetstar Asia CGU of Goodwill and indefinite lived intangible assets in the 2019/20 financial year and of property, plant and equipment and right of use assets in the 2020/21 financial year. The impairments were allocated to individual assets to the extent that the assets were not reduced below their individual fair value less costs of disposal. Reasonably possible changes in forecast cash flows would further reduce the estimated recoverable amount of the CGU. Goodwill and indefinite lived intangible assets have been fully impaired, and property, plant and equipment and right of use assets have been impaired to individual fair value less costs of disposal. AASB 136 requires that any allocation of CGU impairment should not reduce the asset below its individual fair value less costs of disposal. As a result, any additional impairment would only be recognised if there was a reduction in the individual fair value less costs of disposal of the individual assets. The fair value less costs of disposal could change depending on valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), changes in AUD/USD exchange rates, or changes in the level of maintenance life remaining on the aircraft other than already accounted for through depreciation.

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

CGUs other than Jetstar Asia CGU

No impairment was recognised within the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/New Zealand and Jetstar Japan CGUs during the half-year ended 31 December 2021.

The Qantas International CGU includes the carrying value of the A380 fleet including spares and inventory of $367 million as at 31 December 2021, which had previously been partially impaired. As the Qantas International CGU impairment test reports a surplus, the Group has assessed whether there is an indicator of impairment reversal. Impairment reversal may be required where the individual asset fair values less costs of disposal are significantly above their impaired carrying amounts. The fair value less costs of disposal of the A380 fleet was estimated with reference to valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), translated at 31 December 2021 AUD/USD exchange rates.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

7 (REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

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

Jetstar Asia CGU

An impairment test of the Jetstar Asia CGU was undertaken as at 31 December 2021 using updated cash flow projections to calculate the updated recoverable amount. The recoverable amount determined was below the carrying amount of the Jetstar Asia CGU providing an indicator of impairment.

Further impairment is only recognised to the extent that individual asset fair values less costs of disposal are significantly below their carrying amounts. The fair value less costs of disposal was estimated with reference to valuations provided by two external and independent aircraft valuers (AVAC and AVITAS), translated at 31 December 2021 AUD/USD exchange rates.

(B) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. CGU Impairments

CGUs other than Jetstar Asia CGU

No impairment was recognised of the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Australia/New Zealand and Jetstar Japan CGUs during the half-years ended 31 December 2021 and 31 December 2020.

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

Jetstar Asia CGU

No further impairment was recognised within the Jetstar Asia CGU as the fair values less costs of disposal of the individual assets were not significantly different to their carrying amounts.

During the half-year ended 31 December 2020, the Group recognised impairment of $78 million in respect of property, plant and equipment and right of use assets in the Jetstar Asia CGU.

ii. Other Impairments and/or reversals of impairment

Investments accounted for under the equity method

The Group recognised a reversal of impairment of $17 million (December 2020: reversal of impairment of $9 million) in relation to its investment in Helloworld Travel Ltd (ASX: HLO). The reversal of impairment recognised was determined with reference to the volume weighted average price (VWAP) in the last quarter of the half-year ended 31 December 2021.

iii. Summary of Impairments and Liabilities recognised

	December 2021 $M	December 2020 $M
Impairment of individual assets		
Impairment of A380s and onerous contractual commitments relating to A380s	-	71
Impairment of 747s held for sale	-	4
Impairment of software intangibles and onerous contractual commitments	-	21
Total impairment of individual assets	**-**	**96**
CGU impairment		
Impairment of Jetstar Asia CGU property, plant and equipment and right of use assets	-	78
Total CGU impairment	**-**	**78**
Other (reversal of impairment)/impairment		
Reversal of impairment of investment in Helloworld	(17)	(9)
Other assets	(1)	2
Total other (reversal of impairment)/impairment	**(18)**	**(7)**
Total (reversal of impairment)/impairment of assets and related costs	**(18)**	**167**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

8 INCOME TAX BENEFIT

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

	December 2021 $M	December 2020 (restated) $M
Statutory loss before income tax benefit	**(622)**	**(1,442)**
Income tax benefit using the domestic corporate tax rate of 30 per cent	187	433
Adjusted for:		
Differences in loss from investments accounted for under the equity method	(14)	(19)
Losses for foreign branches not recognised	(8)	(4)
Losses for controlled entities not recognised	(6)	(18)
Write-down of investments and non-deductible CGU impairments	-	(12)
Non-assessable gain on disposal of property, plant and equipment	6	-
Other net non-deductible items	(1)	(3)
Over provision from prior periods	2	2
Income tax benefit	**166**	**379**

