QANTAS

ANNUAL REPORT 2023


LONDON
ROME
DELHI
SEOUL
TOKYO
SHANGHAI
HONG KONG
BENGALURU
(BANGALORE)
BANGKOK
MANILA
SINGAPORE
JAKARTA
BALI
DILI
PORT
DARWIN
JOHANNESBURG
PERTH
BRISBANE
ADELAIDE
MELBOURNE
FLYING FROM:
NOW FLYING
(SEASONAL SERVICE)
OCTOBER 2023

VANCOUVER
NEW YORK
SAN FRANCISCO
LOS ANGELES
DALLAS
HONOLULU
MORESBY
HONIARA (SOLOMON ISLANDS)
APIA (SAMOA)
FIJI
NOUMEA
NUKU'ALOFA (TONGA)
SANTIAGO
YDNEY
AUCKLAND
WELLINGTON
CHRISTCHURCH
QUEENSTOWN

Contents

Financial Snapshot[1]

$2.47 billion
UNDERLYING PROFIT BEFORE TAX

$1.74 billion
STATUTORY PROFIT AFTER TAX

96 cents
EARNINGS PER SHARE

$2.89 billion
NET DEBT

$10 billion
LIQUIDITY SOURCES[2]

$1.0 billion
RETURNED TO SHAREHOLDERS

Other Highlights

132%
INCREASE IN FLYING COMPARED TO FY22

9 million
JETSTAR FARES UNDER $100

10
NEW AIRCRAFT ARRIVALS ACROSS QANTAS AND JETSTAR

$340 million
IN BENEFITS SHARED WITH EMPLOYEES

1 Refer to the Review of Operations section in the Qantas Annual Report 2023 for definitions and explanations of non-statutory measures. Unless otherwise stated, amounts are reported on an underlying basis.
2 Includes $4.4 billion in cash and undrawn facilities and $5.6 billion in unencumbered assets.

Five-Year History

FINANCIAL PERFORMANCE[1]

		2023	2022	2021[2]	2020	2019[2]
Revenue and other income	$M	19,815	9,108	5,934	14,257	17,966
Statutory Profit/(Loss) Before Tax	$M	2,472	(1,191)	(2,299)	(2,708)	1,192
Statutory Profit/(Loss) After Tax	$M	1,744	(860)	(1,692)	(1,964)	840
Underlying Profit/(Loss) Before Tax	$M	2,465	(1,859)	(1,774)	124	1,326
Underlying Earnings/(Loss) Before Interest and Tax (EBIT)	$M	2,682	(1,558)	(1,473)	395	1,608
Operating Margin	%	13.5	(17.1)	(24.8)	2.8	9.0
Earnings Per Share	cents	96.0	(45.6)	(89.9)	(129.6)	51.5
Return on Invested Capital (ROIC)	%	103.6	(31.6)	(21.4)	5.8	19.2
Share price at 30 June	$	6.20	4.47	4.66	3.78	5.40
Dividend per share[3]	cents	–	–	–	–	25
Cash flow from operations	$M	5,085	2,670	(386)	1,083	3,164
Net Free Cash Flow	$M	2,460	2,430	(1,108)	(488)	1,601
Net on balance sheet debt	$M	1,998	2,617	4,609	3,173	2,980
Net Debt	$M	2,885	3,937	5,890	4,734	4,710
Net capital expenditure	$M	2,666	398	693	1,571	1,563
Shareholder distributions[3]	$M	1,000	–	–	647	1,000
Unit Revenue (RASK)	c/ASK	12.29	9.48	9.72	8.99	8.85
Total unit cost[4]	c/ASK	(10.19)	(13.16)	(15.76)	(8.87)	(7.97)
Ex-fuel unit cost[4]	c/ASK	(6.30)	(9.64)	(12.67)	(6.22)	(5.40)

STATISTICS

		2023	2022	2021	2020	2019
Available Seat Kilometres (ASK)	M	117,258	50,633	29,374	111,870	151,430
Revenue Passenger Kilometres (RPK)	M	97,693	34,363	18,557	92,027	127,492
Passengers carried	'000	45,725	21,257	15,866	40,475	55,813
Seat Factor	%	83.3	67.9	63.2	82.3	84.2
Aircraft at end of period		336	322	315	314	314

1 Refer to the Review of Operations on pages 12 to 22 for definitions and explanations of non-statutory measures.

2 2021 has been restated for the impact of the adoption of the IFRIC agenda decision in relation to cloud computing. 2019 has been restated for the impact of the adoption of AASB 16 *Leases* and the IFRIC agenda decision in relation to fair value hedges.

3 Dividend per share is reported as the interim and final dividend in relation to the relevant financial year. Shareholder distributions includes dividends paid and share buy-backs and are reported in the year cash distributions are made.

4 Total unit cost is net expenditure (Underlying PBT excluding ticketed passenger revenue) per ASK. Ex-fuel unit cost is net expenditure excluding fuel, share of profit/(loss) of investments accounted for under the equity method and discount rate changes on provisions, per ASK.

Chairman's Message

This past year has been extremely challenging on a number of fronts — both for our company and many of our stakeholders.

OPERATIONAL CHALLENGES AND INVESTMENT

We had significant issues as Qantas and Jetstar's flying ramped up post-COVID, with supply chain and resourcing challenges resulting in too many cancellations and delays. It was deeply disappointing and we sincerely apologise.

Our people worked incredibly hard to fix this, and by the end of the year Qantas was the most on time of the major domestic airlines for 11 out of 12 months.

Demand for travel has been very strong and our flying increased to carry 46 million people — more than twice the number we carried the year before. Importantly, our operational safety performance across the Group was strong, and this will always be our top priority.

We took delivery of 10 new aircraft during the year as we started a decade-long renewal program of our jet fleet. Over the next three financial years alone, we're investing around US$4.3 billion in a mix of wide and narrow-body aircraft, which will open up new domestic and international routes.

These aircraft also burn around 20 per cent less fuel, helping us towards our interim net emissions reduction targets for 2030.

REPUTATIONAL CHALLENGES AND ACCOUNTABILITY

As we move through our recovery, management and the Board are acutely aware of the need to rebuild your confidence in Qantas. We're also conscious of the loss of trust that has occurred because our service has often fallen short of expectations, compounded by a number of other issues relating to the pandemic period.

In recognition of the customer and brand impact of cumulative events, the Board has applied its discretion to reduce short term incentives for senior executives in FY23. Details of this are outlined in our Remuneration Report on page 31.

In August 2023, the ACCC started proceedings against Qantas for alleged breaches of Australian Consumer Law, dating back to our difficult restart in the first half of calendar 2022.

We take our obligations under consumer law, and therefore these allegations, very seriously and are working through the legal process now underway. What we can say in the interim is Qantas' longstanding practice is that when a flight is cancelled, customers are offered an alternative flight or a refund. However, in the interests of good governance, the Board will withhold payments under the FY23 short term incentive program for senior executives while this matter progresses.

In September 2023, the High Court upheld the findings of the Federal Court that Qantas' decision to outsource the remainder of its ground handling function in 2020 was a breach of the Fair Work Act.

While the Court endorsed that Qantas had sound commercial reasons for making this decision, it wasn't satisfied that we discharged the reverse onus of proof that applied in this case. We regret that the circumstances in 2020 necessitated difficult decisions across much of our workforce, including the retrenchment of the 1,700 workers involved. We will be working with the Court on appropriate compensation.

On any matter, management and the Board only take a course of action if they believe it's lawful. However, we also accept that there must be accountability where those actions are found to be otherwise, and we will work through these and other issues with relevant stakeholders.

RENEWAL

Both Board and Management are undergoing a significant period of renewal.

Alan Joyce retired in September 2023 after 15 years as Group CEO. Alan guided the company through some of the toughest periods in its history and led some pivotal long-term decisions on fleet and network. He openly recognised that there were elements of the COVID restart that could have been managed better and took action

to start turning that around. The Board thanks him sincerely for his enormous contribution.

Vanessa Hudson took over the role as Group CEO and is expanding the effort to serve our customers better. Vanessa has restructured the Group Management Committee with seven new appointments, including creation of a Chief People Officer role to help increase the focus on what is our most important asset.

The Board is also undergoing renewal. As announced in May, Non-executive Director Michael L'Estrange will step down in November 2023 after seven years of dedicated service.

Joining the board are Doug Parker and Dr Heather Smith, who bring a wealth of experience across aviation and government affairs respectively. These new appointments, including Vanessa as Managing Director, are subject to shareholder approval at the AGM.

This process of Board renewal will continue with a focus on the skills and capabilities required for the challenges and opportunities now in front of us.

STRONG FOUNDATIONS FOR IMPROVEMENT

As we face into the current challenges, we can't lose sight of the fact that the Group is in a strong position to manage them.

We have a pipeline of investment that will improve what we deliver for our customers – from new aircraft to new routes and new lounges. We are making significant investment in digital technology that will put more power in the hands of our people and passengers. And we continue to grow Qantas Loyalty and Qantas Freight.

Our ability to invest comes from a strong balance sheet and strong travel demand, which means we can also keep delivering returns to shareholders.

We have incredibly passionate people working for us and we're continuing to invest heavily in skills development for pilots, cabin crew and engineers.

On behalf of the Board, we are committed to delivering strong, sustainable outcomes for all stakeholders.

Richard Goyder AO

Board of Directors

RICHARD GOYDER AO

BCom, FAICD

Chairman and Independent Non-Executive Director

Mr Goyder was appointed to the Qantas Board in November 2017 and as Chairman in October 2018.

He is Chair of the Nominations Committee.

Mr Goyder is Chairman of Woodside Energy Group Ltd, the Australian Football League Commission, the West Australian Symphony Orchestra and of the Channel 7 Telethon Trust. He is an honorary member of the Business Council of Australia, and a Fellow of the AICD.

Mr Goyder was the Managing Director and CEO of Wesfarmers Limited from July 2005 to November 2017. He also previously held the roles of Finance Director between 2002 and 2004, and Deputy Managing Director and CFO between 2004 and 2005.

Mr Goyder was also formerly Chairman of the Australian B20 (the key business advisory body to the World Economic Forum which includes business leaders from all G20 economies) and JDRF Australia.

Age: 63

VANESSA HUDSON

BBus, CA

Chief Executive Officer and Managing Director

Vanessa Hudson was appointed as an Executive Director on 5 May 2023, and as Chief Executive Officer and Managing Director on 6 September 2023.

She is a Member of the Safety, Health, Environment and Security Committee.

Ms Hudson was previously Group Chief Financial Officer for four years, including through the pandemic and the airline's recovery.

She served as Qantas Chief Customer Officer between February 2018 and October 2019, with responsibilities spanning all aspects of the customer experience and strategy.

Joining Qantas in 1994, she has held a variety of senior commercial, customer and finance roles across the Group, in Australia and overseas, including Executive Manager of Sales and Distribution, Senior Vice President for Qantas across the Americas and New Zealand, Executive Manager of Commercial Planning and Executive Manager for Product and Service. In these various roles her responsibilities ranged from sales channels, revenue management and network planning, to transformation in catering, airports and network.

Vanessa has a Bachelor of Business and was admitted as a Member of the Institute of Chartered Accountants in 1994.

Age: 53

ALAN JOYCE AC

BSc, MSc, MA, FRAeS, FTSE

Former Chief Executive Officer and Managing Director

Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008, and retired on 5 September 2023.

He was a Member of the Safety, Health, Environment and Security Committee.

Mr Joyce is Chairman of the Sydney Theatre Company and a Director of the Museum of Contemporary Art Australia. Between June 2009 and October 2021, Mr Joyce was a Member of the International Air Transport Association's Board of Governors, having served as Chairman from 2012 to 2013.

He was also a Director of the Business Council of Australia between November 2013 and November 2022 and the Chief Executive Officer of Jetstar from 2003 to 2008. Before that, he spent over 15 years in leadership positions with Qantas, Ansett and Aer Lingus.

At both Qantas and Ansett, he led the network planning, schedules planning and network strategy functions. Prior to that, Mr Joyce spent eight years at Aer Lingus, where he held roles in sales, marketing, IT, network planning, operations research, revenue management and fleet planning.

Age: 57

Board of Directors continued

MAXINE BRENNER

BA, LLB

Independent Non-Executive Director

Maxine Brenner was appointed to the Qantas Board in August 2013.

She is a Member of the Remuneration Committee and the Audit Committee.

Ms Brenner is a Director of Origin Energy Limited, Telstra Group Limited and Woolworths Group Limited. She is a Member of the Council of the University of New South Wales.

Ms Brenner was formerly a Managing Director of Investment Banking at Investec Bank (Australia) Limited. She has extensive experience in corporate advisory work, particularly in relation to mergers and acquisitions, corporate restructures and general corporate activity. She also practised as a lawyer with Freehill Hollingdale & Page (now Herbert Smith Freehills), where she specialised in corporate work, and spent several years as a lecturer in the Faculty of Law at both the University of NSW and the University of Sydney.

Ms Brenner was also formerly the Deputy Chairman of the Federal Airports Corporation and a Director of Orica Limited, Neverfail Springwater Limited, Bulmer Australia Limited, Treasury Corporation of NSW and Growthpoint Properties Australia Limited. She also served as a Member of the Australian Government's Takeovers Panel.

Age: 61

JACQUELINE HEY

BCom, Grad Cert (Mgmt), GAICD

Independent Non-Executive Director

Jacqueline Hey was appointed to the Qantas Board in August 2013.

She is Chair of the Remuneration Committee, a Member of the Audit Committee and a Member of the Nominations Committee.

Ms Hey is Chair of Bendigo and Adelaide Bank Limited and a Director of the Commonwealth Superannuation Corporation.

Ms Hey was also formerly a Director of AGL Energy Limited from 2016 to 2022, Cricket Australia from 2012 to 2020, the Australian Foundation Investment Company Limited from 2013 to 2019, Melbourne Business School from 2013 to 2018, the Special Broadcasting Service from 2011 to 2016 and a Member of the ASIC Directory Advisory Panel from 2013 to 2016.

Between 2004 and 2010, Ms Hey was Managing Director of various Ericsson entities in Australia and New Zealand, the United Kingdom and Ireland, and the Middle East. Her executive career with Ericsson spanned more than 20 years in which she held finance, marketing, sales and leadership roles.

Age: 57

Board of Directors continued

BELINDA HUTCHINSON AC

BEc, FCA, FAICD

Independent Non-Executive Director

Belinda Hutchinson was appointed to the Qantas Board in April 2018.

She is Chair of the Audit Committee, a Member of the Nominations Committee and a Member of the Safety, Health, Environment and Security Committee.

Ms Hutchinson is currently Chancellor of the University of Sydney and a Non-Executive Director of Thales Australia.

Ms Hutchinson was also Chairman of the Future Generation Global Investment Company between May 2015 and June 2021.

She has over 30 years' experience in the financial services sector, working in senior roles at Citibank and Macquarie Group. Ms Hutchinson also has extensive board experience; she was formerly Chairman of QBE Insurance Limited, a Director of Telstra Corporation Limited, Coles Group Limited, Crane Group Limited, Energy Australia Limited, TAB Limited, Snowy Hydro Trading Limited, Sydney Water and AGL Energy.

Ms Hutchinson was awarded a Companion of the Order of Australia (AC) in 2020 in recognition of her service to business, tertiary education and scientific research, and for her philanthropic endeavours to address social disadvantage.

Age: 70

MICHAEL L'ESTRANGE AO

BA, MA (Oxon)

Independent Non-Executive Director

Michael L'Estrange was appointed to the Qantas Board in April 2016.

He is a Member of the Remuneration Committee and Safety, Health, Environment and Security Committee.

Mr L'Estrange was Head of the National Security College at the Australian National University from 2009 to 2015. Prior to this, he was the Secretary of the Department of Foreign Affairs and Trade for almost five years and the Australian High Commissioner to the UK between 2000 and 2005. He served as Secretary to Cabinet and Head of the Cabinet Policy Unit from 1996 for more than four years and, prior to that, as Executive Director of the Menzies Research Centre.

Mr L'Estrange was also a Non-Executive Director of Rio Tinto plc and Rio Tinto Limited between September 2014 and May 2021.

He has been a Director of the University of Notre Dame, Australia since 2014 and was appointed Deputy Chancellor of the University of Notre Dame, Australia in 2017.

Mr L'Estrange studied at the University of Sydney and later as a Rhodes Scholar at Oxford University, where he graduated as a Master of Arts with First Class Honours.

Age: 70

DOUG PARKER

BEc, MBA

Independent Non-Executive Director

Doug Parker was appointed to the Qantas Board in May 2023.

Mr Parker was CEO of American Airlines from 2013 to March 2022, and Chairman of the Board until April 2023.

Previously, Mr Parker was Chairman and CEO of US Airways. He served as Chairman, President and CEO of America West Airlines prior to the merger of US Airways and America West in 2005.

Mr Parker was also previously Vice President, Assistant Treasurer and Vice President of Financial Planning and Analysis for Northwest Airlines. From 1986 to 1991, he held several financial management positions with American Airlines.

He is a member of the Vanderbilt University Board of Trust, the SMU Cox School of Business Executive Board, and the Medal of Honour Museum Foundation Board of Directors.

Mr Parker earned a Bachelor of Arts in Economics from Albion College in 1984 and a Master of Business Administration from Vanderbilt University in 1986.

Age: 61

Board of Directors continued

TODD SAMPSON

MBA, BA (Hons)

Independent Non-Executive Director

Todd Sampson was appointed to the Qantas Board in February 2015.

He is a Member of the Remuneration Committee and a Member of the Audit Committee.

Mr Sampson was Executive Chairman of the Leo Burnett Group from September 2015 to January 2017, and National Chief Executive Officer from 2008 to 2015. He was also a Director of Fairfax Media Limited from 2014 to 2018.

Mr Sampson has over 20 years' experience across marketing, communication, new media and digital transformation. He has held senior leadership and strategy roles for a number of leading communication companies in Australia and overseas, including as Managing Partner for D'Arcy, Strategy Director for The Campaign Palace and Head of Strategy for DDB Needham Worldwide.

Age: 53

DR HEATHER SMITH PSM

PSM FAIIA, BEc (Hons), PhD

Independent Non-Executive Director

Dr Heather Smith was appointed to the Qantas Board in August 2023.

Dr Smith is a Non-Executive Director of ASX Limited and Challenger Limited. She is also a Fellow and National President of the Australian Institute of International Affairs.

Dr Smith has extensive experience in public policy, innovation and technological change, national security and economic reform and a deep knowledge of government and the public sector.

Dr Smith has close to 20 years' experience working in the Australian Public Service at senior levels, culminating in being Secretary of the Department of Industry, Innovation and Science from 2017 to 2020. She has also previously served as Secretary of the Department of Communications and the Arts.

Dr Smith has also held senior positions in the departments of Prime Minister and Cabinet, Foreign Affairs and Trade, and the Treasury, as well as the Office of National Intelligence. Dr Smith began her career at the Reserve Bank of Australia.

Dr Smith has a PhD in Economics from the Australian National University (ANU) and is a Professor at the ANU National Security College. She is also an independent director of the Reef Restoration and Adaptation Program.

Age: 58

ANTONY TYLER

BA (Jurisprudence)

Independent Non-Executive Director

Antony Tyler was appointed to the Qantas Board in October 2018.

He is Chair of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee.