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

	December 2021 $M	December 2020 $M
Income tax on:		
Cash flow hedges	15	(69)
Defined benefit actuarial gains	(36)	(16)
Fair value losses/(gains) on investments	5	(8)
Income tax expense recognised directly in the Consolidated Statement of Comprehensive Income	**(16)**	**(93)**

(C) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	December 2021 $M	December 2020 $M
Total tax losses brought forward as at 1 July	**(757)**	**(86)**
Tax losses recognised[1]	(109)	(358)
Tax losses carried forward to be utilised in future period[2]	**(866)**	**(444)**

1 Australian tax losses recognised for the half-year ending 31 December 2021 of ($109) million (at the 30 per cent tax rate) is net of the taxable gain on sale of the Mascot land and buildings.
2 A deferred tax asset of $866 million has been recognised for income tax losses and is expected to be recovered in future periods.

9 DIVIDENDS

No interim dividend will be paid in relation to the half-year ended 31 December 2021.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

10 CAPITAL

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

On 10 August 2020, the Group completed a retail Share Purchase Plan resulting in the issuance of 22.6 million shares at $3.18 per share totalling $71.7 million. Equity raising costs were accrued against the capital raising as at June 2020 as a reduction in Issued Capital. The tax benefit of these costs was recognised in equity in the half-year ended 31 December 2020, resulting in an increase in Issued Capital of $10 million. The fully underwritten Institutional Placement in June 2020 and the Share Purchase Plan in July 2020 provided total proceeds of $1,432 million, resulting in an increase in Issued Capital of $1,410 million, net of tax and fees.

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

11 REVENUE RECEIVED IN ADVANCE

	December 2021 $M			June 2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue	2,570	-	2,570	2,143	-	2,143
Unredeemed Frequent Flyer revenue	1,100	2,045	3,145	894	2,119	3,013
Other revenue received in advance	201	120	321	240	35	275
Total revenue received in advance	**3,871**	**2,165**	**6,036**	**3,277**	**2,154**	**5,431**

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

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

Travel credits are available to be used for future flights and are typically eligible for refund. Where customers have made refund claims by 31 December 2021, these are no longer classified as unavailed passenger revenue and are reported as payables in the Consolidated Balance Sheet. Notwithstanding that travel credits may not be expected to be utilised in the next 12 months, unavailed passenger revenue is classified as current on the basis that the Group does not have an unconditional right to defer usage of the ticket for at least 12 months.

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

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

12 CASH AND CASH EQUIVALENTS AND INTEREST-BEARING LIABILITIES

(A) CASH AND CASH EQUIVALENTS

	December 2021 $M	June 2021 $M
Cash balances	197	143
Cash at call	385	327
Short-term money market securities and term deposits	2,123	1,751
Total cash and cash equivalents	**2,705**	**2,221**

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

(B) INTEREST-BEARING LIABILITIES

	December 2021 $M			June 2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	341	1,457	1,798	433	1,628	2,061
Bank loans – unsecured	-	437	437	-	436	436
Other loans – secured	316	2,177	2,493	241	2,328	2,569
Other loans – unsecured	295	1,966	2,261	295	1,469	1,764
Total interest-bearing liabilities	**952**	**6,037**	**6,989**	**969**	**5,861**	**6,830**

13 PROVISIONS

	December 2021 $M			June 2021 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	383	-	383	375	-	375
Long service leave	329	48	377	340	50	390
Redundancies and other employee benefits	88	-	88	123	-	123
Total employee benefits	**800**	**48**	**848**	**838**	**50**	**888**
Onerous contracts	19	-	19	31	-	31
Make good on leased assets	81	691	772	131	523	654
Insurance, legal and other	110	124	234	136	116	252
Total other provisions	**210**	**815**	**1,025**	**298**	**639**	**937**
Total provisions	**1,010**	**863**	**1,873**	**1,136**	**689**	**1,825**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

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

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

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

Given the significant decrease in flying activity compared to expectations at 30 June 2021, particularly in the first quarter of financial year 2021/22, $20 million was recognised immediately in the Consolidated Income Statement in relation to de-designated hedges.