Mr Tyler was Director General and Chief Executive Officer of the International Air Transport Association from 2011 to 2016. Prior to this, Mr Tyler spent over 30 years with Cathay Pacific Airways Limited. His career includes several management and executive roles in Hong Kong, the UK, Italy, Japan, Canada, the Philippines and Australia before serving as Chief Executive Officer from 2007 to 2011.

He is a Non-Executive Director of Bombardier Inc, BOC Aviation Limited and Trans Maldivian Airways Limited and a Fellow of the Royal Aeronautical Society.

Age: 68

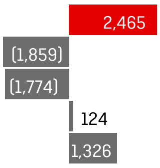
Review of Operations

For the year ended 30 June 2023

RESULTS HIGHLIGHTS

Underlying Profit/(Loss) Before Tax

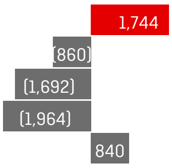
2,465 $M



FY23	2,465
FY22	(1,859)
FY21	(1,774)
FY20	124
FY19	1,326

Statutory Profit/(Loss) After Tax

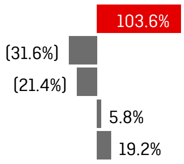
1,744 $M



FY23	1,744
FY22	(860)
FY21	(1,692)
FY20	(1,964)
FY19	840

Return on Invested Capital

103.6 %



FY23	103.6%
FY22	(31.6%)
FY21	(21.4%)
FY20	5.8%
FY19	19.2%

The Qantas Group (referred to as the Qantas Group or the Group) reported Underlying Profit Before Tax[1] (Underlying PBT) of $2,465 million for the financial year 2022/23, a significant turnaround from the Underlying Loss Before Tax of ($1,859) million in financial year 2021/22. The result was underpinned by Group capacity (ASKs[2]) returning to 77 per cent of pre-COVID levels in financial year 2022/23, ongoing strength in travel demand, and the completion of the Group's three-year Recovery Plan, including delivery of $1 billion in permanent cost benefits.

The recovery of Group capacity for financial year 2022/23 was driven by Group Domestic ASKs returning to 96 per cent of pre-COVID levels and Group International ASKs back to 67 per cent of pre-COVID levels. Whilst the impacts of COVID-19 have abated, the Group continued to experience industry recovery challenges which adversely affected operations. These included aircraft manufacturer delays, supply chain dislocations, constrained labour availability and training, and limited heavy maintenance slots at MROs[3]. Significant investments were made during the year to build up resilience against these factors, resulting in temporary costs and inefficiencies which are expected to unwind into financial year 2023/24.

The Group's Statutory Profit Before Tax was $2,472 million, improving by $3,663 million compared to the financial year 2021/22, with the Statutory result including $7 million of net benefits, which were not included in Underlying PBT. Statutory Profit After Tax was $1,744 million.

For Group Domestic operations, the dual brand strategy continued to be core to the Group's strategic proposition, with leadership across all key segments of the market. Qantas Domestic delivered an Underlying EBIT of $1,270 million, achieving an EBIT margin[4] of 18 per cent. Jetstar Domestic delivered an Underlying EBIT of $255 million, achieving an EBIT margin of 11 per cent. The Group Domestic EBIT margin of 16 per cent was underpinned by cost transformation, structural network changes and strong leisure demand.

The Group's International operations (including Freight) contributed an Underlying EBIT of $1,055 million. Rapid return of demand and a gradual recovery in industry capacity resulted in strong Unit Revenue[5] performance substantially above pre-COVID levels. As expected, this unit revenue performance moderated in the second half as capacity progressively returned. The contribution from Qantas Freight, approximately $150 million higher than pre-COVID periods, moderated from record levels in financial year 2021/22 as yields normalised and passenger aircraft belly capacity returned.

Qantas Loyalty continued its strong performance delivering an Underlying EBIT of $451 million, with points earned and redeemed exceeding pre-COVID levels. The result demonstrates the program's unrivalled proposition with approximately one million new members joined in the last 12 months and an estimated one in five Australian SMEs[6] now part of Qantas Business Rewards. Within the Loyalty ecosystem the coalition of partners now exceeds 700 with this depth of engagement delivering over $2 billion in gross cash receipts in financial year 2022/23.

Other key financial metrics for the 2022/23 financial year include:

- Earnings Per Share of 96 cents per share
- Group operating margin of 14 per cent
- Three-year Recovery Plan complete, delivering $1 billion of permanent cost benefits
- Qantas Domestic and Qantas International (including Freight) achieving EBIT margins of 18 per cent and 12 per cent respectively
- Operating cash flow of $5.1 billion, driven by structural change in earnings and working capital rebuild
- Net Free Cash Flow of $2.5 billion.

The Group's Financial Framework remains core to the Group's strategy, driving sustainable financial strength to support investment and shareholder returns whilst preserving financial flexibility. As at 30 June 2023, Net Debt under the Financial Framework was $2.89 billion, below the Group's target range of $3.7 billion to $4.6 billion.

During the year, the Group completed $1 billion of share buy-backs at an average price of $6.19 per share. With all pillars of the Group's Financial Framework met, the Board resolved to distribute further surplus capital to shareholders, announcing a further on-market share buy-back of up to $500 million.

1 Underlying Profit Before Tax (Underlying 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 PBT to Statutory Profit Before Tax on page 20.
2 Available Seat Kilometres – total number of seats available for passengers, multiplied by the number of kilometres flown.
3 Maintenance and Repair Organisation.
4 Underlying EBIT divided by Total Revenue, also referred to as Operating Margin.
5 Ticketed passenger revenue divided by ASKs.
6 Small to medium enterprise.

Review of Operations continued

For the year ended 30 June 2023

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders with the aim of achieving top quartile shareholder returns by targeting maintainable Earnings Per Share (EPS) growth over the cycle with industry-leading ESG[7] credentials. The Financial Framework is built on three clear priorities and associated long-term targets:

1. Maintaining an optimal capital structure	2. ROIC > WACC[8] through the cycle	3. Disciplined allocation of capital
Minimise cost of capital by targeting a Net Debt range of 2.0x - 2.5x EBITDA where ROIC is 10 per cent	Deliver ROIC > 10 per cent[9]	Grow Invested Capital with disciplined investment and return surplus capital
Deliver against Climate Action Plan Targets	ESG included in business decisions	Prioritise projects that exceed both ESG and ROIC targets

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

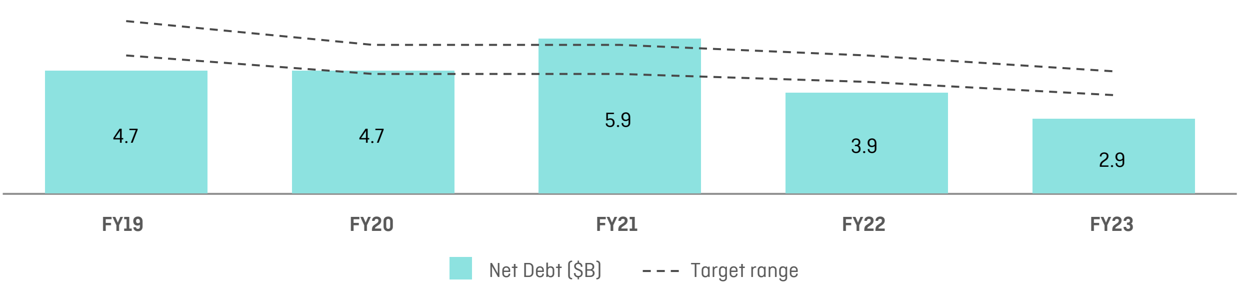
TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE

Maintaining an Optimal Capital Structure

The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. The range is based on a Net Debt to EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. The Group's optimal capital structure is consistent with investment grade credit metrics and the Group maintains an investment grade Baa2 rating with Moody's Investor Services.

At 30 June 2023, Net Debt was $2.89 billion, below the Net Debt target range.

Net Debt Profile FY19 to FY23 ($ billion)



Debt Analysis	June 2023 $M	June 2022 $M	Change $M	Change %
Net on balance sheet debt	1,998	2,617	(619)	(24)
Capitalised operating lease liabilities[10]	887	1,320	(433)	(33)
Net Debt	**2,885**	**3,937**	**(1,052)**	**(27)**

[7] Environmental, Social and Governance.
[8] Weighted Average Cost of Capital, calculated on a pre-tax basis.
[9] 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.
[10] Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis. Residual value of capitalised aircraft lease liability denominated in foreign currency are translated at a long-term exchange rate.

Review of Operations continued

For the year ended 30 June 2023

FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES (continued)

ROIC > WACC Through the Cycle

The Return on Invested Capital (ROIC) for the 12 months to 30 June 2023 was 103.6 per cent. This ROIC was based on an average Invested Capital of $2.6 billion which is significantly lower than pre-COVID levels. Group ROIC is expected to moderate in future periods as Invested Capital rebuilds, however structural changes in earnings, and working capital benefits are expected to deliver Group ROIC in excess of pre-COVID levels.

Disciplined Allocation of Capital

The Qantas Group takes a disciplined approach to allocating capital, with the aim to grow Invested Capital and return surplus capital to shareholders. Net capital expenditure[11] totalled $2,666 million during the financial year 2022/23. The Group returned $1 billion to shareholders through an on-market share buy-back. This resulted in an 8.6 per cent reduction in shares on issue since 1 July 2022.

Upon considering the forward outlook for the business under its Financial Framework, the Board has resolved to announce an on-market buy-back up to the value of $500 million.

Maintainable EPS Growth Over the Cycle

Earnings Per Share was 96 cents per share for the financial year 2022/23. The increase from financial year 2021/22 was driven by a significant increase in the Statutory Profit After Tax coupled with the EPS accretion from completion of the $1 billion on-market buy-back in financial year 2022/23.

GROUP PERFORMANCE

The Qantas Group reported an Underlying Profit Before Tax of $2,465 million for the 2022/23 financial year, a significant turnaround from the Underlying Loss Before Tax of ($1,859) million in the financial year 2021/22.

Net passenger revenue increased by 184 per cent with the return of domestic and international operations. Net freight revenue decreased due to a moderation in record yields achieved in financial year 2021/22 as international belly space capacity returned and other revenue increased primarily due to revenue growth at Qantas Loyalty.

Group Underlying Income Statement Summary[12]	June 2023 $M	June 2022 $M	June 2019 (pre-COVID) $M
Net passenger revenue	16,923	5,951	15,696
Net freight revenue	1,380	1,963	971
Other	1,512	1,194	1,299
Revenue	**19,815**	**9,108**	**17,966**
Operating expenses (excluding fuel)	(10,771)	(6,853)	(10,599)
Fuel	(4,555)	(1,848)	(3,846)
Impairment	(1)	(38)	–
Depreciation and amortisation	(1,762)	(1,801)	(1,936)
Share of net (loss)/profit of investments accounted for under the equity method	(44)	(126)	23
Total underlying expenditure	**(17,133)**	**(10,666)**	**(16,358)**
Underlying EBIT	**2,682**	**(1,558)**	**1,608**
Net finance costs	(217)	(301)	(282)
Underlying PBT	**2,465**	**(1,859)**	**1,326**

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

[12] Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 20.

Review of Operations continued

For the year ended 30 June 2023

GROUP PERFORMANCE (continued)

Operating Statistics		June 2023	June 2022	June 2019 (pre-COVID)
Available Seat Kilometres (ASK)[13]	M	117,258	50,633	151,430
Revenue Passenger Kilometres (RPK)[14]	M	97,693	34,363	127,492
Passengers carried	000	45,725	21,257	55,813
Seat Factor[15]	%	83.3	67.9	84.2
Operating Margin[16]	%	13.5	(17.1)	9.0
Unit Revenue (RASK)[17]	c/ASK	12.29	9.48	8.85
Total Unit Cost[18]	c/ASK	(10.19)	(13.16)	(7.97)

Group capacity for the year (ASK) increased by 132 per cent with the return of domestic and international operations. Revenue Passenger Kilometres increased by 184 per cent as the Group's Seat Factor increased to 83 per cent, from 68 per cent. Group Unit Revenue increased 30 per cent to 12.29 c/ASK. Total Unit Cost decreased to 10.19 c/ASK with the continued return of Group capacity and the fixed cost base, including depreciation and amortisation, being spread across significantly higher ASKs and as a result of the completion of the three-year Recovery Plan, delivering $1 billion of permanent cost benefits.

CASH GENERATION

Cash Flow Summary	June 2023 $M	June 2022 $M	Change $M	Change %
Operating cash flows	5,085	2,670	2,415	90
Investing cash flows	(2,625)	(240)	(2,385)	>(100)
Net Free Cash Flow	**2,460**	**2,430**	**30**	**1**
Financing cash flows	(2,628)	(1,310)	(1,318)	>(100)
Cash at beginning of year	3,343	2,221	1,122	51
Effect of foreign exchange on cash	(4)	2	(6)	>(100)
Cash at end of the year	**3,171**	**3,343**	**(172)**	**(5)**

Operating cash inflows for the financial year 2022/23 were $5,085 million, underpinned by capacity growth, strong unit revenue performance, the continued rebuild of Revenue Received in Advance and Loyalty billings generating significant positive cash flow.

Investing cash outflows for the financial year 2022/23 were ($2,625) million. Net capital expenditure[19] was $2,666 million, which included ten aircraft deliveries, pre-delivery payments and the balance primarily directed to capitalised maintenance.

Net financing cash outflows of ($2,628) million included $1,669 million debt repayments partially offset by $826 million drawdown of debt, $682 million in net aircraft and non-aircraft lease repayments, and an on-market share buy-back of $1,000 million.

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

13 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.
14 RPK – total number of passengers carried, multiplied by the number of kilometres flown.
15 Seat Factor – RPKs divided by ASKs. Also known as load factor or load.
16 Operating Margin is Group Underlying EBIT divided by Group total revenue.
17 Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).
18 Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.
19 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.

Review of Operations continued

For the year ended 30 June 2023

FLEET

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

During the year, Qantas International took delivery of two 787-9 aircraft and QantasLink activated six additional wet lease E190s from Alliance Airlines. An additional two A320-200 aircraft were transferred from Jetstar Australia to QantasLink to support the growing resource market and one A320-200 was returned to the lessor. Nine next-generation A321LRs were also received in the Jetstar Group (one of the nine A321neos went to Jetstar Japan, which is excluded from the table below) and one 737-300F was retired from freight operations.

At 30 June 2023, the Qantas Group fleet[20] totalled 336 aircraft.

Fleet Summary (Number of Aircraft)	June 2023	June 2022
A380-800[21]	10	10
A330-200[22]	18	18
A330-300	10	10
737-800	75	75
787-9	13	11
Total Qantas	**126**	**124**
717-200	20	20
Q200/Q300	19	19
Q400	31	31
E190	18	12
F100	18	18
A320-200	13	11
Total QantasLink	**119**	**111**
A320-200	56	59
A321-200	6	6
A321LR	8	–
787-8	11	11
Total Jetstar	**81**	**76**
737-300F/737-400F	4	5
767-300F	1	1
A321-200F	3	3
747-8F	–	2
747-400F	2	–
Total Qantas Freight	**10**	**11**
Total Group	**336**	**322**

20 Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and QantasLink and excludes aircraft operated by Jetstar Japan and capacity hire aircraft to Jetstar Australia,from Jetstar Japan.
21 Seven A380-800 aircraft in operation as at 30 June 2023.
22 Conversion of two A330-200s expected to finalise in the first half of financial year 2023/24.

Review of Operations continued

For the year ended 30 June 2023

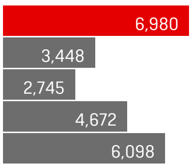
SEGMENT PERFORMANCE

Segment Performance Summary	June 2023 $M	June 2022 $M	June 2019 (pre-COVID) $M
Qantas Domestic	1,270	(765)	778
Qantas International	906	(238)	323
Jetstar Group	404	(796)	400
Qantas Loyalty	451	292	376
Corporate	(212)	(129)	(171)
Unallocated/Eliminations	(137)	78	(98)
Underlying EBIT	**2,682**	**(1,558)**	**1,608**
Net Finance Costs	(217)	(301)	(282)
Underlying PBT	**2,465**	**(1,859)**	**1,326**

QANTAS DOMESTIC

Revenue

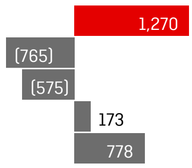
6,980 $M



FY23	**6,980**
FY22	3,448
FY21	2,745
FY20	4,672
FY19	6,098

Underlying EBIT

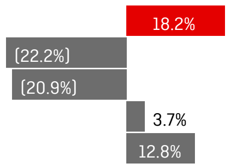
1,270 $M



FY23	**1,270**
FY22	(765)
FY21	(575)
FY20	173
FY19	778

Operating Margin

18.2 %



FY23	**18.2%**
FY22	(22.2%)
FY21	(20.9%)
FY20	3.7%
FY19	12.8%

Metrics		June 2023	June 2022	June 2019 (pre-COVID)
ASKs	M	32,513	21,233	33,866
Seat Factor	%	76.2	60.9	77.8

Qantas Domestic reported an Underlying EBIT of $1,270 million, a significant turnaround from a loss before interest and tax of ($765) million in the financial year 2021/22 as capacity returned to 96 per cent of pre-COVID levels. The result delivered an operating margin of 18 per cent and was driven by cost transformation benefits from the Recovery Plan, structural network changes and strong travel demand particularly in leisure segments.

In addition to the strong leisure demand, Qantas Domestic saw continued strength in resource segments and maintained leading market share positions in both Corporate and Small and Medium-sized Enterprise (SME) segments (at ~80 per cent and ~54 per cent respectively). In the second half, Qantas Domestic also commenced the domestic fleet renewal program, with the delivery of next-generation A220 aircraft expected in financial year 2023/24 enabling the existing fleet of 20 717-200 aircraft to commence retirement plans.

During the first half of the year, Qantas Domestic experienced operational challenges including sick leave, supply chain and other industry challenges. Steps were taken to address performance, including increased investment in recruitment and building network resilience. This resulted in a steady improvement in operational performance from the second half and Qantas Domestic outperformed its major competitor on on-time performance for the majority of the year. The improvement in operational performance is also supporting customer NPS[23] recovery.

[23] Net promoter score. Customer advocacy measure.

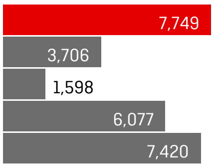
Review of Operations continued

For the year ended 30 June 2023

QANTAS INTERNATIONAL (including Freight)

Revenue

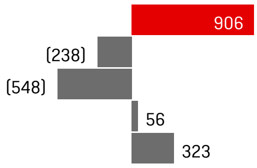
7,749 $M



FY23	**7,749**
FY22	3,706
FY21	1,598
FY20	6,077
FY19	7,420

Underlying EBIT

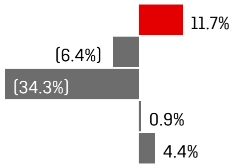
906 $M



FY23	**906**
FY22	(238)
FY21	(548)
FY20	56
FY19	323

Operating Margin

11.7 %



FY23	**11.7%**
FY22	(6.4%)
FY21	(34.3%)
FY20	0.9%
FY19	4.4%

Metrics		June 2023	June 2022	June 2019 (pre-COVID)
ASKs	M	45,187	12,187	69,571
Seat factor	%	85.7	75.4	86.0

Qantas International (including Freight) reported an Underlying EBIT of $906 million and an operating margin of 12 per cent, a significant turnaround from a Loss Before Interest and Tax of ($238) million in financial year 2021/22. The result was supported by a strong revenue environment, cost transformation benefits from the Recovery Plan and structural uplift in Freight earnings. Premium demand was notably strong with premium cabin seat factors averaging 92 per cent, contributing to the uplift in unit revenue performance.

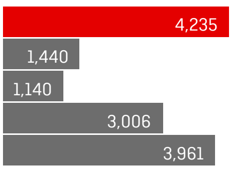
The restoration of flying continued in the year with capacity at 65 per cent of pre-COVID levels in financial year 2022/23 (compared to 18 per cent in financial year 2021/22). Expansion into new routes included Melbourne-Jakarta, Melbourne-Dallas-Fort Worth, Sydney-Seoul, Sydney-Auckland-New York and Sydney-Bengaluru. Qantas International also commenced return to service for Sydney/Melbourne/Brisbane-Tokyo, Sydney-Santiago, Sydney-Hong Kong and Sydney-San Francisco. Increased flying was supported by the delivery of two more 787-9s and the Group's seventh reconfigured A380 returning to service. Supported by the investments in fleet, food and beverage offerings and the re-opening of lounges, NPS recovered strongly in the second half.

In financial year 2022/23, Freight performance moderated from a record in financial year 2021/22 as international yields adjusted to increased belly space capacity. Despite this moderation, the Freight business delivered an approximate $150 million uplift in annual earnings versus the pre-COVID periods, with the fourth quarter yields holding to greater than 150 per cent of the financial year 2018/19 average.

JETSTAR GROUP

Revenue

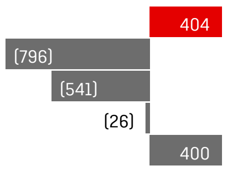
4,235 $M



FY23	**4,235**
FY22	1,440
FY21	1,140
FY20	3,006
FY19	3,961

Underlying EBIT

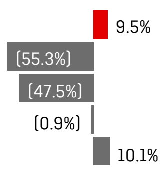
404 $M



FY23	**404**
FY22	(796)
FY21	(541)
FY20	(26)
FY19	400

Operating Margin

9.5 %



FY23	**9.5%**
FY22	(55.3%)
FY21	(47.5%)
FY20	(0.9%)
FY19	10.1%

Metrics		June 2023	June 2022	June 2019 (pre-COVID)
ASKs	M	39,558	17,213	47,993
Seat factor	%	86.4	71.2	86.1

The Jetstar Group reported an Underlying EBIT of $404 million, representing a strong turnaround to profitability despite a slower return of its key international markets. Jetstar Group capacity was 82 per cent of pre-COVID levels, with seat factor increasing to 86 per cent, up from 71 per cent in financial year 2021/22.

Jetstar's Australian Domestic network delivered an Underlying EBIT of $255 million, with capacity recovered to 97 per cent of pre-COVID levels. The domestic operating margin was 11 per cent in the year, supported by ancillary revenue growth which was up 37 per cent vs pre-COVID levels, with the second half performance demonstrating a pathway to achieve its margin target of 15 per cent in financial year 2023/24. This pathway builds on recent improvements in operational performance, supporting the future reduction in temporary costs.

Jetstar's international network reported an Underlying EBIT of $149 million, reflecting a progressive return of key markets, with capacity recovered to 73 per cent of pre-COVID levels. Jetstar's Australian international business delivered an 11 per cent margin, demonstrating the return of strong demand, with Jetstar resuming services to Japan and South Korea and launching Sydney-Raratonga with the next-generation A321LR.

Review of Operations continued

For the year ended 30 June 2023

JETSTAR GROUP (CONTINUED)

Jetstar Asia (Singapore) also demonstrated strong profitability in the year, with ROIC greater than WACC. Further growth is planned following this strong performance, with an additional two aircraft expected in the first half of financial year 2023/24.

Jetstar Group's result includes a ($54) million loss attributable to the share of statutory losses for Jetstar Japan. This loss included an adverse foreign exchange impact of ($12) million relative to financial year 2021/22. Although the business was challenged with domestic demand and an excess capacity environment in Japan with extended COVID-19 impacts in the market, the underlying performance of the business improved $30 million vs financial year 2021/22 and is expected to return to profitability in the financial year 2023/24.

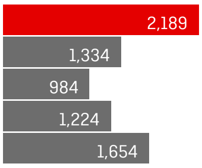
Jetstar Group received nine A321LR aircraft in financial year 2022/23 (eight to Jetstar Australia and New Zealand and one to Jetstar Japan), delivering an estimated 10 per cent unit cost advantage compared to Australian competitors.

The Jetstar Group continues to deliver low fares leadership, offering over 9 million fares below $100 in the year.

QANTAS LOYALTY

Revenue

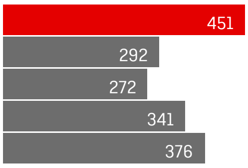
2,189 $M



FY23	**2,189**
FY22	1,334
FY21	984
FY20	1,224
FY19	1,654

Underlying EBIT

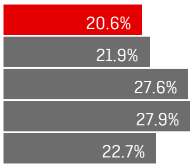
451 $M



FY23	**451**
FY22	292
FY21	272
FY20	341
FY19	376

Operating Margin

20.6 %



FY23	**20.6%**
FY22	21.9%
FY21	27.6%
FY20	27.9%
FY19	22.7%

Metrics		June 2023	June 2022	June 2019 (pre-COVID)
QFF members	M	15.2	14.1	12.9
Points earned	B	175	118	156
Points redeemed[24]	B	155	93	123

Qantas Loyalty reported an Underlying EBIT of $451 million, with strong travel recovery underpinning an uplift in member engagement and points earned and burned exceeding pre-COVID levels. The strength of the program was reflected in membership growth, with more than one million new members in the last 12 months.

Momentum continued as the business saw record points earned on financial services products, with spend on Qantas Points-earning credit cards greater than 110 per cent of pre-COVID levels, and approximately 250,000 new cards acquired, up 65 per cent relative to financial year 2021/22. Qantas Point earning credit cards continue to maintain approximately 35 per cent of all consumer spend on credit cards. Airline redemption activity was approximately double relative to financial year 2021/22, with redemption activity returning to 117 per cent of pre-COVID levels.

In addition, Qantas Loyalty generated more than $1 billion in new bookings across Hotels, Holidays and Tours, up 90 per cent relative to financial year 2021/22, following the expansion of the Qantas Holidays brand and increased redemption value since February 2022. Since the expansion, members have received increased redemption value, giving members substantially more value on Qantas Hotels and Holidays. Other highlights in the portfolio include 41 per cent growth in health insurance customers and greater than 60 per cent growth in travel insurance policies sold relative to financial year 2021/22. Qantas Business Reward members have grown 19 per cent to approximately 450,000 members, capturing one in five Australian Small and Medium-sized Enterprises (SME) relative to financial year 2021/22.

Qantas Loyalty is committed to growing its member base through broader and deeper program engagement, maintaining strong member engagement through initiatives, including the expansion of Hotel and Holiday offerings and status extensions for Qantas Frequent Flyer members at Silver tier and above.

[24] Net points redeemed (in prior years gross points redeemed).

Review of Operations continued

For the year ended 30 June 2023

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

The Statutory Profit Before Tax was $2,472 million for the year ended 30 June 2023.

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.

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 outside the ordinary course of business relating to business activities in other reporting periods, Recovery Plan restructuring costs, transactions involving investments, impairments of assets and other transactions.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT/(LOSS) BEFORE TAX	June 2023 $M	June 2022 $M
Underlying PBT	**2,465**	**(1,859)**
Items not included in Underlying PBT		
– Recovery Plan restructuring costs	5	(21)
– Reversal of impairment of assets and related costs	–	3
– Net gain on disposal of Mascot land and buildings	–	686
– Net gain on disposal of investments/associates	2	–
Total items not included in Underlying PBT	**7**	**668**
Statutory Profit/(Loss) Before Tax	**2,472**	**(1,191)**

In the 2022/23 financial year, items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
Recovery Plan restructuring costs	$5 million primarily relates to the reversal of a redundancy provision previously recognised.
Net gain on disposal of investments/associates	The net gain on disposal of investments/associates of $2 million arose from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

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

Review of Operations continued

For the year ended 30 June 2023

MATERIAL BUSINESS RISKS

The aviation industry is subject to inherent risks that can impact operations if left untreated. These include, but are not limited to, exposure to economic uncertainty and geopolitical instability, changes in government regulations, volatility in fuel prices and foreign exchange rates, and other exogenous events such as aviation incidents, natural disasters, climate change, international conflicts or an epidemic. In rare circumstances, 'black swan' risk events can materialise, resulting in unexpected consequences such as those that the aviation industry experienced due to the COVID-19 pandemic.

The Group continues to plan for a wide range of scenarios and risks to ensure the Group maintains its strong position to support financial targets, operational outcomes and meet travel demand and customer expectations.

The Group is subject to material business risks which may impact the achievement of the Group's strategy and financial prospects. The Group's focus is on continuously improving the controls to manage or mitigate these risks.

Operational and people safety: While there are inherent safety risks in aviation, the Qantas Group's 'safety first' approach ensures that there is a consistent focus on and continuous improvement in the systems and processes that seek to identify and treat current and emerging safety risks to our people and customers, both in the air and on the ground. All Group airlines have regulatory approved systems, including aircraft airworthiness and maintenance as well as operational activities, procedures and training programs utilising qualified (licensed) personnel, approved manuals, and a robust safety and reporting culture. Comprehensive operational and workplace audit and assurance programs seek to confirm that key processes and controls are operating as intended and that the Group continues to meet its regulatory compliance obligations.

Physical security of people and assets: The Group is committed to protecting our people, customers, aircraft and other assets from physical security threats and interference. A comprehensive threat and operational risk assessment program is in place which is supported by extensive collaboration with key Australian and international government agencies and security partners. Security screening measures are implemented throughout the network, in line with regulatory requirements. Extensive controls are in place to protect the operational safety of flight systems, including access controls to aircraft flight decks and physical security of aircraft at ports.

Liquidity and fuel price volatility (including foreign exchange): The Qantas Group's ability to maintain sufficient liquidity is inherent in providing for its operating needs. Maintaining access to a variety of funding sources, targeting minimum liquidity levels, and continued vigilance on costs through ongoing focus on further transformation opportunities are embedded to ensure adequate coverage of liquidity requirements, taking into consideration a range of adverse scenarios, including flexibility in setting capacity to be able to respond to sudden changes in demand and shift in customer preferences. Following the delivery of the $1 billion ongoing structural cost benefits in financial year 2022/23 which was part of its COVID-19 pandemic Recovery Plan, the Qantas Group remains focused on delivering its strategic priorities while continuing to protect its liquidity position through the ongoing application of its Financial Framework.

The Qantas Group is subject to fuel price (including refining margin) and foreign exchange risks which are an inherent part of the operations of an airline and as such, are industry-wide risks. For the Qantas Group, the size of the Group's fuel and foreign exchange risk will vary with operational capacity, the routes the Group operates as well as the size of fleet investment capital expenditure. The Qantas Group manages its fuel and foreign exchange risks through a comprehensive hedging program (aligned to the Group's Treasury Risk Management Policy) which provides time for the business to ultimately adjust capacity to reflect the new operating environment or change its cost base. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group normally uses a mix of fuel derivative collars and outright options to cover underlying fuel price risk and is actively managed for changes in capacity.

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

Australia's aviation policies favour a highly competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have historically attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes. Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates and aggressive pricing by competitors seeking to gain market share can adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs that characterise the aviation industry. The combined effect of these factors may have a materially adverse effect on the revenue and financial position of the Group. The Group continues to leverage its dual brand strategy and established governance processes to optimise network and fleet plans to enhance the Group's competitive position, and reacts appropriately to emerging issues on pricing, network and capacity. The Group also continues to focus on execution of clear strategies to maintain leadership in key customer segments, enabled by strong relationship management, investment in loyalty programs, and technology-enabled solutions.

Market demand: Demand for travel largely drives the Qantas Group's planning as it deploys capacity based on market demand. Unforeseen and/or sustained change in market demand and/or change in capacity settings could result in a capacity/demand imbalance impacting on the Group's ability to maximise its position in the market. The Qantas Group optimises network and fleet plans through its dual brand strategy, ensuring there is flexibility to adjust capacity settings across the network to be able to respond to changes in demand. Active monitoring of early warning indicators of changes to markets is performed to mitigate exposures and pursue opportunities across the dual brands.

Industrial relations: The Qantas Group operates in a highly regulated employment market and a large proportion 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 could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group's day-to-day operations and adversely affect business performance, potentially leading to reputational damage. The Group has developed business continuity plans, including testing and rehearsal (to the extent possible), to provide continuity of operations in the event of industrial action.

Review of Operations continued

For the year ended 30 June 2023

MATERIAL BUSINESS RISKS (CONTINUED)

Customer risk: The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly considering the significant competition for passengers that characterises the aviation industry. A reduction in customer satisfaction due to operational challenges, i.e., frequent cancellations, poor on-time performance and mishandled baggage, and the ability to claim/utilise the remaining credit balances created in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future. The Group continues to invest in its customer experience processes and focus on improving operational reliability, provide customers with flexibility, incentives and options to utilise their flight credits, vouchers, and Qantas Passes and has recently launched a new campaign to actively encourage customer usage.

The Qantas Group is vulnerable to long-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations and digital expectations. 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. The Group is focused on embedding a continuous improvement culture in core business units to ensure an integrated and consistent Group approach in managing customer concerns and complaints. As customer preferences shift, the Group is looking to transform the customer experience through a multi-year program aimed at adapting to new customer journey requirements, market learnings and business need, to ensure the Group's strong market position is maintained.

Climate Change: The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to supporting the aims of the Paris Climate Agreement to limit warming to well below two degrees Celsius above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Climate-related risks include both physical risks (such as increased extreme weather events) and transition risks (including development of alternative fuel and changes to government policy, law and regulation). The Group manages these risks through mechanisms including, but not limited to, emission reduction targets; scenario analysis to inform the Group's strategy; robust governance; fleet transformation activities; investing in modern aircraft technology; supporting a competitive sustainable aviation fuel industry in Australia; operational and market-based controls; carbon offset programs; and monitoring government policy. In March 2022 the Qantas Group's Climate Action Plan was released, with targets for: a 25 per cent reduction in net emissions from 2019 levels by 2030; 10 per cent sustainable aviation fuel in fuel mix by 2030; an average of 1.5 per cent fuel efficiency improvements per annum to 2030; and net zero emissions by 2050. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its corporate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD).

Cyber security and data loss: The heightened cyber threat environment continues to evolve following the recent successful external cyber-attacks on other corporations and increased cyber-criminal activities targeting organisations capable of paying ransoms. As cyber breaches and attacks surge globally and remote ways of working continue, the Qantas Group, through its Cyber Strategic Road Map and utilising learnings from analysis of cyber incidents in other organisations, continues its proactive response to external and internal threats. The approach includes heightened monitoring and assessment of its technology and data environment, further enhancing its cyber security, privacy and data governance controls and embedding them into business processes, taking a security and privacy by design approach and creating a cyber-safe and privacy-orientated culture that builds on an established safety culture and the Three Lines model.

The Group's Data Governance Framework now includes mechanisms to ensure that ethical and commercial data risks are managed in addition to data protection and privacy risks. 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 Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Information Management Committee and are subject to independent assurance, including for significant third-party suppliers. In addition, the Qantas Group has a close working relationship and engagement with government and industry peers to enable the Group to effectively manage cyber and privacy risks as they evolve.

Supply chain: The Qantas Group is dependent on third-party providers for the expansion and replacement of its aircraft fleet, including availability of slots for aircraft maintenance and supply of aircraft parts, and other critical business processes. The failure of these providers to deliver and/or 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. The Group continuously analyses and monitors the global and local supply market to provide early insights to support assessments of the Group's supply chain exposure; proactively manages and invests in high risk items; uses its business continuity plans to manage the risk of supply failures and has contingency plans in place to respond to key supplier interruption.

Policy or regulatory change: Given the highly regulated business environment the Group operates in, any major policy or regulatory change, such as those in relation to competition and consumer legislation, rights of entry, climate change policy and airport infrastructure, can significantly impact the Group's operations, demand or competition. The Group continues to proactively engage with regulators and policy makers to demonstrate and inform the potential implications of proposed changes and contribute to improved policy outcomes. The Group also participates in industry bodies in Australia and internationally to proactively work with stakeholders with shared interests and drive policy outcomes which consider industry-wide challenges and implications.

New business models: As more large customer brands aim for a seamless customer journey, the threat of further airline disintermediation, the rapid rise of digitalisation and new technology and business models continue to evolve. The Group continues to enhance its distribution strategy and digital capability, expand its coalition business through innovative new business models, new partners and member experience, and invest in technological platforms and processes to enable a significantly improved end-to-end customer journey.

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

Condensed Corporate Governance Statement

For the year ended 30 June 2023

OVERVIEW

Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and requires that Qantas Management (Management) maintains, the highest level of ethics at all times.

The Board comprises a majority of Independent Non-Executive Directors who, together with the Group CEO and Managing Director, have an appropriate balance of skills, knowledge, experience, independence and diversity to enable the Board as a collective to effectively discharge its responsibilities.

The Board has endorsed and adopted the ASX Corporate Governance Principles and Recommendations (ASX Principles) 4th Edition throughout 2022/23.

Accordingly, Qantas Airways Limited (Qantas) has disclosed its 2023 Corporate Governance Statement in the Corporate Governance section on the Qantas website. As required, Qantas has also lodged its Corporate Governance Statement with the ASX.

Following is a summary of the key aspects of the Corporate Governance Statement.

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a formal Charter, which is available in the Corporate Governance section on the Qantas website.

The Board is responsible for agreeing and reviewing the strategic direction of Qantas and monitoring the implementation of that strategy by Management.

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

THE BOARD IS STRUCTURED TO BE EFFECTIVE AND TO ADD VALUE

The Qantas Board currently has 10 Directors. Nine Directors are Independent Non-Executive Directors, seven of whom have been elected by shareholders and two have been appointed to the Board to fill casual vacancies. The Qantas Group CEO, who is an Executive Director, is not regarded as independent.

Details of the Directors, their qualifications, skills, experience and tenure are set out on pages 8 to 11 of the Qantas Annual Report 2023.

The Board has four committees:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Safety, Health, Environment and Security Committee.

Each of these committees assists the Board with specified responsibilities that are set out in the Committee Charters, as delegated and approved by the Board.

Membership of and attendance at 2022/23 Board and Committee meetings are detailed on page 26 of the Qantas Annual Report 2023.

THE BOARD INSTILS A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

The Board has established a Corporate Governance Framework, comprising Non-Negotiable Business Principles (Principles) and Group Policies, which forms the foundation for the way in which Qantas and its controlled entities (Qantas Group or Group) undertake business. The Principles and Group Policies, including the Qantas Group Code of Conduct and Ethics, are detailed in the Qantas Group Business Practices document. This Framework is supported by a rigorous Whistleblower program, which provides a protected disclosure process for all disclosing persons, and an Anti-Bribery and Corruption Policy, which outlines appropriate behaviour for all employees of the Qantas Group.