Hedge reserve balance

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

15 GOVERNMENT GRANTS AND ASSISTANCE

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

Packages[1]	Description
International Aviation Support (IAS) Package[2] *Recognised within other revenue and income*	The program is intended to provide support to maintain a core Australian international aviation workforce and operational capability to ensure airlines can quickly restart commercial international flights once international restrictions are lifted. Announced on 11 March 2021, the IAS program was due to run between 1 April 2021 and 31 October 2021. On 20 September 2021, the government announced an extension to the program until 31 March 2022. The funding covers employee support and retention payments to maintain international workforce capability, training to ensure international workers maintain their skills and currency, maintenance and costs associated with bringing international aircraft out of long-term storage, and port readiness costs. Income of $84 million was recognised in the Consolidated Income Statement during the period. The costs to awaken aircraft and the training of the international workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel and other expenses. Further to the payments made in relation to international readiness, the IAS package also provided $57 million of employee retention payments which were wholly passed through to impacted employees and the Group received no benefit.
Retaining Domestic Airline Capability (RDAC) Program[2] *Recognised within other revenue and income*	The program is intended to assist airlines maintain core domestic aviation capabilities, through the retention of essential aviation sector skills and knowledge to ensure airlines can quickly increase capacity as border restrictions ease. Announced on 2 August 2021, the RDAC program was due to run between 2 August 2021 and 31 December 2021. Following the removal of all COVID Commonwealth hotspots, the program ended on 1 December 2021. The funding covered employee support and retention payments for those who were not eligible for the Commonwealth Disaster Payment to maintain an agreed level of domestic capability, training to ensure domestic workers maintain their skills and currency and maintenance costs associated with ensuring aircraft are in flight-ready condition. Income of $29 million was recognised in the Consolidated Income Statement. The costs to maintain aircraft and the training of the domestic workforce was recognised primarily in manpower and staff-related costs, aircraft operating variable and other expenses. Further to the payments made in relation to domestic readiness, the RDAC program also provided $8 million of employee support payments which were wholly passed through to impacted employees and the Group received no benefit.
Tourism Aviation Network Support (TANS) **Tourism aviation discount fares (Part 1)** *Recognised within other revenue and income*	This program is intended to reduce the cost of flying for consumers by discounting ticket prices to those regions through half price airfares. Discounts are offered on a selected number of routes across key tourism regions with the original sale period between 1 April 2021 and 31 July 2021 for travel by 30 September 2021. On 2 August 2021, the travel and sale period for the TANS program was extended until 30 November 2021. On 30 November 2021, the program was further extended until 28 February 2022. Income of $22 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.

1 The Domestic Airport Security Cost Support (DASCS) program, also provided support to other suppliers of the Group. In addition, the Airservices Fee Waiver provides a 50 per cent reduction in charges, including charges by the Bureau of Meteorology, for regular public transport (RPT) and aeromedical services. The waiver was extended to 31 December 2021 and lessened the operating costs for airlines in providing RPT and aeromedical flights. As a result of the aforementioned support, the providers have granted waivers to the Group of $59 million and the Group directly received $2 million for the first half of the 2021/22 financial year.

2 A portion of the underlying costs relate to capital expenditure relating to IAS $23 million and RDAC $18 million. These amounts have been deferred and will be recognised in the Income Statement over the useful life of the related capital expenditure.

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

15 GOVERNMENT GRANTS AND ASSISTANCE (CONTINUED)

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

Packages	Description
Tourism Aviation Network Support (TANS) **TANS - Tourism aviation capacity (Part 2)** *Recognised within other revenue and income*	This program is intended to increase the number of flight frequencies to selected regions which have been heavily impacted by the loss of international tourists above minimum connectivity. On 2 August 2021, the travel and sale period for the TANS program was extended until 30 November 2021. On 30 November 2021, the program was further extended until 28 February 2022. Income of $8 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.
RANS, DANS and government repatriation flights *RANS/DANS recognised within other revenue and income* *Government repatriation flights recognised within net passenger revenue*	This package is underwritten by the Australian government on a cost offset basis. The Group operated a series of domestic and regional flights on behalf of the Australian Government to maintain critical links otherwise impacted by COVID-related travel restrictions. It includes a baseline network of domestic passenger flights servicing the most critical metropolitan and regional routes while providing freight belly space capacity. In addition, the Australian Government commissioned Qantas to conduct various charter repatriation flights. The Regional Airline Network Support (RANS), Domestic Aviation Network Support (DANS) and government repatriation flights were operated as a fee-for-service, with fare revenue offsetting the cost. Income of $138 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses. On 2 August 2021, the government announced the extension of the DANS and RANS program until 31 December 2021. On 20 December 2021, the government announced the extension of the RANS program until 31 March 2022.
International Freight Assistance Mechanism (IFAM) *Recognised within net freight revenue*	This mechanism is intended to restore critical global supply chains which have been heavily impacted by COVID-19 containment measures around the world to ensure exporters maintain connectivity to strategic markets. On 11 March 2021, the government announced an extension of the program to the end of September 2021 and on 27 August 2021, announced it would be further extended under mid-2022. Income of $165 million was recognised in the Consolidated Income Statement. The costs to operate these flights were recognised primarily in manpower and staff-related costs, aircraft operating variable, fuel, depreciation and amortisation and other expenses.