The Qantas Group Share Trading Policy sets out guidelines designed to protect the Qantas Group and its personnel (including Directors) from intentionally or unintentionally breaching the law. The Qantas Group Share Trading Policy prohibits personnel from dealing in the securities of any Qantas Group listed or unlisted entity while in possession of material non-public information.

In addition, certain nominated Qantas Group personnel are also prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group listed or unlisted entity, where control of any sale process relating to those securities may be lost.

THE BOARD SAFEGUARDS THE INTEGRITY OF CORPORATE FINANCIAL REPORTING

The Board and the Audit Committee closely monitor the integrity of all corporate reports. Qantas has a sound system of risk management and internal controls in place to verify the half-year and annual financial reports and confirm the declarations provided by the CEO and CFO to the Board.

The Board and the Audit Committee also monitor the independence of the external auditor. Qantas rotates the lead external audit partner every five years and imposes restrictions on the employment of personnel previously employed by the external auditor. Qantas rotated its lead external audit partner during the 2021/22 financial year. The next rotation of lead external audit partner for KPMG will take place following the finalisation of the audit for the 2025/26 financial year. Notwithstanding there are no service, quality or independence issues with the current auditor, in consideration of best practice, the Qantas Group has decided to undertake a competitive external audit tender process during the 2024/25 financial year for appointment in relation to the 2026/27 financial year.

The Qantas Group is committed to verifying the integrity of all other periodic corporate reports it releases to the market that are not audited or reviewed by the external auditor. Information regarding the verification process is disclosed in our 2023 Corporate Governance Statement.

Condensed Corporate Governance Statement continued

For the year ended 30 June 2023

THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas is committed to ensuring that trading in its shares takes place in an orderly and informed market by having transparent and consistent communication with all shareholders. Qantas has an established process to ensure that it complies with its continuous disclosure obligations at all times, including a bi-annual confirmation by all Executive Management that the areas for which they are responsible have complied with the Group's Continuous Disclosure Policy.

Qantas proactively communicates with its shareholders via the ASX and its web-based Newsroom, with all materials released by the Group made available to all shareholders at the same time. Additionally, the Qantas Board receives copies of all material market announcements for review and approval of release to the market, as well as a final copy promptly after they have been made.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective two-way communication with shareholders and the wider investment community and encourages participation at general meetings. Qantas actively maintains a corporate site and investor portal which outlines the Company's corporate governance policies and procedures and includes an array of information to help assist investors to make informed decisions.

Additionally, Qantas actively conveys its publicly-disclosed information and seeks the views of its shareholders, large and small, in a number of forums, including at the Annual General Meeting (AGM), Qantas Investor Days and, as is common practice among its major listed peers, through periodic meetings with current and potential institutional shareholders.

Shareholders also have the option to receive communications from, and send communications to, Qantas and its share registry electronically, including email notifications of significant market announcements. Qantas is focused on reducing our carbon footprint whilst providing timely corporate updates and disclosures. As such, Qantas will no longer send physical meeting documents unless a shareholder requests a copy to be mailed.

The external auditor attends the AGM and is available to answer shareholder questions that are relevant to the audit.

THE BOARD RECOGNISES AND MANAGES RISK

Qantas is committed to embedding risk management practices to support the achievement of business objectives and fulfil corporate governance obligations. The Board is responsible for reviewing and overseeing the risk management framework for the Qantas Group, including that the Group is operating with due regard to the risk appetite set by the Board, and for ensuring the Qantas Group has an appropriate corporate governance structure. Within that overall framework, Management has designed and implemented a risk management and internal control system to manage Qantas' material business risks.

During 2022/23, the Audit Committee undertook its annual review of the effectiveness of Qantas' implementation of its risk management system and internal control framework.

The internal audit function is carried out by Group Audit and Risk and is independent of the external auditor. Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal control and governance.

The Audit Committee approves the Group Audit and Risk Internal Audit Charter, which provides Group Audit and Risk with full access to Qantas Group functions, records, property and personnel, and establishes independence requirements. The Audit Committee also approves the appointment, replacement and remuneration of the internal auditor. The internal auditor has a direct reporting line to the Audit Committee and also provides reporting to the Safety, Health, Environment and Security Committee.

THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive remuneration objectives and approach are set out in the Remuneration Report from page 30 to 60 of the Qantas Annual Report 2023.

Information about the remuneration of Executive Management is disclosed to the extent required, together with the process for evaluating performance, in the Remuneration Report from page 30 to 60 of the Qantas Annual Report 2023.

Non-Executive Directors do not receive any performance-based remuneration. Further information has been disclosed in the Remuneration Report from pages 58 to 60 of the Qantas Annual Report 2023.

Directors' Report

For the year ended 30 June 2023

The Directors of Qantas Airways Limited (Qantas) present their Report, together with the Financial Statements of the consolidated entity comprising Qantas and its controlled entities (Qantas Group) and the Independent Audit Report, for the year ended 30 June 2023. In compliance with the provisions of the *Corporations Act 2001* (Cth), the Directors' Report is set out below.

DIRECTORS

The Directors of Qantas at any time during or since the end of the year are:

Richard Goyder AO

Vanessa Hudson (appointed 5 May 2023)

Alan Joyce AC (retired 5 September 2023)

Maxine Brenner

Jacqueline Hey

Belinda Hutchinson AC

Michael L'Estrange AO

Doug Parker (appointed 23 May 2023)

Todd Sampson

Dr Heather Smith PSM (appointed 24 August 2023)

Antony Tyler

Details of the Directors' qualifications, experience and any special responsibilities, including Qantas committee memberships, are set out on pages 8 to 11.

PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the year were the operation of international and domestic air transportation services, the provision of freight services and the operation of a frequent flyer loyalty program.

DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

No final dividend will be paid in relation to the year ended 30 June 2023 (2022: nil final dividend). There was also no interim dividend paid during the year.

In August 2023, the Directors announced an on-market share buy-back of up to $500 million. During the year ended 30 June 2023, Qantas completed an on-market share buy-back of $400 million announced in August 2022, and an on-market share buy-back of $500 million announced in February 2023, and subsequently increased to $600 million in May 2023.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the financial year under review that are not otherwise disclosed in this Report.

REVIEW OF OPERATIONS

A review of, and information about, the Qantas Group's operations, including the results of those operations during the year, together with information about the Qantas Group's financial position, appears on pages 12 to 22.

Details of the Qantas Group's strategies, prospects for future financial years and material business risks have been included in the Review of Operations to the extent that their inclusion is not likely to result in unreasonable prejudice to the Qantas Group. In the opinion of the Directors, detail that could be unreasonably prejudicial to the interests of the Qantas Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included.

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to Note 34 of the Financial Report for events which occurred subsequent to the balance sheet date. Other than the matters disclosed in Note 34, since the end of the year and to the date of this Report no other matter or circumstance has arisen that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

Directors' Report continued

For the year ended 30 June 2023

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and attendance of Directors during 2022/23 is as follows:

	Qantas Board												Remuneration Committee[1]					
	Scheduled Meetings		Unscheduled Meetings		Sub-Committee Meetings[2]		Sub-Committee Unscheduled Meetings[2]		Audit Committee[1]		Safety, Health, Environment and Security Committee[1]		Scheduled Meetings		Unscheduled Meetings		Nominations Committee[1]	
Directors	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]
Richard Goyder[4]	8	8	4	4	2	2[5]	1	1	-	-	-	-	-	-	-	-	2	2
Alan Joyce	8	8	3	3	2	2[5]	1	1	-	-	5	5	-	-	-	-	-	-
Maxine Brenner	8	8	4	4	-	-	-	-	5	5	-	-	3	3	1	1	-	-
Jacqueline Hey	8	8	4	4	-	-	-	-	5	5	-	-	3	3	1	1	2	2
Belinda Hutchinson	8	8	4	4	2	2[5]	1	1	5	5	5	5	-	-	-	-	2	2
Michael L'Estrange	8	8	4	4	-	-	-	-	-	-	5	5	3	3	1	1	-	-
Todd Sampson	8	8	4	4	-	-	-	-	5	5	-	-	3	3	1	1	-	-
Antony Tyler	8	8	3	4	-	-	-	-	-	-	5	5	-	-	-	-	2	2
Vanessa Hudson[6]	1	1	1	1	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Doug Parker[7]	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1 All Directors are invited to, and regularly attend, Committee meetings in an ex officio capacity. The above table reflects the attendance of a Director only where he or she is a member of the relevant Committee.
2 Sub-Committee meetings convened for specific Board-related business.
3 Number of meetings held during the period that the Director held office.
4 The Chairman attends all Committee Meetings.
5 Number of meetings held and requiring attendance.
6 Vanessa Hudson was appointed Non-Executive Director on 5 May 2023.
7 Doug Parker was appointed Non-Executive Director on 23 May 2023.

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2023 – FOR THE PERIOD 1 JULY 2020 TO 30 JUNE 2023

Richard Goyder	Qantas Airways Limited	Current, appointed 17 November 2017
	Woodside Energy Group Ltd	Current, appointed 1 August 2017
Vanessa Hudson	Qantas Airways Limited	Current, appointed 5 May 2023
Alan Joyce	Qantas Airways Limited	Ceased, appointed 28 July 2008 and ceased 5 September 2023
Maxine Brenner	Qantas Airways Limited	Current, appointed 29 August 2013
	Origin Energy Limited	Current, appointed 15 November 2013
	Orica Limited	Current, appointed 8 April 2013
	Woolworths Group Limited	Current, appointed 1 December 2020
	Growthpoint Properties Australia Limited	Ceased, appointed 19 March 2012 and ceased 30 November 2020
Jacqueline Hey	Qantas Airways Limited	Current, appointed 29 August 2013
	Bendigo and Adelaide Bank Limited	Current, appointed 5 July 2011
	AGL Energy Limited	Ceased, appointed 21 March 2016 and ceased 30 May 2022
Belinda Hutchinson	Qantas Airways Limited	Current, appointed 12 April 2018
	Future Generation Global Investment Company Limited	Ceased, appointed 28 May 2015 and ceased 17 June 2021
Michael L'Estrange	Qantas Airways Limited	Current, appointed 7 April 2016
	Rio Tinto Limited	Ceased, appointed 1 September 2014 and ceased 6 May 2021
	Rio Tinto plc	Ceased, appointed 1 September 2014 and ceased 6 May 2021
Todd Sampson	Qantas Airways Limited	Current, appointed 25 February 2015
Antony Tyler	Qantas Airways Limited	Current, appointed 26 October 2018
Doug Parker	Qantas Airways Limited	Current, appointed 23 May 2023

Directors' Report continued

For the year ended 30 June 2023

QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO HELD OFFICE AS A COMPANY SECRETARY OF QANTAS BETWEEN 1 JULY 2022 UNTIL THE DATE OF THIS REPORT

Andrew Finch – Company Secretary	– BCom, LLB (UNSW), LLM (Hons I) (USYD), MBA (Exec) (AGSM) – Appointed as Company Secretary on 31 March 2014 – Joined Qantas on 1 November 2012 – 2002 to 2012 – Mergers and Acquisitions Partner at Allens, Sydney (previously Allens Arthur Robinson and Allen & Hemsley) – 1999 to 2001 – Managing Associate at Linklaters, London – 1993 to 1999 – Various roles at Allens, Sydney including Senior Associate (1997 to 1999) and Solicitor (1993 to 1997) – Admitted as a solicitor of the Supreme Court of NSW in 1993
Benjamin Jones – Company Secretary	– LLM (USYD), LLB, BSocSci (Policy) (UNSW) – Appointed as Company Secretary on 20 July 2021 – Joined Qantas on 9 September 2013 – Admitted as a solicitor of the High Court of Australia and the Supreme Court of NSW in 2008 – 2008 to 2013 – Solicitor at Herbert Smith Freehills – 2013 to present – Football Australia, Disciplinary and Ethics Committee Member – 2013 to present – Football NSW, General Purposes Tribunal (Deputy Chair 2018 to present)
Benjamin Elliott – Company Secretary	– BBC, GIA (Affiliated) – Appointed as Company Secretary on 18 February 2020 – Joined Qantas on 14 August 2013 – 2021 to present – Head of Secretariat and Corporate Governance – 2018 to 2021 – Manager, Group Secretariat – 2014 to 2018 – Manager, Corporate Governance – 2013 to 2014 – Manager, Public Company

DIRECTORS' INTERESTS AND BENEFITS

Particulars of Directors' interests in the issued capital of Qantas at the date of this Report are as follows:

	Number of Shares	
Directors	**2023**	**2022[1]**
Richard Goyder	225,554[2]	193,537[2]
Vanessa Hudson	818,251[3]	n/a
Maxine Brenner	39,498	39,498
Jacqueline Hey	64,827[2]	64,827[2]
Belinda Hutchinson	69,972[2]	55,578[2]
Michael L'Estrange	33,945	33,945
Doug Parker	–	n/a
Todd Sampson	42,739[2]	36,879[2]
Dr Heather Smith	–	n/a
Antony Tyler	52,000	52,000

1 Shares held as at date of 2022 Annual Report (9 September 2022).
2 Includes restricted Ordinary shares held by the Employee Share Plan Trust.
3 Includes restricted Ordinary shares awarded in the 2021-2023 LTIP held in Employee Share Plan Trust that remain subject to an additional one-year trading restriction.

Rights held in trust under the Non-Executive Director Fee Sacrifice Share Acquisition Plan[1]:

	Number of Rights	
Directors	**2023[2]**	**2022[3]**
Richard Goyder	15,192	17,525
Belinda Hutchinson	6,979	7,879
Todd Sampson	2,880	3,028

1 Refer to page 60 for information regarding the operation of the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2 Rights held as at date of 2023 Annual Report (20 September 2023).
3 Rights held as at date of 2022 Annual Report (9 September 2022).

Directors' Report continued

For the year ended 30 June 2023

DIRECTORS' INTERESTS AND BENEFITS (CONTINUED)

In addition to the direct interests shown, indirect interests in Qantas shares held in trust on behalf of Ms Vanessa Hudson are as follows:

Rights granted under:	Number of Rights 2023	2022
2021-2023 Long Term Incentive Plan	–[1]	n/a
2022-2024 Long Term Incentive Plan	208,000[2]	n/a
2023-2025 Long Term Incentive Plan	223,500[3]	–
2022-2023 Recovery Retention Plan	–[4]	–
Total Rights	**431,500**	**n/a**

1 Following the testing of performance hurdles as at 30 June 2023 and the Board's approval of the 2021-2023 Long Term Incentive Plan (LTIP) vesting outcome on 23 August 2023, 100 per cent of the 2021-2023 LTIP awarded to Ms Hudson vested and converted to 364,500 shares. The shares awarded remain subject to an additional one-year trading restriction.
2 Performance hurdles will be tested as at 30 June 2024 to determine whether any Rights vest to Ms Hudson.
3 Performance hurdles will be tested as at 30 June 2025 to determine whether any Rights vest to Ms Hudson.
4 Following the testing of performance hurdles as at 30 June 2023 and the Board's approval of the 2022-2023 Recovery Retention Plan vesting outcome on 23 August 2023, 100 per cent of the 2022-2023 Recovery Retention Plan awarded to Ms Hudson vested and converted to 262,500 shares.

Directors' Report continued

For the year ended 30 June 2023

PERFORMANCE RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Long Term Incentive Plan (LTIP). Additionally, the Recovery Retention Plan (RRP) was announced in the second half of the 2021/22 financial year and includes the issue of Performance Rights to eligible employees (both non-executive and executive). Refer to pages 49 to 50 for further details.

The following table outlines the movements in Rights during the year:

Performance Rights Reconciliation	Number of Rights 2023	Number of Rights 2022
Rights outstanding as at 1 July	61,194,044	16,568,569
Rights granted during the year	5,792,250	47,181,572
Rights forfeited during the year	(2,655,176)	(871,097)
Rights vested and converted to shares during the year	(1,143,343)	(827,568)
Rights lapsed during the year	(1,149,491)	(857,432)
Rights outstanding as at 30 June	**62,038,284**[1]	**61,194,044**[1]

1 The movement of Rights outstanding as at 30 June 2023 to the date of this Report is explained in the footnotes of the table below.

Rights will be converted to Qantas shares to the extent performance hurdles have been achieved. The Rights do not allow the holder to participate in any share issue of Qantas. No dividends are payable on Rights. The fair value of Rights granted is calculated at the date of grant using a Monte Carlo model and/or Black-Scholes model.

The following Rights were outstanding at 30 June 2023:

Name	Testing Period	Grant Date	Value at Grant Date	2023 Net Vested	2023 Unvested	2023 Total	2022 Net Vested	2022 Unvested	2022 Total
2018–2020 Long Term Incentive Plan	30 Jun 20[2]	27 Oct 17	$3.30	–	687,000	**687,000**	–	687,000	**687,000**
2019–2021 Long Term Incentive Plan	30 Jun 21[2]	26 Oct 18	$2.33	–	651,000	**651,000**	–	651,000	**651,000**
2020–2022 Long Term Incentive Plan	30 Jun 22[1]	4 Oct 19	$4.06	–	–	**–**	–	2,292,834	**2,292,834**
2020–2022 Long Term Incentive Plan	30 Jun 22[2]	26 Oct 19	$3.59	–	743,000	**743,000**	–	743,000	**743,000**
2021–2023 Long Term Incentive Plan	30 Jun 23[3]	11 Sep 20	$2.24	–	8,210,480	**8,210,480**	–	8,408,138	**8,408,138**
2021–2023 Long Term Incentive Plan	30 Jun 23[3]	23 Oct 20	$3.07	–	1,349,000	**1,349,000**	–	1,349,000	**1,349,000**
2022–2024 Long Term Incentive Plan	30 Jun 24	17 Sep 21	$3.90	–	3,087,900	**3,087,900**	–	3,271,000	**3,271,000**
2022–2024 Long Term Incentive Plan	30 Jun 24	5 Nov 21	$3.85	–	861,000	**861,000**	–	861,000	**861,000**
2023–2025 Long Term Incentive Plan	30 Jun 25	4 Nov 22	$4.24	–	4,273,500	**4,273,500**	–	–	**–**
2022–2023 Recovery Retention Plan	30 Jun 23[3]	28 Feb 22[4]	$4.98	–	40,752,904	**40,752,904**	–	42,931,072	**42,931,072**
2022–2023 Recovery Retention Plan	30 Jun 23[3]	4 Nov 22	$5.92	–	1,422,500	**1,422,500**	–	–	**–**
Total				**–**	**62,038,284**	**62,038,284**	**–**	**61,194,044**	**61,194,044**

1 Following the testing of performance hurdles as at 30 June 2022 and the Board's approval of the 2020-2022 vesting outcome on 24 August 2022, 50 per cent of Rights vested and converted to shares on the day of the release of the 2022 Annual Report for Executives other than the CEO. For the CEO, the CEO offered, and the Board agreed, to defer the decision until at least August 2023 as to whether his Rights will be forfeited or allowed to convert to shares.

2 After agreeing in previous years to defer the decision of vesting of Rights awarded under the 2018-2020 LTIP, 2019-2021 LTIP and the 2020-2022 LTIP, the CEO elected to convert these Rights to shares in August 2023. Based on the testing of performance hurdles as at the end of the relevant financial year of each LTIP and the Board's approval of the vesting outcome of the respective LTIP, 50 per cent of the 2018-2020 LTIP, 50 per cent of the 2019-2021 LTIP and 50 per cent of the 2020-2022 LTIP awarded to Mr Joyce vested and converted to shares after the release of the 2022/23 financial results.

3 Following the testing of performance hurdles as at 30 June 2023 and the Board's approval of the 2021-2023 LTIP and the 2022-2023 RRP vesting outcome on 23 August 2023, 100 per cent of Rights vested and converted to shares. The shares awarded under the 2021-2023 LTIP remain subject to an additional one-year trading restriction.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT

REMUNERATION REPORT

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT

COVER LETTER TO THE REMUNERATION REPORT

Dear Shareholder

The 2022/23 financial year was extremely challenging for our people, our customers and the aviation industry. After three particularly difficult years for shareholders, it is pleasing to see improved financial results and a resumption of more normal levels of flying. We have not done as well with customer satisfaction and trust as you should expect from the Qantas Group and the work continues to ensure we return to levels that meet our customers' expectations. We are deeply disappointed and we sincerely apologise for this situation.

This Remuneration Report sets out remuneration information for the CEO, direct reports to the CEO (Executive Management, including Vanessa Hudson who was Chief Financial Officer and then the CEO-Designate for the period covered by this report) and Non-Executive Directors who are Key Management Personnel (KMP).

Fixed Remuneration

In line with the end of the Group's two-year wage freeze and after reviewing pay compared to the market, Base Pay for Executive Management increased by 3 per cent effective from 1 July 2022. The CEO's Base Pay remained unchanged for the fifth consecutive year.

2022/23 Annual Incentive

2022/23 Short Term Incentive Plan (STIP) Outcomes

In 2022/23, Qantas achieved an Underlying PBT of $2.465 billion and delivered a Total Shareholder Return (TSR) of 39 per cent. This was due to continued strong travel demand enabled by our investments in new aircraft, the return of our widebody aircraft from long-term storage, improved reliability enabling spare capacity to be released and the hard work of all our people in completion of the three-year Recovery program.

The Board increased the weighting to Customer in the 2022/23 STIP Scorecard to underline the importance of continued improvement in this critical area. While Qantas' Domestic on-time performance outperformed Virgin in 11 out of 12 months, we are not yet at the level of service our customers expect – we hear and understand their disappointment – and this performance impacted remuneration through a Board discretion to assess a zero outcome in the Customer component of the STIP Scorecard applicable to Executive Management.

Overall there was strong performance against the financial and some of the non-financial components that resulted in STIP incentives being assessed at an above target level of 126 per cent. Notwithstanding this performance, the Board has exercised its discretion to reduce actual awards made - more on this below.

Board discretion on 2022/23 STIP

Given the challenges currently facing Qantas, the Board has exercised the following discretion on the 2022/23 STIP outcome for the CEO and all Executive Management who were members of the Group Management Committee (GMC) for the whole or any part of the year ending 30 June 2023.

- As described above, the Customer Target outcome moved from a small achievement to a zero achievement (2 out of 20 to zero out of 20)
- The Board has determined that there will be a 20 per cent downward adjustment in the 2022/23 STIP assessed outcomes.
- In addition, in light of the Australian Competition and Consumer Commission (ACCC) proceedings advised to Qantas on 31 August 2023 and the High Court finding on 13 September 2023, the Board has determined to delay delivery of the 2022/23 STIP award. The final STIP award outcome will be determined once the Board has further information.

Change to 2023/24 STIP Scorecard Weightings

The 2023/24 STIP Scorecard Categories will be re-weighted to 40 per cent Group Financial, 40 per cent Customer, 15 per cent Workplace and Operational Safety and 5 per cent Climate.

2022-2023 Recovery Retention Plan (RRP)

2022-2023 RRP Outcomes

The 2022-2023 RRP vested in full as a result of achieving the three performance measures which were:

- Delivering the $1 billion Recovery program target by 30 June 2023
- Qantas Group's Net Debt range below the top end of the Net Debt range as at 30 June 2023 (as approved by the Board in accordance with the Group's Financial Framework); and
- The Qantas Group is profitable on an Underlying PBT basis for 2022/23.

The RRP also delivered up to 1,000 shares to 20,000 eligible non-executive employees in recognition of their contribution to the Group's recovery. As advised in the 2022 Remuneration Report there was no further restriction on the RRP shares.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (CONTINUED)

2021-2023 Long Term Incentive Plan (LTIP)

2021-2023 LTIP Outcomes

The 2021-2023 LTIP awards vested in full based on Qantas' delivery of top quartile relative Total Shareholder Return (TSR) performance against the airline peer group (ranking 1st of the 17 airlines) and the ASX100 peer group (ranking 17th). The value of the shares awarded under this plan increased from $3.78 to $6.20 over the three-year performance period.

The LTIP awards made to Executives under the 2021-2023 plan were at a higher level than in a normal year due to a one-off pay remix, approved by shareholders at the 2020 Annual General Meeting (AGM), which reduced the weighting to annual incentives and increased the weighting to long term incentives to strengthen alignment with the shareholder experience during execution of the Recovery program.

The 2021-2023 LTIP shares are now subject to a further one-year restriction until August 2024.

Changes to 2024-2026 LTIP Weightings and Board discretion

The 2024-2026 LTIP will introduce a third measure focused on Reputation. The Reputation measure will sit alongside the two existing relative TSR measures, all of which will be equally weighted.

At the same time, commencing with the 2024-2026 LTIP, full Board discretion on the vesting outcome will be introduced for the first time, aligning the Group to market practice.

Malus and Clawback

The existing Remuneration framework provides the Board with mechanisms to apply remuneration consequences through malus and clawback. We have detailed further information on this topic in the body of the report.

Summary of CEO Remuneration Outcomes in 2022/23 and CEO Succession

The CEO's total pay outcome for 2022/23 was $21.4 million. The 2022/23 STIP is not included due to the treatment described above in the STIP Board discretion item. The 2022/23 STIP and the 2021-2023 LTIP remains subject to Board discretion and clawback, should the Board determine this to be necessary. The full extent of the CEO's remuneration subject to clawback and/or malus is up to $14.4m as set out in the body of the report. Statutory remuneration was $11.9 million.

After offering in previous years to defer the decision on vesting of Rights awarded under the 2018-2020 LTIP, 2019-2021 LTIP and the 2020-2022 LTIP, the CEO elected in August 2023 to convert these Rights to shares. The combined value of these three LTIPs contributed $6.45 million to the CEO's actual outcome of $21.4 million for 2022/23. To ensure transparency on the full value of LTIP awards that vested during the year, Qantas has disclosed each of the LTIP outcomes that have vested to the CEO in the actual remuneration outcome for 2022/23.

CEO Succession

During the year, we also announced significant changes to our Executive team, with the CEO announcing his retirement, which occurred after the 2022/23 period covered by this report. No severance payment was made to the CEO upon his departure. The succession of CEO-Designate Vanessa Hudson to the CEO position took place on 6 September 2023. Ahead of this transition, the Board commissioned detailed market benchmarking to establish the appropriate remuneration level for the new CEO. Consistent with overall market trends, and reflecting the fact that this is Ms Hudson's first CEO level appointment, her starting Base Pay and total remuneration is lower than her predecessor.

Non-Executive Director Board fees

Non-Executive Director Board fees were remixed during 2022/23, with an increase in Board fees offset by the removal of the Nominations Committee fee. This was all undertaken within the current NED fee pool limit. There was no change to the Chairman fees.

The Board has resolved that there will be a zero increase in Chair and NED fees, effective 1 July 2023 for the 2023/24 year.

I invite you to review the 2023 Remuneration Report.

Jacqueline Hey
Chair, Remuneration Committee

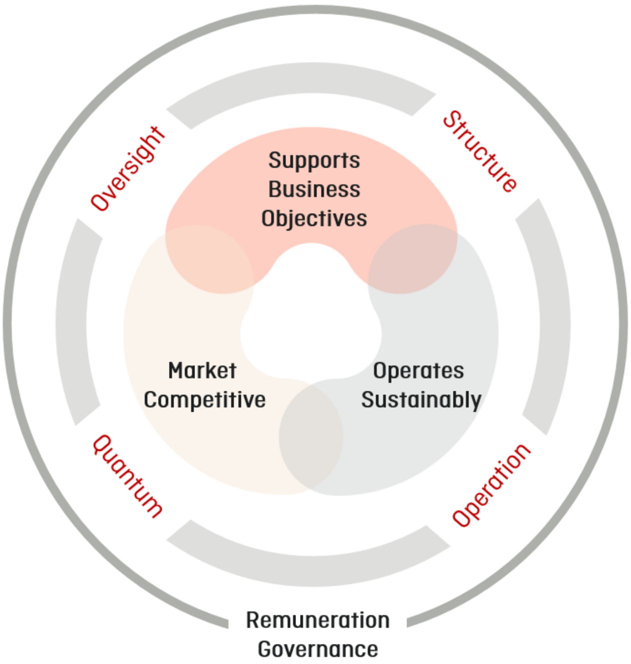
Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED)

1 REMUNERATION REPORT SUMMARY

The objectives of, and approach to, Qantas' Executive Remuneration Framework are summarised as follows:



Remuneration Objectives

- **Supports Business Objectives:** Encourages the pursuit of growth and the success of Qantas. Aligned with Qantas' purpose, values, strategy and risk appetite. Aligned with shareholder requirements
- **Operates Sustainably:** Encourages sound management of financial and non-financial risks. Encourages good conduct and discourages misconduct. Considers cost and reputational factors and complies with relevant laws and regulations
- **Market Competitive:** Attracts, motivates and appropriately rewards a capable management team.

Remuneration Effectiveness

- **Oversight:** Remuneration governance roles clearly defined for the Board; Remuneration Committee; Safety, Health, Environment and Security Committee; Audit Committee; and the Board's independent remuneration consultant
- **Structure:** Design elements that reward for performance, but also protect against unintended or unjustified pay outcomes
- **Operation:** Demonstrated history of aligning remuneration outcomes with performance, appropriate application of Board discretion and adjusting remuneration outcomes based on individual performance and conduct
- **Quantum:** Remuneration decisions made with reference to comparable roles in other listed Australian companies.

A more detailed description is provided on pages 40 to 41.

The structure of the Executive Remuneration Framework is as follows:

		Year 1	Year 2	Year 3	Year 4
Base Pay	Fixed Annual Remuneration inclusive of superannuation	Cash			
Annual Incentive Also referred to as the Short Term Incentive Plan (STIP)	– An annual incentive opportunity – Balanced Scorecard (financial and non-financial measures) – Individual performance (achievements and conduct) – Delivered two thirds cash and one third shares	Cash			
		Shares	Deferral Period		Additional Lock
		Performance	Restriction		

Long Term Incentive
Also referred to as the Long Term Incentive Plan (LTIP)
	– Award of Rights
	– Qantas' three-year TSR performance relative to:
	  – A global airline peer group
	  – ASX100 companies
	– Rights may convert to shares on vesting
		50% of Rights may vest, subject to Qantas' TSR performance relative to airline peers			Additional Lock

		50% of Rights may vest, subject to Qantas' TSR performance relative to ASX100 companies			Additional Lock
		Performance			Restriction

Clawback applies

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

BASE PAY OUTCOMES

The CEO's Base Pay remained unchanged (and has not increased since 2018). Executive Management received 3 per cent Base Pay increases, their first increase (excluding promotions, where applicable) since 1 July 2018. The Base Pay for each Executive KMP is provided on page 53.

ANNUAL INCENTIVE PLAN

Annual Incentive — Structure

The STIP is an annual incentive opportunity where an Executive may receive an award that is a combination of cash and restricted shares if the plan's performance conditions are achieved.

Purpose

Reward for individual and Qantas Group performance, aligned with annual performance objectives.

Target and Maximum Opportunity

% of Base Pay	CEO	Executive Management
Target	100%	80%
Maximum	200%	160%

Business Performance

STIP Scorecard:

- A single Qantas Group Scorecard that applies to the CEO and Executive Management
- A balanced set of financial and non-financial measures.

Individual Performance

Individual Performance Factor (IPF):

- Delivery against individual objectives
- Behaviour and how it aligns to the Qantas Group behaviours.

The IPF can range from 0 to a maximum of 1.5.

STIP Formula

Base Pay	x	Target Opportunity	x	STIP Scorecard Outcome	x	IPF

Delivery

Cash: Two thirds

Shares: One third with a two-year deferral period and an additional one-year trading restriction, during which shares cannot be traded and are subject to clawback.

Disclosure

In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award (in years where the STIP award is made), disclosing both:

- The value of cash awards made
- The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a two-year deferral period and one-year trading restriction).

Board Discretion

The Board retains discretion over any awards made under the STIP. Previously, the Board has applied its discretion in circumstances where – although Scorecard measures had been achieved or exceeded – the Board deemed it more appropriate to make a nil or reduced award under the STIP or to deliver a higher proportion of an award in Qantas shares.

Annual Incentive Outcomes

2022/23 STIP Outcome

The 2022/23 STIP Scorecard Outcome was 126 per cent. This Scorecard Outcome was determined based on the Board's assessment of Management's achievement against the Scorecard's performance measures.

2022/23 STIP Scorecard

Each year, the Board sets the performance measures that comprise the STIP Scorecard in alignment with the Qantas Group's strategic priorities. For 2022/23, the Board determined to return to Underlying PBT as the primary financial measure, with a weighting of 50 per cent of the STIP Scorecard. Acknowledging our need to do more to deliver the service our customers expect, the STIP Scorecard weighting to Customer increased to 20 per cent. Our existing suite of ESG measures were further enhanced with the addition of a climate measure with a 5 per cent weighting.

There was strong performance against both the financial and some of the non-financial components of the STIP Scorecard. In acknowledgement that our broader customer performance did not meet expectations the Board exercised discretion to zero the Customer component resulting in an outcome of 126 per cent (out of a maximum 175 per cent) under the 2022/23 STIP.

	Strategic Objective	Weighting (target)	Outcome
	Group Profitability	50%	🟢
	Transformation and Growth	10%	🟢
ESG	Customer	20%	⬟
ESG	Workplace and Operational Safety	15%	🟠
ESG	Climate	5%	🟢
	STIP Scorecard Outcome	100%	126%

🟢 Target achieved or exceeded
🟠 Partial achievement against targets
⬟ No achievement against targets

Board Discretion on 2022/23 STIP

Prior to the delivery of the 2022/23 STIP award the Board became aware of a number of matters which – in addition to the below threshold Customer performance during the year – had serious impacts on the reputation of the Group:

- The launch of ACCC proceedings (31 August 2023)
- A finding in the High Court that the Group had breached the Fair Work Act (13 September 2023).

These issues caused the Board to exercise discretion under the STIP to reduce the calculated outcome for the CEO and Executive Management by 20 per cent. Further, as proceedings into the ACCC matter are ongoing, the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available. Should the Board determine to vest any award under the 2022/23 STIP it will be fully disclosed in the applicable future Remuneration Report.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

RECOVERY RETENTION PLAN

Recovery Retention Plan – Structure

The RRP was a one-off, two-year plan that involved an upfront award of a fixed number of Rights. If performance and service conditions are achieved over a two-year period, Rights vest and convert to Qantas shares.

The RRP replaced the annual participation in the STIP for 2021/22 only. In 2022/23 Qantas reverted to the prior practice of the STIP.

Purpose

Reward for longer term delivery of the three key pillars of the Group's post-pandemic success.

Target Opportunity and Allocation Methodology

The number of Rights awarded under the RRP was calculated by applying a face value methodology to determine the maximum number of Rights that may vest and convert to Qantas shares. The target opportunity for the CEO and Executive Management was as follows:

Target Opportunity	CEO	Executive Management
% of Base Pay on a face value basis	150%	120%

The number of Rights awarded was determined by applying the following formula:

Base Pay	x	Target Opportunity	÷	Face Value of Right

Business Performance

The Board determined the performance conditions in August 2021 for the RRP as follows:

- The Qantas Group meets its $1 billion Recovery program target by 30 June 2023
- As at 30 June 2023, Qantas Group's Net Debt range is below the top end of the Net Debt range as approved by the Board in accordance with the Group's Financial Framework
- The Qantas Group is profitable on an Underlying PBT basis for 2022/23.

Board Discretion

The Board retained discretion on vesting of the award in the event of a material safety failure.

Delivery

If performance and service conditions are achieved, Rights vest and convert to Qantas shares.

Disclosure

In addition to the required statutory disclosures, Qantas chooses to disclose the full value of RRP awards that vest during the year, based on the share price at the end of the performance period.

Further detail on the RRP is provided on pages 49 to 50.

Recovery Retention Plan Outcomes

RRP – Achievement of Performance Conditions

Performance Measure	Outcome
Delivery of $1 billion Recovery program	●
Achieving Qantas' stated Net Debt target	●
Achieving profitability at the underlying level for 2022/23	●

● Target achieved or exceeded

⬟ No achievement against targets

RRP Outcome

Based on full achievement of the three performance conditions, 100 per cent of Rights awarded under the 2022-2023 RRP vested and converted to shares.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

LONG TERM INCENTIVE PLAN

Long Term Incentive — Structure

The LTIP is a four-year plan that involves an upfront award of a fixed number of Rights. If performance and service conditions are achieved over a three-year period, Rights vest and convert to Qantas shares which are then restricted for a further one-year.

Purpose

Reward for longer term Qantas Group performance.

Target Opportunity and Allocation Methodology

The number of Rights awarded under the LTIP has been calculated by applying a face value methodology to determine the maximum number of Rights that may vest and convert to Qantas shares. The target opportunity for the CEO and Executive Management is as follows:

Target Opportunity	CEO	Executive Management
Standard % of Base Pay on a face value basis	185%	95%
One-off % of Base Pay on a face value basis for 2021-2023 LTIP	235%	135%

The number of Rights awarded is determined by applying the following formula:

Base Pay x Target Opportunity ÷ Face Value of Right

Business Performance

Qantas' three-year Total Shareholder Return (TSR) performance relative to:

- A global airline peer group
- ASX100 companies.

Delivery

If performance and service conditions are achieved, Rights vest and convert to Qantas shares. A further one-year trading restriction on vested shares applies, during which the shares cannot be traded and are subject to clawback.

Disclosure

In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year, disclosing the value of the LTIP awards based on the share price at the end of the performance period.

Rights Awarded Under the 2021-2023 LTIP

Executives received a larger award under the 2021-2023 LTIP, due to the Pay Remix in 2020/21. This one-off change in 2020/21 involved a decrease in that year's annual incentive opportunity, offset by an increase in that year's long term incentive opportunity to align remuneration to the three-year Recovery Plan.

Long Term Incentive Outcomes

2021-2023 LTIP – Achievement of Performance Conditions

Qantas' three-year relative TSR performance was ranked:

Airline Peer Group	ASX100
1st	**17th**
(performance condition fully achieved)	(performance condition fully achieved)

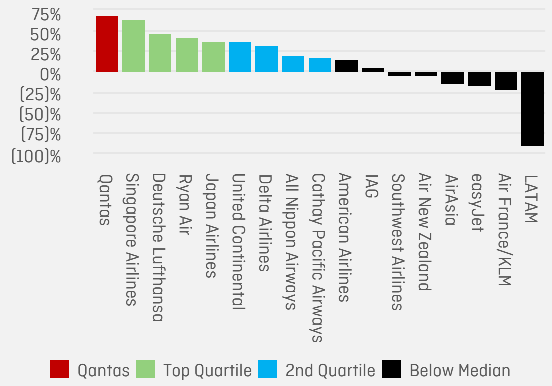
LTIP Outcomes

Based on Qantas' top quartile TSR performance against both the ASX100 and airline peer groups, 100 per cent of Rights awarded under the 2021-2023 LTIP vested and converted to shares which are subject to a further one-year trading restriction.