16 CAPITAL COMMITMENTS

The Group’s capital expenditure commitments as at 31 December 2021 are $8,463 million (30 June 2021: $8,114 million). The Group has certain rights within its aircraft purchase contracts which enable deferment of capital expenditure commitments.

The Group’s capital expenditure commitments are predominantly denominated in US dollars. Commitments reported above are translated to the Group’s Australian dollar presentational currency at the 31 December 2021 closing exchange rate of $0.72. (30 June 2021: $0.75).

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

IFRIC Cloud Computing Arrangement Decision

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

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

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

This has resulted in the restatement of the Consolidated Balance Sheet at 30 June 2020 and 30 June 2021, and the Consolidated Income Statement and the Operating Segment results for the periods ended 31 December 2020 and 30 June 2021. There was no impact to the Consolidated Cash Flow Statement for the half-year ended 31 December 2020 or the year ended 30 June 2021.

Revised Accounting Policy for Software

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

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

Application of the new guidance

In applying the new accounting policy, management has made the following key judgements that may have the most significant effect on the amounts recognised in financial statements:

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

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

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

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

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

Capitalisation of configuration and customisation costs in cloud computing arrangements

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

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT

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

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(A) CONSOLIDATED BALANCE SHEET RESTATEMENT (CONTINUED)

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

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

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(B) CONSOLIDATED INCOME STATEMENT RESTATEMENT (CONTINUED)

The impact on the Consolidated Income Statement for the half-year ended 31 December 2020 is:

	31 December 2020 $M	IFRIC Cloud Computing decision $M	31 December 2020 (restated) $M
REVENUE AND OTHER INCOME			
Net passenger revenue	1,298	-	1,298
Net freight revenue	613	-	613
Other revenue and income	419	-	419
Revenue and other income	**2,330**	**-**	**2,330**
EXPENDITURE			
Manpower and staff-related	865	-	865
Aircraft operating variable	569	-	569
Fuel	309	-	309
Depreciation and amortisation	978	(25)	953
Share of net loss of investments accounted for under the equity method	67	-	67
Impairment of assets and related costs	167	-	167
De-designation and ineffectiveness of fuel and foreign exchange hedges	(3)	-	(3)
Redundancies and related costs	268	-	268
Net gain on disposal of assets	(18)	-	(18)
Other	449	-	449
Expenditure	**3,651**	**(25)**	**3,626**
Statutory loss before income tax expense and net finance costs	**(1,321)**	**25**	**(1,296)**
Finance income	12	-	12
Finance costs	(158)	-	(158)
Net finance costs	**(146)**	**-**	**(146)**
Statutory loss before income tax expense	**(1,467)**	**25**	**(1,442)**
Income tax benefit	386	(7)	379
Statutory loss for the period	**(1,081)**	**18**	**(1,063)**

Condensed Notes to the Consolidated Interim Financial Report continued

For the half-year ended 31 December 2021

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

(B) CONSOLIDATED INCOME STATEMENT RESTATEMENT (CONTINUED)

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

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

Condensed Notes to the Consolidated Interim Financial Report continued
For the half-year ended 31 December 2021

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

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

The impact of the IFRIC Cloud Computing decision on the results of the operating Segments for the half-year ended 31 December 2020 is:

31 December 2020 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations	Consolidated
Underlying EBIT as previously reported	**(337)**	**(291)**	**(328)**	**125**	**(50)**	**(7)**	**(888)**
Segment allocation of IFRIC Cloud Computing decision impacting amortisation expense	8	12	5	-	-	-	25
Restated Underlying EBIT	**(329)**	**(279)**	**(323)**	**125**	**(50)**	**(7)**	**(863)**
Net finance costs					(146)		(146)
Underlying PBT					**(196)**		**(1,009)**

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

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

(D) EARNINGS PER SHARE

	31 December 2020	IFRIC Cloud Computing decision	31 December 2020 (restated)
Basic earnings per share (cents)	(57.5)	0.9	(56.6)
Diluted earnings per share (cents)	(57.5)	0.9	(56.6)

	30 June 2021	IFRIC Cloud Computing decision	30 June 2021 (restated)
Basic earnings per share (cents)	(91.8)	1.9	(89.9)
Diluted earnings per share (cents)	(91.8)	1.9	(89.9)

18 POST-BALANCE SHEET DATE EVENTS

Sudden growth in COVID-19 cases within several states of Australia emerged throughout December 2021 and early January 2022, impacting travel demand and resulted in the Group announcing on 13 January 2022 capacity reductions both domestically and internationally for the third quarter of the 2021/22 financial year. The Group adjusted flying levels by reducing frequency of services and size of aircraft to minimise inconvenience for passengers as much as possible. This was an adjusting subsequent event with no material impact on the Consolidated Interim Financial Report for the half-year ended 31 December 2021.

On 18 February 2022, the Supreme Court of Western Australia handed down its decision on aeronautical pricing for Perth Airport following a three-year legal dispute between the Qantas Group and Perth Airport. This was an adjusting subsequent event with no material impact on the Consolidated Interim Financial Report for the half-year ended 31 December 2021.

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

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2021 there have been:

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

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

KPMG	**Julian McPherson**
Sydney	*Partner*
24 February 2022	

DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

(a) the Consolidated Interim Financial Report and notes set out on pages 22 to 52 are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the financial position of the Qantas Group as at 31 December 2021 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
   ii. complying with *Australian Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed pursuant to a Resolution of the Directors:

RICHARD GOYDER, AO
Chairman

ALAN JOYCE, AC
Chief Executive Officer

Sydney
24 February 2022

Independent Auditor's Review Report

To the shareholders of Qantas Airways Limited

Conclusion

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

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

i) giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the **Interim Period** ended on that date; and

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

The **Interim Financial Report** comprises:

- the Consolidated Balance Sheet as at 31 December 2021;
- the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the Interim Period ended on that date;
- notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' declaration.

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

The **Interim Period** is the six months ending on 31 December 2021.

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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the 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 and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

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

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

KPMG

KPMG

Julian McPherson
Partner
Sydney
24 February 2022

Caoimhe Toouli
Partner
Sydney
24 February 2022

Operational Statistics

For the half-year ended 31 December 2021

(unaudited)		December 2021	December 2020	December 2018 (Pre-COVID)
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC (INCLUDING QANTASLINK)				
Passengers carried	‘000	3,232	2,658	11,417
Revenue Passenger Kilometres (RPK)	M	3,811	3,032	13,788
Available Seat Kilometres (ASK)	M	7,677	5,220	17,314
Revenue Seat Factor	%	49.6	58.1	79.6
JETSTAR DOMESTIC				
Passengers carried	‘000	1,640	1,733	7,208
Revenue Passenger Kilometres (RPK)	M	2,180	2,144	8,511
Available Seat Kilometres (ASK)	M	3,700	2,957	9,693
Revenue Seat Factor	%	58.9	72.5	87.8
GROUP DOMESTIC				
Group Domestic Available Seat Kilometres (ASK)	M	11,377	8,177	27,007
QANTAS INTERNATIONAL				
Passengers carried	‘000	119	3	4,428
Revenue Passenger Kilometres (RPK)	M	772	8	30,044
Available Seat Kilometres (ASK)	M	1,245	31	35,151
Revenue Seat Factor	%	62.0	25.8	85.5
JETSTAR INTERNATIONAL				
Passengers carried	‘000	318	503	3,238
Revenue Passenger Kilometres (RPK)	M	238	359	9,389
Available Seat Kilometres (ASK)	M	358	493	10,740
Revenue Seat Factor	%	66.5	72.8	87.4
JETSTAR ASIA				
Passengers carried	‘000	97	18	2,209
Revenue Passenger Kilometres (RPK)	M	102	25	3,226
Available Seat Kilometres (ASK)	M	526	136	3,956
Revenue Seat Factor	%	19.4	18.4	81.5
GROUP INTERNATIONAL				
Group International Available Seat Kilometres (ASK)	M	2,129	660	49,847
QANTAS GROUP OPERATIONS				
Passengers carried	‘000	5,406	4,915	28,500
Revenue Passenger Kilometres (RPK)	M	7,103	5,568	64,958
Available Seat Kilometres (ASK)	M	13,506	8,837	76,854
Revenue Seat Factor	%	52.6	63.0	84.5
Group Unit Revenue	c/ASK	8.41	10.33	8.94
Aircraft at end of the year	#	309	314	315