Longer Term TSR Performance

Qantas continued to outperform the majority of its airline peers, achieving top quartile relative TSR performance for the eighth consecutive rolling three-year period.

QANTAS AND AIRLINE PEERS — THREE-YEAR TSR PERFORMANCE[1]



LTIP Period	Airline Peer Group	ASX100 Peer Group
2021-2023	Top quartile	Top quartile
2020-2022	Top quartile	Below median
2019-2021	Top quartile	Below median
2018-2020	Top quartile	Below median
2017-2019	Top quartile	Top quartile
2016-2018	Top quartile	Top quartile
2015-2017	Top quartile	Top quartile
2014-2016	Top quartile	Top quartile

1 TSR performance, applying the LTIP performance test methodology (which uses the average closing share price over the six months preceding the test date of 30 June 2023).

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OUTCOMES FOR THE CEO

The CEO's total pay outcome for 2022/23 was higher than 2021/22. The Group's sustained performance was recognised through the operation of the Group's RRP and LTIP. A one-off increase to the CEO's total pay was also realised by the CEO electing to accept the previously deferred Rights under the 2018-2020 LTIP, 2019-2021 LTIP and 2020-2022 LTIP. The CEO's STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available.

Base Pay

The CEO did not receive a Base Pay increase during 2022/23. Base Pay (cash) is $2,144,708 (Base Pay of $2,170,000 less superannuation contributions of $25,292).

Annual Incentive — STIP

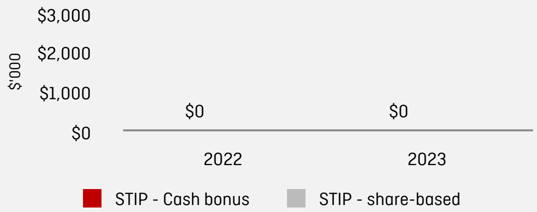
Based on the Board's assessment of performance against the STIP Scorecard measures and the CEO's individual performance, the CEO's STIP award was initially calculated as follows:

Total	=	Base Pay	x	'Target' Opportunity	x	STIP Scorecard Outcome	x	Individual Performance Factor
$ 2,734,200	=	$2,170,000	x	100%	x	126%	x	1

The Board has reduced the CEO's calculated outcome by a further 20 per cent to $2,187,360. The CEO's STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.

The STIP Scorecard Outcome is detailed on page 51.

The Individual Performance Factor (IPF) for the CEO was determined by the Board based on its assessment of the CEO's contribution.



Note 1 The implementation of the RRP replaced the annual STIP opportunity for 2021/22. As a result, no annual STIP awards were paid for 2021/22.

Recovery Retention Plan – 2022-2023 RRP

At the 2022 AGM shareholders approved a grant of 698,000 Rights under the 2022-2023 RRP.

Based on Qantas' achievement against the performance measures, 100 per cent of Rights vested and converted to shares. The share price appreciation from 1 July 2021 to 30 June 2023 represents $1,075,000 (25 per cent) of the $4,327,000 realised outcome.

Note 1 The number of Rights vested multiplied by the Qantas share price of $6.20 at 30 June 2023.

Long Term Incentive

The 2020/21 Pay Remix (detailed on page 36) applied to the CEO as follows:

a. The CEO's 2020/21 STIP opportunity was decreased from 100 per cent of Base Pay to 50 per cent

b. The CEO's award of Rights under the 2021–2023 LTIP was increased from 185 per cent of Base Pay to 235 per cent.

Following this pay remix, at the 2020 AGM shareholders approved an award of 1,349,000 Rights to the CEO under the 2021–2023 LTIP.

Based on Qantas' top quartile TSR performance over the three-year performance period of the 2021-2023 LTIP, 100 per cent of Rights vested and the CEO was awarded 1,349,000 shares. A further one-year trading restriction on vested shares applies.

After agreeing in previous years to defer the decision on vesting of Rights awarded under the 2018-2020 LTIP, 2019-2021 LTIP and 2020-2022 LTIP, the CEO elected to convert these Rights to shares in August 2023.

To ensure transparency on the full value of LTIP awards that vested during the year, Qantas has disclosed in the actual remuneration outcome the CEO's total LTIP outcome for 2022/23. The total share price appreciation across the four LTIPs listed represents $3,740,000 (25 per cent) of the $14,815,000 realised outcome.

Note 1 The number of Rights vested multiplied by the Qantas share price of $6.20 at 30 June 2023.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Actual & Statutory Remuneration Outcomes

The actual remuneration outcomes for the CEO in 2022/23 are detailed in the following table.

CEO Remuneration Outcomes[1,2]	2023 $'000	2022 $'000
Base Pay (cash)	2,145	2,146
STIP – cash bonus[3]	–	–
STIP – share-based[3]	–	–
RRP – vesting	4,327	–
2018-2020 LTIP – vesting[4]	2,130	–
2019-2021 LTIP – vesting[4]	2,018	–
2020-2022 LTIP – vesting[4]	2,303	–
2021- 2023 LTIP – vesting[4]	8,364	–
Other	156	126
Total Actual Outcome[5]	**21,443**	**2,272**

1 The non-statutory remuneration methodology is explained on pages 45 to 50.
2 A reconciliation of remuneration outcomes to statutory remuneration disclosures is provided on page 44.
3 The CEO's STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.
4 Each LTIP Award was previously approved by Shareholders at the respective AGM.
5 The share price appreciation for the RRP and LTIPs represents $4.815 million of the $21.4 million.

The statutory remuneration disclosures for the CEO are prepared in accordance with Australian Accounting Standards.

The statutory disclosures differ from the actual remuneration outcomes for the CEO due to the accounting treatment of share-based payments for the STIP, RRP and LTIP.

CEO Statutory Remuneration	2023 $'000	2022 $'000
Base Pay (Cash)	2,145	2,146
STIP - cash bonus[1]	1,458	—
STIP - share-based[1]	625	31
RRP	3,304	—
LTIP	4,231	3,272
Other	156	126
Total	**11,919**	**5,575**

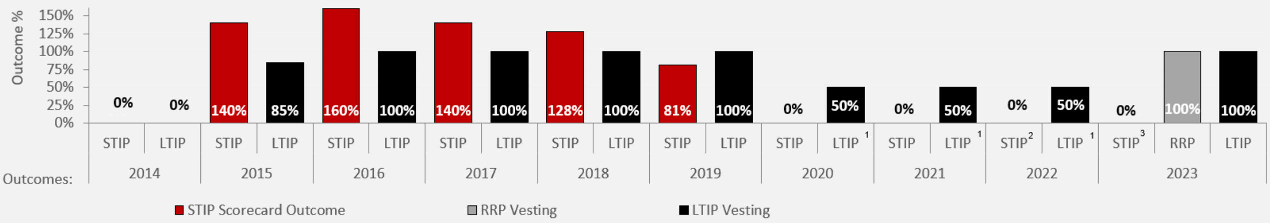
1 In relation to the STIP, the Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP, until it has further information available, without adjusting the original service period. Statutory Remuneration reported above (STIP- cash bonus and STIP - share based) is calculated with reference to the maximum remaining potential outcome of the 2022/23 STIP (Scorecard Outcome is 126 per cent less the 20 per cent reduction applied by Board discretion). The final outcome of the 2022/23 STIP may be less than this amount or potentially nil, in which event the Statutory Remuneration expense reported may be fully or partially reversed in the future financial reporting periods.

CEO Remuneration Outcomes History (2013/14 to 2022/23)

Qantas' incentive awards are designed to align Executive remuneration outcomes with business performance. This alignment is demonstrated each year in the variability of the incentive plan outcomes for the CEO driven by actual performance or Board discretion.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Underlying PBT ($M)	($646)	$975	$1,532	$1,401	$1,565	$1,326	$124	($1,774)	($1,859)	$2,465
ROIC %[1]	(1.5%)	16.2%	22.7%	20.1%	21.4%	19.2%	5.8%	(21.4%)	(31.6%)	103.6%

1 Group ROIC is expected to moderate in future periods as Invested Capital rebuilds, however structural changes in earnings, and working capital benefits are expected to deliver Group ROIC in excess of pre-COVID levels.



1 After agreeing in previous years to defer the decision of vesting of Rights awarded under the 2018-2020 LTIP (343,500 Rights), 2019-2021 LTIP (325,500 Rights) and 2020-2022 LTIP (371,500 Rights), the CEO elected to convert these Rights to shares in August 2023. Accordingly, the 2020, 2021 and 2022 LTIP Outcomes for the CEO have been updated to reflect the vesting of Rights under the respective plans.
2 The Board determined that the STIP would not operate in 2021/22. This was replaced by the RRP. Shareholder approval was sought and received at the 2022 AGM for the CEO's participation in the RRP and for the CEO's grant of Rights under the plan
3 The CEO's STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.

CEO Remuneration subject to Malus or Clawback

The Remuneration Framework, which delivers rewards to executives in a mixture of cash and deferred or restricted shares, also provides the Board with the mechanisms to apply significant remuneration consequences through malus and/or clawback. The following table sets out the amount of both restricted and unvested equity on which this may be applied if determined by the Board that this is justified.

	Plan	Number of Shares	Number of Rights	Value of Shares and Rights[1] $'000	Deferral / Restriction Date / Test Date
Alan Joyce	2022/23 STIP[2]	–	–	—	
	2021-2023 LTIP	1,349,000	–	8,364	August 2024
	2022-2024 LTIP[3]		626,110	3,882	August 2024
	2023-2025 LTIP[3]		353,956	2,195	August 2025
	Total	**1,349,000**	**980,066**	**14,441**	

1 Interest in shares or rights as at 30 June 2023 multiplied by the Qantas share price of $6.20 at 30 June 2023.
2 The CEO's STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.
3 Rights awarded under the 2022-2024 LTIP and 2023-2025 LTIP are subject to performance hurdles that are yet to be tested. The Rights may vest and convert to shares at the end of the performance period subject to the achievement of the original respective performance conditions. Any shares allocated following the vesting are subject to a one-year trading restriction. The value shown is an indicative value assuming full vesting; the actual vesting outcome may vary and could be nil.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF INCOMING CEO – VANESSA HUDSON

Ms Hudson was appointed CEO-Designate on 2 May 2023, and commenced as CEO on 6 September 2023 (post the period covered by this report).

Ms Hudson's Base Pay and Total Remuneration was set at a level below her predecessor to reflect that Ms Hudson is a first-time CEO. Details of the remuneration arrangements under her employment agreement as CEO are set out below.

Base Pay

From 2 May 2023, Ms Hudson's Base Pay increased to $1,300,000 in recognition of the additional responsibilities and workload that she would assume under the transition from her current role as CFO. Effective 6 September 2023, her Base Pay will increase to $1,600,000 per annum upon stepping into the CEO role. Base Pay can be taken as cash or non-cash components such as superannuation and motor vehicles. The next review of Base Pay for Ms Hudson will be in 2024.

Defined Benefit Superannuation

At retirement, Ms Hudson's total Defined Benefit (DB) benefit will be a lump-sum amount calculated using a pre-determined formula for her member category, which is based on the relevant Final Average Salary (FAS), Credited Service and Accrual Rate. The FAS is the highest final average annual Superannuation Salary calculated over any consecutive three financial years ending 30 June in the most recent 10 year period. Superannuation Salary is an amount used to determine how much to contribute to Superannuation, Credited Service is the length of time that the employee has been continuously employed by the Qantas Group and Accrual Rate is a fixed percentage used to calculate DB.

Ms Hudson has contributed at least 4 per cent of her Superannuation Salary during each year of DB membership and these contributions, together with investment earnings in the DB plan, will form part of her DB entitlement. The balance of the cost is met by Company contributions to the DB plan together with investment earnings, a portion of which will form part of her DB entitlement in the DB plan. The actuarial value (under AASB 119 'Employee Benefits') of Ms Hudson's DB benefit accrued over her total DB plan membership to 30 June 2023 is included in the Defined Benefit Obligation for all DB members shown in Note 29 of the Financial Report. The Company financed cost (under AASB 119 'Employee Benefits') of Ms Hudson's superannuation accruing over the financial year ending 30 June 2023 was $121,224 and is detailed on page 43 within post-employment benefits.

Incentives:

STIP: The Target award under the STIP is 100 per cent of Base Pay, with a Maximum award capped at 160 per cent of Base Pay.

LTIP: On an annual basis Ms Hudson will be invited to participate in the LTIP. Ms Hudson is eligible for a maximum award under the LTIP of 160 per cent of Base Pay. The minimum award is nil, which would occur if the threshold level of performance is missed on each LTIP measure. Shareholder approval for Ms Hudson's participation in the LTIP and grant of Rights under the 2024-2026 LTIP will be sought at the 2023 AGM.

CHANGES TO REMUNERATION FRAMEWORK FOR 2023/24

The Remuneration Framework is continually monitored and refined to ensure that it remains aligned with the business strategy. As the recovery of the business accelerates and moves into more normalised trading conditions, the focus broadens from recovery-related measures to other concerns, in particular, further increasing our focus on delivering great experiences for our customers, and through this, the sustained work to repair our reputation. Looking ahead to 2023/24, the following changes have been made to the Framework:

STIP Scorecard

Acknowledging our need to do more to deliver the service our customers expect, the STIP Scorecard weighting will be further increased toward Customer with Group Financial and Customer Scorecard categories assigned an equal target weighting of 40 per cent respectively. This adjustment doubles the weighting to Customer from 20 per cent in the 2022/23 STIP Scorecard. The Workplace and Operational Safety and Climate categories retain the same weighting as 2022/23 STIP Scorecard.

In response to the heightened level of cyber security risks that have been evident in Australia in recent times, the Group has acknowledged the importance of Qantas being prepared to meet this threat and as a result has introduced a cyber security metric into the STIP Scorecard Customer category. In alignment with the Group's cyber maturity and strategy to further embed cyber into the business and management accountabilities, the selected measure is the Phishing Simulation Click Rate, which is the industry-leading metric for People Cyber (Human Firewall) and a key risk/behavioural metric important in protection of our customers' data.

A climate-related performance measure was first introduced into the STIP Scorecard in 2022/23 to include a CO_2 emissions reduction target. In addition to decarbonisation, waste is also a key focus of the Qantas Group Climate Action Plan (CAP), and the climate measure for 2023/24 will be expanded to include a waste target for deployment of key initiatives.

LTIP

The Remuneration Committee regularly considers the operation of the LTIP. Effective from 1 July 2023 for the 2024-2026 LTIP, the Board has introduced a third measure focused on Reputation. The Reputation measure will sit alongside the two existing relative TSR measures, all of which will be equally weighted. At the same time, commencing with the 2024-2026 LTIP, full Board discretion over the vesting outcome will be introduced for the first time, aligning the Group to market practice. Further details on 2024-2026 LTIP will be provided in the Notice of Meeting to the 2023 AGM.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION REPORT FOR 2022/23

The Remuneration Report sets out remuneration information for the CEO, Executive Management (including the CEO-Designate) and Non-Executive Directors who are Key Management Personnel (KMP). Section 300A of the *Corporations Act 2001* (Cth) requires disclosure of remuneration information for KMP, with KMP defined in Australian Accounting Standard AASB 124 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. CEO and Executive Management (and their statutory remuneration disclosures) are listed on page 43. Non-Executive KMP (and their statutory remuneration disclosures) are listed on page 59.

2 REMUNERATION GOVERNANCE

The objectives of Qantas' Executive Remuneration Framework are to:

- **Support Business Objectives** by:
  - Encouraging the pursuit of growth and the success of Qantas
  - Aligning with Qantas' purpose, values, strategy and risk appetite
  - Aligning with shareholder requirements.
- **Operate Sustainably** by:
  - Encouraging the sound management of financial and non-financial risks
  - Encouraging good conduct and discouraging misconduct
  - Considering cost and reputational factors and complying with relevant laws and regulations.
- **Be Market Competitive** to attract, motivate and appropriately reward a capable management team.

These objectives are achieved by the Board applying a robust and rigorous approach to remuneration governance and effectiveness across the areas of oversight, structure, operation and quantum as described below:

Oversight	The remuneration governance roles of the Board; the Remuneration Committee; the Safety, Health, Environment and Security Committee; the Audit Committee; and the Board's independent remuneration consultant Ernst & Young (EY) are each clearly defined. The Remuneration Committee (a committee of the Board, whose members are detailed on pages 8 to 11) has the role of reviewing and making recommendations to the Board on specific remuneration matters at Qantas. The Committee makes recommendations it believes are appropriate from the perspective of business performance, individual performance and conduct, risk, governance, quantum and market conditions. The Safety, Health, Environment and Security Committee and the Audit Committee have appropriate input into remuneration decision-making. The Chairs of both committees regularly attend Remuneration Committee meetings and provide written input into remuneration decision-making. A member of the Remuneration Committee is also a member of the Safety, Health, Environment and Security Committee and the Audit Committee. All Board members are invited and eligible to attend Remuneration Committee meetings. During 2022/23, EY continued as the Remuneration Committee's remuneration consultant. The Remuneration Committee has established protocols in relation to the appointment and use of remuneration consultants to support compliance with the *Corporations Act 2001* (Cth), which are incorporated into the terms of engagement with EY. The Remuneration Committee did not seek, nor receive, a formal remuneration recommendation (as defined in the *Corporations Act 2001* (Cth)) during 2022/23.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure	The Framework has design elements that protect against the risk of unintended and unjustified pay outcomes. These design elements include:
	– Diversity in incentive plan performance measures, which as a suite of measures cannot be directly or imprudently influenced by any individual employee
	– Individual performance defined and assessed in terms of both achievements and conduct
	– The Board retaining discretion over remuneration outcomes
	– Clear maximum values specified for STIP Scorecard outcomes and a challenging vesting scale under the LTIP
	– Diversity of the timeframes within which performance is measured, with performance under the STIP measured over one year and performance under the LTIP measured over three years
	– Deferral of a portion of awards under the STIP for two years, with an additional one-year trading restriction providing further alignment with shareholder interests
	– Deferral of Rights that vest and convert to shares under the LTIP, with shares subject to a one-year trading restriction to provide further alignment with shareholder interests
	– A clawback mechanism available in the event of serious misconduct, breach of obligations to the Group or a material misstatement in Qantas' Financial Statements. The Board may:
	  – Determine that an Executive forgoes some or all awards otherwise due under the STIP
	  – Deem some or all STIP shares, which are subject to a deferral period and/or additional one-year trading restriction, be forfeited
	  – Cause some or all LTIP Rights which have not yet vested to lapse, or LTIP Rights which have vested and converted to shares that are subject to a trading restriction to be forfeited
	  – In the case of serious misconduct, cancel any post-employment benefits for the relevant employee(s) (where possible).

Operation	The Qantas Board has a demonstrated history of aligning remuneration outcomes with Group performance. The Board has applied its discretion in the past to ensure remuneration outcomes are appropriate and has adjusted individual remuneration outcomes based on performance and conduct. Examples of where the Board has applied its discretion are provided on page 46.
Quantum	Base Pay and incentive plan opportunities are set with reference to external market data, including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks, as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses. They are also the peer groups with which Qantas competes for Executive talent.

EMPLOYEE SHARE TRADING POLICY

The Qantas Code of Conduct and Ethics contains Qantas' Employee Share Trading Policy (Policy). The Policy prohibits employees from dealing in Qantas securities (or securities of other listed or unlisted entities) while in possession of material non-public information relevant to the entity.

In addition, nominated employees (including the CEO and Executive Management) and Non-Executive Directors are:

- Prohibited from dealing in Qantas securities (or the securities of any Qantas Group listed entity) during defined closed periods
- Required to comply with 'request to deal' procedures prior to dealing in Qantas securities (or the securities of any Qantas Group listed entity) outside of defined closed periods
- Prohibited from hedging, entering into any margin lending arrangement, or entering into any other encumbrances over the securities of Qantas (or the securities of any Qantas Group listed entity) at any time.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

3 REMUNERATION OUTCOMES FOR 2022/23

The following table summarises the remuneration decisions and outcomes for the CEO and Executive Management for the year ended 30 June 2023. The remuneration outcomes detailed in this table are useful in understanding current year pay and its alignment with performance, as additional information to the statutory remuneration disclosures.

Actual Remuneration Outcomes Table — CEO and Executive Management[1]

$'000s		Base Pay (Cash)[2]	STIP Cash Bonus[3]	STIP Deferred Award[3]	RRP	LTIP[4,5]	Other Benefits[6]	Total
Current Executives								
Alan Joyce[7]	**2023**	**2,145**	**–**	**–**	**4,327**	**14,815**	**156**	**21,443**
Chief Executive Officer	2022	2,146	–	–	–	–	126	2,272
Andrew David	**2023**	**1,026**	**–**	**–**	**1,628**	**2,259**	**33**	**4,946**
CEO Qantas Domestic & International to 31 May 2023 CEO Qantas Domestic from 1 June 2023	2022	996	–	–	–	401	59	1,456
Vanessa Hudson[8]	**2023**	**986**	**–**	**–**	**1,628**	**2,260**	**250**	**5,124**
Chief Financial Officer to 1 May 2023 CEO Designate and Chief Financial Officer from 2 May 2023	2022	921	–	–	–	334	183	1,438
Stephanie Tully[9]	**2023**	**807**	**–**	**–**	**1,197**	**1,106**	**174**	**3,284**
CEO Jetstar Group from 14 November 2022	2022	–	–	–	–	–	–	–
Cameron Wallace	**2023**	**69**	**–**	**–**	**–**	**–**	**38**	**107**
CEO Qantas International & Freight from 1 June 2023	2022	–	–	–	–	–	–	–
Olivia Wirth	**2023**	**868**	**–**	**–**	**1,386**	**1,919**	**108**	**4,281**
CEO Qantas Loyalty	2022	843	–	–	–	341	67	1,251
Total	**2023**	**5,901**	**–**	**–**	**10,166**	**22,359**	**759**	**39,185**
	2022	4,906	–	–	–	1,076	435	6,417
Former Executive								
Gareth Evans[10]	**2023**	**528**	**–**	**–**	**1,299**	**1,997**	**98**	**3,922**
Former CEO Jetstar Group (exited 31 December 2022)	2022	1,057	–	–	–	425	101	1,583

1 Details of the non-statutory remuneration methodology are explained on pages 45 to 50.
2 Base Pay (Cash) is Base Pay less superannuation contributions. Superannuation is reported in Other Benefits.
3 The Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available. For 2021/22 the Board determined that STIP would not operate and as a result, the value is nil. The 2021/22 STIP was replaced by the RRP.
4 LTIP awards vested in 2022/23 at 100 per cent. After agreeing in previous years to defer the decision of vesting of Rights awarded under the 2018-2020 LTIP, 2019-2021 LTIP and 2020-2022 LTIP, the CEO elected to convert these Rights to shares.
5 The number of Rights vested multiplied by the Qantas share price of $6.20 at 30 June 2023 (the end of the plan's performance period) (2022: $4.47 at 30 June 2022).
6 Other Benefits are detailed on page 50.
7 The share price appreciation component of the equity based RRP and LTIPs that have vested to the CEO contributes a total of $4,815,000 (20 per cent) of the overall total remuneration outcome.
8 Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 *Employee Benefits*.
9 The 2022/23 remuneration reflects the full year remuneration for Ms Tully. This differs to the Statutory Remuneration disclosure which includes only the remuneration for the period of time in a KMP role for Ms Tully (14 November 2022 to 30 June 2023).
10 Mr Evans ceased as a KMP and ceased employment with Qantas on 31 December 2022. Mr Evans transitioned CEO Jetstar Group to Ms Tully on 14 November 2022. 2022/23 Remuneration is included up until the termination date.

Mr Evans ceased as a KMP and ceased employment on 31 December 2022. Treatment on cessation of employment, as a good leaver, under the STIP, RRP and LTIP (consistent with the terms and conditions of those plans) was as follows:

- Under the 2022/23 STIP, subject to the Board determining that an award should vest, an award of cash and restricted shares pro-rated for the portion of the performance period worked
- Under the 2021-2023 LTIP and RRP, Rights that vested were pro-rated for the portion of the performance period employed. Shares allocated following vesting of the LTIP are subject to a one-year trading restriction
- Under the 2022-2024 LTIP, Rights continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Evans was employed, and may vest and convert to shares at the end of the performance period subject to achievement of the original LTIP performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

During 2023, the Group announced that the CEO, Mr Joyce and the CEO Qantas Domestic, Mr David had made the decision to retire during the 2023/24 financial year. Mr Joyce retired 5 September 2023 and Mr David will leave the Group on 29 September 2023. Mr Joyce and Mr David will not participate in the 2023/24 STIP and 2024-2026 LTIP.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

4 STATUTORY REMUNERATION DISCLOSURES FOR 2022/23

The statutory remuneration disclosures for the year ended 30 June 2023 are detailed below. These are prepared in accordance with Australian Accounting Standards and differ from the 2022/23 remuneration outcomes on page 42. The differences arise due to the accounting treatment of share-based payments for the STIP, RRP and LTIP.

Statutory Remuneration Table — CEO and Executive Management

			Incentive Plan – Accounting Accrual					Other Benefits				
				Equity-Settled Share-Based Payments								
$'000s		Base Pay (Cash)[1,2]	STIP Cash Bonus[1]	STIP Deferred Shares[1]	RRP Rights	LTIP Rights	Sub-Total	Non-Cash Benefits[1,3]	Post-Employment Benefits[4]	Other Long-Term Benefits[5]	Sub-Total	Total
Current Executives												
Alan Joyce[6]	**2023**	**2,145**	**1,458**	**625**	**3,304**	**4,231**	**11,763**	**17**	**51**	**88**	**156**	**11,919**
Chief Executive Officer	2022	2,146	–	31	–	3,272	5,449	23	46	57	126	5,575
Andrew David[6]	**2023**	**1,026**	**593**	**237**	**872**	**895**	**3,623**	**31**	**56**	**(54)**	**33**	**3,656**
CEO Qantas Domestic & International to 31 May 2023 CEO Qantas Domestic from 1 June 2023	2022	996	–	10	291	771	2,068	11	51	(2)	60	2,128
Vanessa Hudson[7]	**2023**	**986**	**677**	**107**	**872**	**845**	**3,487**	**43**	**185**	**22**	**250**	**3,737**
Chief Financial Officer to 1 May 2023 CEO Designate and Chief Financial Officer from 2 May 2023	2022	921	–	8	291	716	1,936	34	144	5	183	2,119
Stephanie Tully[8]	**2023**	**518**	**293**	**47**	**402**	**214**	**1,474**	**131**	**46**	**(22)**	**155**	**1,629**
CEO Jetstar Group from 14 November 2022	2022	–	–	–	–	–	–	–	–	–	–	–
Cameron Wallace[8]	**2023**	**69**	**–**	**–**	**–**	**–**	**69**	**21**	**33**	**5**	**59**	**128**
CEO Qantas International & Freight from 1 June 2023	2022	–	–	–	–	–	–	–	–	–	–	–
Olivia Wirth	**2023**	**868**	**514**	**81**	**742**	**723**	**2,928**	**76**	**56**	**(24)**	**108**	**3,036**
CEO Qantas Loyalty	2022	843	–	10	247	655	1,755	8	52	7	67	1,822
Total	**2023**	**5,612**	**3,535**	**1,097**	**6,192**	**6,908**	**23,344**	**319**	**427**	**15**	**761**	**24,105**
	2022	4,906	–	59	829	5,414	11,208	76	293	67	436	11,644
Former Executive												
Gareth Evans[9]	**2023**	**528**	**293**	**146**	**735**	**375**	**2,077**	**11**	**43**	**44**	**98**	**2,175**
Former CEO Jetstar Group (exited 31 December 2022)	2022	1,057	–	12	308	817	2,194	46	52	4	102	2,296

1 Short-term employee benefits include Base Pay (cash), STIP cash bonus and non-cash benefits. In relation to the STIP, the Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available, without adjusting the original service period. Statutory Remuneration reported above (STIP Cash Bonus and STIP Deferred Shares) is calculated with reference to the maximum remaining potential outcome of the 2022/23 STIP (Scorecard Outcome is 126 per cent less the 20 per cent reduction applied by Board discretion). The final outcome of the 2022/23 STIP may be less than this amount or potentially nil, in which event the Statutory Remuneration expense reported may be fully or partially reversed in the future financial reporting periods.
2 Base Pay (Cash) is Base Pay less superannuation contributions. Superannuation is reported in Post-Employment Benefits.
3 Non-cash benefits include the value of travel benefits while employed and other minor benefits.
4 Post-Employment Benefits includes superannuation and an accrual for post-employment travel of $26,000 for Mr Joyce, $64,000 for Ms Hudson and $30,000 for each other Executive (2022: $22,000 for Mr Joyce, $28,000 for Ms Hudson and $28,000 for each other Executive).
5 Other Long-Term Benefits include movement in annual leave and long service leave balances. The accounting value of Other Long-Term Benefits may be negative; for example, where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrue during the current year.
6 Mr Joyce and Mr David will cease employment with Qantas during 2023/24. Shares that are awarded under the 2022/23 STIP to Mr Joyce and Mr David are subject to a deferral period. The deferral period and additional trading restriction will continue to apply and these shares are subject to clawback. As Mr Joyce and Mr David will cease employment prior to the end of the performance period, the Rights under the 2022-2024 LTIP and the 2023-2025 LTIP will continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Joyce and Mr David were employed, consistent with the Terms and Conditions of those plans as a good leaver. The Rights may vest and convert to shares at the end of the performance period subject to achievement of the original respective performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.
7 Superannuation benefits are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 *Employee Benefits*.
8 2022/23 remuneration reflects the period of time in a KMP role for Ms Tully (14 November 2022 to 30 June 2023) and Mr Wallace (1 June 2023 to 30 June 2023). Non-Cash benefits for Mr Wallace includes the amortised accounting value for the one-off equity grant (as an equity-settled share based payment) to replace forfeited incentives as a result of joining Qantas that are subject to a vesting event occurring.
9 Mr Evans ceased as KMP and ceased employment on 31 December 2022. As a good leaver, Mr Evans was eligible to receive an award of cash and restricted shares pro-rated for the portion of the performance period employed under the 2022/23 STIP subject to the Board determining that an award should vest. Rights under the 2021-2023 LTIP and the RRP that vested were pro-rated for the portion of the performance period in which Mr Evans was employed. Shares allocated following the vesting of the 2021-2023 LTIP are subject to a one-year trading restriction. Rights under the 2022-2024 LTIP continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Evans was employed, consistent with the Terms and Conditions of the plan as a good leaver. The Rights may vest and convert to shares at the end of the performance period subject to achievement of the original respective performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

A reconciliation of the CEO's remuneration outcome to the statutory disclosures is detailed below.

CEO's Statutory Remuneration Disclosure to Remuneration Outcome for 2022/23

Reconciliation	($'000)	Description
Statutory Remuneration Disclosure	**11,919**	
Accounting Value of STIP, LTIP and RRP awards		The Statutory Remuneration Disclosure includes:
– Less: Accounting value for STIP awards	(2,083)	– the maximum remaining potential outcome of the 2022/23 STIP notwithstanding that the Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available. The final outcome of the 2022/23 STIP may be less than this amount or potentially nil, in which event the Statutory Remuneration expense reported may be fully or partially reversed in the future financial reporting periods.
– Less: Accounting value for LTIP share awards	(4,231)	– the accounting value of share-based payments. Accounting standards require share-based payments to be amortised over the relevant performance and service periods. The accounting value for awards under the LTIP and RRP do not have regard to whether performance conditions were achieved.
– Less: Accounting value for RRP share awards	(3,304)	
Current year STIP share awards and vesting of RRP and LTIP awards		In a year where STIP share awards are made or awards under the RRP or LTIP vest, the Remuneration Outcomes disclosure includes:
– Add: 2022-2023 STIP awards	—	– The Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available and therefore the value is nil
– Add: 2022-2023 RRP – vesting	4,327	– The full value of the shares that vested under the RRP
– Add: 2018-2020 LTIP – vesting	2,130	– The full value of the shares that vested under the 2018-2020 LTIP, 2019-2021 LTIP, 2020-2022 LTIP and 2021-2023 LTIP applying the 30 June 2023 Qantas share price. The shares awarded under the 2021-2023 LTIP are subject to an additional one-year trading restriction.
– Add: 2019-2021 LTIP – vesting	2,018	
– Add: 2020-2022 LTIP – vesting	2,303	
– Add: 2021-2023 LTIP – vesting	8,364	
Remuneration outcome – Total	**21,443**	

Annual Incentive Decision Delayed for 2022/23 — CEO and Executive Management

The 2022/23 STIP award has not been finalised as the Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.

$'000s	Total STIP Award Decision Delayed[1]	STIP Cash Bonus[1] Decision Delayed	STIP Deferred Shares[1] Decision Delayed	Total STIP as a % of maximum opportunity Decision Delayed	Total STIP forfeited as a % of maximum opportunity
Alan Joyce	2,187	1,458	729	50%	50%
Andrew David	890	593	297	53%	47%
Vanessa Hudson	1,016	677	339	58%	42%
Stephanie Tully commenced as KMP 14 November 2022	704	469	235	49%	51%
Cameron Wallace commenced as KMP 1 June 2023	–	–	–	–%	–%
Olivia Wirth	771	514	257	58%	42%
Gareth Evans[2] ceased as KMP 31 December 2022	439	293	146	51%	49%

1 The Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.
2 As a good leaver, Mr Evans, will subject to the Board determining that an award should vest be eligible to receive an award of cash and restricted shares pro-rated for the portion of the performance period employed under the 2022/23 STIP.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

5 EXECUTIVE REMUNERATION STRUCTURE

The Qantas Executive Remuneration Framework, as it applies to the CEO and Executive Management, is summarised on pages 33 to 39. Additional detail on the structure and operation of each element of the Framework is provided below.

Base Pay

(also referred to as Fixed Annual Remuneration)

Base Pay is a guaranteed salary level, inclusive of superannuation. Each year, the Remuneration Committee reviews the Base Pay for the CEO and Executive Management.

An individual's Base Pay, being a guaranteed salary level, is not related to Qantas' performance in a specific year.

Base Pay (Cash), as disclosed in the remuneration tables, excludes superannuation (which is disclosed as Post-Employment Benefits) but does include salary sacrifice components such as motor vehicles and purchased annual leave.

In performing a Base Pay review, the Board makes reference to external market data, including comparable roles in other listed Australian companies. Remuneration is benchmarked against ASX50 companies and a revenue-based peer group of other listed Australian companies. The Board believes these are the appropriate benchmarks as these are the comparator groups whose roles best mirror the size, complexity and challenges in managing Qantas' businesses. They are also the peer groups with which Qantas competes for Executive talent.

There has been no increase to the Base Pay for Mr Joyce since 1 July 2018.

The Base Pay for Ms Hudson, Mr David and Ms Wirth increased by 3 per cent from 1 July 2022 as part of the 2022 Annual Review.

Ms Hudson was appointed to the role of CEO-Designate on 2 May 2023 , and then CEO on 6 September 2023. Ms Hudson's Base Pay was set at a level below her predecessor and having regard to comparable roles in peer group companies. The same approach to setting Base Pay has been applied to:

- Ms Tully, who was appointed to the role of CEO Jetstar and commenced in her KMP role on 14 November 2022
- Mr Wallace, who commenced employment with Qantas in the role of CEO International and Freight on 1 June 2023.

The Base Pay for the CEO and Executive Management is outlined on page 53.

Annual Incentive

STIP Overview

The STIP is the annual incentive plan for the CEO and members of Qantas Executive Management. Each year, the Executives may receive an award that is a combination of cash and restricted shares to the extent that the plan's performance conditions are achieved.

Calculation of STIP Awards

STIP Awards are calculated as follows:

STIP Award = Base Pay X Target Opportunity X STIP Scorecard Outcome X Individual Performance Factor

Target Opportunity

Each STIP participant has a Target Opportunity expressed as a percentage of Base Pay:

- For the CEO and CEO-Designate, 100 per cent of Base Pay
- For Executive Management, 80 per cent of Base Pay.

Performance Conditions — STIP Scorecard

The Board set a Scorecard of performance measures for 2022/23.

The STIP Scorecard contains a mix of Group financial and non-financial measures.

For 2022/23, the Board selected Underlying PBT as the key financial performance measure for the Qantas Group, with a weighting of 50 per cent.

Other financial and non-financial measures comprise the remaining 50 per cent of the STIP Scorecard. The Board sets targets for each STIP Scorecard measure. At the end of the financial year, the Board assesses performance against each measure and determines the overall STIP Scorecard outcome.

A detailed description of the STIP Scorecard measures and the 2022/23 STIP Scorecard outcome is provided on pages 51 to 52.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions — Individual Performance Factor (IPF)	An individual's performance is recognised via an IPF. The IPF is a measure of individual performance that assesses: – What an individual has achieved – How they went about it (their conduct and behaviours). An individual's behaviour is assessed against the Qantas Group Behaviours. The Qantas Group Behaviours are: – Responsible – Always care and be responsible – Respectful – Working together, being respectful and inclusive – Resilient – A positive attitude to everyday challenges – Excellence – Striving for excellence (in all we do). IPFs are generally in the range of 0.8 to 1.2. However, in the case of underperformance the IPF may be zero. In exceptional circumstances the IPF may be as high as 1.5.
Board Discretion	Board discretion is a key element of the design of the STIP. While the Board sees the STIP Scorecard as fundamental in calculating the STIP, it also recognises that remuneration outcomes must be considered in the broader context of Qantas' overall business performance, the operating environment and non-financial considerations. Circumstances may occur where Scorecard measures have been achieved or exceeded, but in the view of the Board it is more appropriate to make no award under the STIP or to deliver a higher proportion of an award in Qantas shares. Likewise, there may be circumstances where performance is below an agreed target where the Board may determine that it is appropriate to pay a partial STIP award (this circumstance has not occurred to date). Therefore, each year the Board considers whether to apply its discretion. The Board may determine that: – No award be made (as it did in 2011/12, 2013/14, 2019/20, 2020/21 and 2021/22) – Only a partial award be made (as it did in 2010/11 and 2012/13) – Any award will be entirely deferred and/or delivered in Qantas shares (as it did in 2010/11) – A higher proportion of the award be made in Qantas shares (as it did in 2016/17) – Any award be reduced (as it did in 2016/17, 2018/19 and 2022/23) – A decision on whether to vest an award be delayed pending the outcome of further proceedings (2022/23).
Delivery of STIP Awards (and Application of Board Discretion in 2022/23)	In a year where STIP awards are made, the default delivery is two thirds of the STIP award paid as a cash bonus, with the remaining one third deferred into Qantas shares. The Board retains discretion as to how STIP awards are delivered. The Board determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available.
STIP Award Deferral and Trading Restriction	In a year where STIP awards are made, the default approach is that shares awarded be subject to: – A two-year deferral period, and – A one-year trading restriction. The trading restriction would apply to these shares both during employment and post-cessation of employment. Shares subject to the trading restriction are not forfeited on cessation of employment but are subject to clawback. The additional trading restriction strengthens the ability to clawback vested equity, if required.
Maximum and Minimum STIP Outcome	The maximum outcome under the STIP is capped at 200 per cent of Base Pay for the outgoing CEO and 160 per cent of Base Pay for the CEO-Designate and other Executive Management. The minimum outcome is nil, which would occur if the threshold level of performance is missed on each STIP measure, if an individual's performance does not warrant an award, or if the Board determines that no award be made.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cessation of Employment (current plan)	In general, where an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, they forfeit any right to participate in that year's STIP and forfeit any shares awarded under prior year STIPs that are subject to a deferral period. For shares subject to the additional trading restriction, forfeiture does not apply. That is, for any shares awarded under prior year STIPs where the deferral period has been served, but the shares are subject to the additional trading restriction, the Executive retains those shares subject to the additional trading restriction. The additional trading restriction strengthens the ability to clawback vested equity, if required. In limited circumstances, for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement: – For the current year STIP, provided the Executive worked for a minimum of six months, the Executive will receive a pro-rated award based on the actual performance against the performance measures (as determined by the Board following the end of the performance period), and the portion of the performance period that the Executive served – For shares awarded under prior year STIPs that are subject to a deferral period, the original deferral period and additional trading restriction continue to apply and these shares are subject to clawback.
Disclosure	In addition to required statutory disclosures, Qantas chooses to disclose the full value of each year's STIP award in the Remuneration Outcomes Table on page 42. This involves disclosing both: – The value of cash awards made – The full value of restricted shares that were awarded (notwithstanding that these shares are still subject to a two-year deferral period and a one-year trading restriction). There is nil value for: – The current year, as the Board has determined to delay its decision as to whether to approve the vesting of the 2022/23 STIP until it has further information available – The prior year, as no awards were made under the 2021/22 STIP as the plan did not operate. Disclosure of STIP awards in the Statutory Remuneration Table on page 43 is based on the requirements of the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards. The STIP awards are disclosed as either: – A cash incentive for any cash bonus paid, or – A share-based payment for any component awarded in deferred shares. Where share-based STIP awards involve deferral over multiple reporting periods, they are reported against each period in accordance with accounting standards.
Long Term Incentive Plan (LTIP)	
LTIP Overview	The LTIP is a four-year plan that involves an upfront award of a fixed number of Rights over Qantas shares. If performance and service conditions are achieved over a three-year period, Rights vest and convert to Qantas shares. The vested shares are then subject to a further one-year trading restriction, during which the shares cannot be traded and are subject to clawback. If the three-year performance conditions or service conditions are not met, the Rights lapse.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Conditions

The performance conditions for each of the 2021-2023 LTIP (tested at 30 June 2023), 2022-2024 LTIP (to be tested at 30 June 2024) and 2023-2025 LTIP (to be tested at 30 June 2025) are Qantas' relative TSR to:

- A global airline peer group
- ASX100 companies.

Up to 50 per cent of the total number of Rights granted may vest based on Qantas' relative TSR performance in comparison to the global airline peer group, and up to 50 per cent of the total number of Rights granted may vest based on Qantas' relative TSR performance in comparison to the ASX100 companies.

These Rights will only vest in full if Qantas' TSR performance ranks at or above the 75th percentile compared to both the global airline peer group and the ASX100 companies. At the end of the performance period, the TSR performance of Qantas and each comparator company is determined based on their average closing share price over the final six months of the three-year performance period.

The peer groups selected are because Qantas' Financial Framework targets top quartile TSR performance relative to global airline peers and ASX100 companies as these provide a comparison of relative shareholder returns relevant to most Qantas investors:

- The global airline peer group was chosen for relevance to investors, including investors based outside Australia, with a primary interest in the aviation industry sector
- The ASX100 peer group comprises those companies that make up the S&P/ASX100 Index at the commencement of the performance period.

The vesting scale for both the ASX100 and the global airline peer groups is as follows:

Qantas TSR Performance relative to Each Peer Group	Vesting Scale
Below 50th percentile	Nil vesting
50th to 75th percentile	Linear Scale: 50 per cent to 100 per cent vesting
Above 75th percentile	100 per cent vesting

The ASX100 peer group comprises those companies that make up the S&P/ASX100 Index at the commencement date of the performance period.

The global airline peer group has been selected with regard to its representation of Qantas' key markets, full-service and value-based airlines and the level of government involvement. For each of the 2021-2023 LTIP, 2022-2024 LTIP and 2023-2025 LTIP, the global listed airline peer group comprised: AirAsia, Air France/KLM, Air New Zealand, All Nippon Airways, American Airlines, Cathay Pacific, Delta Airlines, Deutsche Lufthansa, easyJet, International Consolidated Airlines Group, Japan Airlines, LATAM Airlines Group, Ryanair, Singapore Airlines, Southwest Airlines, and United Continental.

Review of Performance Conditions

The Remuneration Committee regularly reviews the appropriateness of the performance conditions. In 2022/23, the Remuneration Committee determined that the current conditions continue to remain the most appropriate. These conditions are aligned with returns achieved for shareholders and are consistent with the Group Financial Framework.

Vesting of LTIP Award

If performance and service conditions are achieved over a three-year period, Rights vest and convert to Qantas shares.

Trading Restriction

Any shares awarded under the LTIP will be subject to a one-year trading restriction.

Shares subject to the trading restriction are not forfeited on cessation of employment but are subject to clawback. The additional trading restriction strengthens the ability to clawback vested equity, if required.

Cessation of Employment

In general, when an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, any Rights which have not vested will be forfeited. For any shares awarded under the LTIP that are now subject to an additional trading restriction, the Executive will continue to hold those shares and the additional trading restriction continues to apply. That is, forfeiture does not apply to those shares during the trading restriction period. These shares are subject to clawback.

In limited circumstances, for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement, Rights will remain on foot on a pro-rata basis and may vest at the end of the performance period, subject to the satisfaction of the relevant performance and service conditions of the LTIP. Any shares allocated following vesting of the LTIP are subject to a one-year trading restriction.

Allocation Methodology

The number of Rights granted to the CEO and Executive Management under the LTIP is calculated on a face value basis and is the maximum that may vest at the end of the performance period.

The maximum LTIP opportunity for the CEO and Executive Management is provided on a face value basis in the Summary of Key Contract Terms on page 53.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Allocation Methodology Used in 2022/23 Award to the CEO	At each year's AGM, Qantas seeks shareholder approval for any award of Rights to the CEO. At the 2022 AGM, shareholders approved an award of 898,000 Rights to the CEO (under the 2023-2025 LTIP), being the maximum number of Rights that may vest and convert to shares. The Notice of Meeting for the 2022 AGM set out the proposed number of LTIP Rights to be granted to the CEO on a face value basis as follows: **Number of Rights awarded** = $\frac{\text{Base Pay x Maximum LTIP opportunity}}{\text{Face value (Qantas share price) as at 30 June 2022}}$ **898,000 Rights awarded** = $\frac{\$2{,}170{,}000 \times 185\%}{\$4.47}$
Change of Control	In the event of a change of control, the Board determines whether the LTIP Rights vest or otherwise.
Disclosure	In addition to the required statutory disclosures, Qantas chooses to disclose the full value of LTIP awards that vest during the year in the Remuneration Outcomes Table on page 42. The full value is equal to the number of Rights vested, multiplied by the Qantas share price at the end of the performance period, even where these shares are subject to an additional one-year trading restriction. The statutory remuneration disclosure amortises the accounting value of LTIP awards over the relevant performance and service period as per the accounting standards. The accounting value for the LTIP awards does not have regard to whether performance conditions were achieved.
Recovery Retention Plan (RRP)	
RRP Overview	The RRP replaced the 2021/22 STIP opportunity with an upfront award of Rights, with vesting tied to performance conditions that must be achieved in full over the two-year performance period.
Allocation Methodology	The number of Rights granted under the RRP was calculated on a face value basis. The number of Rights awarded was the maximum number of Rights that may vest and convert to Qantas shares at the end of the performance period.
Performance Conditions	For Rights to vest under the RRP, all of the following performance conditions were required to be achieved by the end of the performance period on 30 June 2023: – The Qantas Group meets its $1 billion Recovery program target by 30 June 2023 – As at 30 June 2023, Qantas Group's Net Debt range is below the top end of the Net Debt range as approved by the Board in accordance with the Group's Financial Framework – Qantas Group is profitable on an Underlying PBT basis for 2022/23.
Board Discretion	The Board retained discretion to: – Adjust the Net Debt range upwards to take into consideration significant initiatives or strategic proposals undertaken by the Qantas Group that have impacted the ability to deliver the Net Debt target – Not approve any vested award where there is a material failure in the structure of or compliance with a safety policy or process that results in death or serious injury, arising out of Qantas Group's business operations.
Vesting of RRP Award	If performance and service conditions are achieved over the two-year performance period ending 30 June 2023, Rights will vest and convert to unrestricted Qantas shares. If the two-year performance conditions or service conditions are not met, the Rights lapse.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Cessation of Employment	In general, when an Executive resigns, is terminated for cause or is terminated in other circumstances involving unacceptable performance or conduct, any Rights which have not vested will be forfeited. In limited circumstances, for example, retirement, employer-initiated terminations (with no record of poor performance), death or total and permanent disablement, Rights will remain on foot on a pro-rata basis and may vest at the end of the performance period, subject to the satisfaction of the performance and service conditions of the RRP.
Disclosure	The statutory remuneration disclosure amortises the accounting value of RRP awards over the relevant performance and service period as per the accounting standards. In addition to the required statutory disclosures, Qantas chooses to disclose the full value of the RRP awards that vested during the year in the Remuneration Outcomes Table on page 42. The full value is equal to the number of Rights vested, multiplied by the Qantas share price at the end of the performance period.

Other Benefits

Non-Cash Benefits	Non-Cash Benefits, as disclosed in the remuneration tables, includes other minor benefits.
Travel	Travel concessions are provided to permanent Qantas employees, consistent with prevailing practice in the airline industry. Travel at concessionary prices is on a sub-load basis. That is, it is subject to considerable restrictions and limits on availability. The policy includes specified direct family members or a nominated travel companion or beneficiary. In addition, and also consistent with prevailing practice in the airline industry, the CEO and Executive Management and their eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual. Post-employment travel concessions are also available to all permanent Qantas employees who qualify by achieving a service condition. The CEO and Executive Management and their eligible beneficiaries are also entitled to a number of trips for personal purposes at no cost to the individual after ceasing employment. An estimated present value of these entitlements accrues over the service period of the individual and is disclosed as a post-employment benefit.
Superannuation	Superannuation includes statutory and salary sacrifice superannuation contributions (or superannuation benefits provided through a defined benefit superannuation plan) and is disclosed as a post-employment benefit.
Other Long-Term Benefits	The movement in accrual of annual leave and long service leave is included in Other Long-Term Benefits. The accounting value of Other Long-Term Benefits may be negative, for example, where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrued during the year.

Minimum Shareholding Guidelines

Minimum Shareholding Guidelines

The following shareholding guidelines were introduced with effect from 1 July 2019:

Individual	Guideline
Non Executive Directors	1 times Base Fee
CEO	1.5 times Base Pay
Executive Management	0.75 times Base Pay

Non-Executive Directors, the CEO and Executive Management have a maximum five-year period from the date of their appointment to the respective role or commencement of this guideline to accumulate the value of their shareholding.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

6 ANNUAL INCENTIVE SCORECARD OUTCOME 2022/23

For 2022/23, the Board considered the following key measures of financial and operational performance and the associated targets to be critical indicators of performance and drivers of shareholder value. The table below summarises performance versus target against each Scorecard category under the 2022/23 STIP.

Scorecard Category/ Strategic Objective	**Measures**	**Scorecard Weighting Target (Range of Outcomes)**	**Actual Outcome**	**Component Outcome[1]**	**Comment**
Group Profitability	Underlying PBT less transformation costs	50% (0-100%)	100%		The Underlying PBT less transformation costs result of $2,465 million for 2022/23 exceeded the 'overdrive' target set by the Board, which was set with consideration to the prior Qantas Group record result in 2017/18.
Transformation and Growth	Restructuring benefits	10% (0-15%)	12.5%		Management's commitment and focus on the Recovery Plan delivered more than $1,072 billion of benefits over the three-year period and $300 million in cost savings and incremental revenue benefits to offset inflation and cost escalation.
	Qantas Loyalty Underlying EBIT				Qantas Loyalty exceeded its Earnings Before Interest and Tax (EBIT) target for 2022/23.
	Maximise our Leading Domestic Position				The Qantas Domestic and QantasLink revenue share result for the domestic corporate travel market and Small and Medium-sized Enterprise (SME) travel market was below threshold and around threshold respectively.
Customer	Net Promoter Score (NPS) - for domestic airlines and Qantas Frequent Flyer	20% (0-30%)	0%		Customer satisfaction for all key domestic and international airlines and Qantas Frequent Flyer was below threshold as a result of the operational challenges during the year.
	Punctuality				Based on Qantas Domestic and QantasLink outperforming Virgin's on-time performance rate in 11 out of 12 months, the target for this measure was assessed as achieved.
	Reliability				The Qantas Domestic and QantasLink combined cancellation rate result was below threshold.
	External Reputation/Trust				The Reputation/Trust result was also below threshold.
					In acknowledgement that our broader customer performance did not meet expectations in 2022/23 the Board exercised discretion (as it did in 2021/22) to zero this component.
Workplace and Operational Safety	Board's assessment of Operational Safety	15% (0-22.5%)	7.5%		Operational Safety performance for the year was strong. Therefore, there was a full contribution under the Operational Safety measure.
	Workplace Safety measures				Improvements in Workplace Safety metrics of up to 8% were targeted. Due to the significantly increased operational activity compared to the prior year this level of improvement was not achieved. Therefore, there was no contribution under the Workplace Safety measure.
Climate	2022/23 CO_2 emissions reductions	5% (0-8.75%)	6%		The Group delivered emissions reductions totalling 402,000 tonnes CO_2-e, exceeding the target of 390,000 tonnes CO_2-e.
2022/23 STIP Scorecard Outcome		**100% (0-175%)**	**126% out of a maximum 175%**		**72% out of a maximum scorecard outcome**

KEY: Target achieved or exceeded; Partial achievement against targets; No achievement against targets

1 Component outcome shown for measure where overall target is partially achieved.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional Descriptions of 2022/23 STIP Scorecard Measures

Group Financial Measures	In anticipation of a return to more normalised trading conditions during 2022/23, Underlying PBT (adjusted for transformation costs recognised outside of Underlying PBT) was selected as a key financial performance measure. Underlying PBT is the primary financial performance measure for the Qantas Group and is therefore the primary performance measure under the STIP. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of the Group. The Underlying PBT target is based on the annual financial budget. For reasons of commercial sensitivity, the annual Underlying PBT target is generally not disclosed, but for the purposes of the 2022/23 STIP, the maximum overdrive was set with consideration to the prior Qantas Group record result achieved in 2017/18 of $1.604 billion. Underlying PBT is derived by adjusting Statutory PBT for the impacts of items which are identified by Management and reported to the Chief Operating Decision-Making bodies, as not representing the underlying performance of the business. 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, transactions involving investments, impairment of assets and other transactions outside the ordinary course of business. For the purposes of the STIP Scorecard, Underlying PBT performance is reduced by any transformation or restructuring costs recognised outside of Underlying PBT. This is an updated approach to ensure clear accountability by Management for the efficient implementation of transformation initiatives.
Transformation and Growth	To maintain focus on delivering the restructuring initiatives aligned to the recovery of the business and to ensure inflationary cost pressures and any impact of CPI continued to be mitigated, a restructuring benefit target and an inflation and cost escalation mitigation target was included. To support the strategic initiative of growing diversified earnings, a STIP target was set to grow Qantas Loyalty EBIT. Aligned to the strategic initiatives of maximising our domestic position through the dual brand strategy, STIP targets were set in relation to our Australian domestic share of the corporate and small and medium-sized enterprise (SME) travel markets.
Customer	Customer service is measured against NPS targets. This is a survey-based measure of how strongly our customers promote the services of our businesses. Individual NPS targets are set for Qantas Domestic/QantasLink combined, Qantas Frequent Flyer, Jetstar Australia Domestic, Qantas International and Jetstar International. Reputation/Trust is a survey-based measure of how trusted Qantas is as a brand in the community. On-time departures for Qantas Domestic and QantasLink and cancellation rates continue to be important to our business performance and are therefore included as performance measures. As agreed with and reported to the Bureau of Infrastructure, Transport and Regional Economics (BITRE): – Punctuality is measured as the number of flights operating on-time (on an on-time departure basis) as a percentage of the total number of flights operated – Cancellation is measured as the number of flights removed from service within seven days of scheduled departure.
Workplace and Operational Safety	As safety is always our first priority, the STIP Scorecard includes an assessment of both Workplace and Operational Safety. In addition, the Board retains an overriding discretion to scale down the STIP outcome (or reduce it to zero) in the event of a material aviation safety incident or in the event where safety outcomes do not meet our expectations. The exercise of that discretion considers the specific circumstances of the incident and/or safety outcomes, and is informed by a recommendation of the Safety, Health, Environment and Security Committee. In 2016/17, for example, the Board exercised its discretion in relation to the Workplace Safety outcome in that year to both zero the STIP Scorecard in that respect and by additionally reducing the overall STIP award to the CEO and Executive Management by a significant proportion. Of course, this 'safety override' discretion is in addition to, and does not qualify, the Board's overall discretion over STIP awards. The Safety, Health, Environment and Security Committee performs an assessment of both Workplace Safety performance and Operational Safety performance. The objective of the Workplace Safety targets is to reduce employee injuries. Targets were therefore set across: – Total Recordable Injury Frequency Rate – Lost Work Case Frequency Rate – Short Term Impairment Injury Frequency Rate – Long Term Impairment Injury Frequency Rate. Operational Safety performance is assessed against outcome-based measures (including operational occurrences that pose a significant threat to the safety of employees and customers) and risk-based lead indicators commonly associated with aviation industry accidents, such as flight data trends, technical dispatch reliability and reporting rates.
Climate	Decarbonisation is a strategic priority and the key focus of the Qantas CAP and targets. Aligned to the strategic objective and interim target of achieving a 25 per cent reduction in net emissions from 2019 levels by 2030, a CO_2 emissions reduction target was included as a measure.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

7 LONG TERM INCENTIVE OUTCOME 2021-2023

Qantas TSR Performance	Qantas TSR Rank vs Global Airlines	Qantas TSR Rank vs ASX100	Vesting of 2021-2023 LTIP
71%	**1st**	**17th**	**100%**

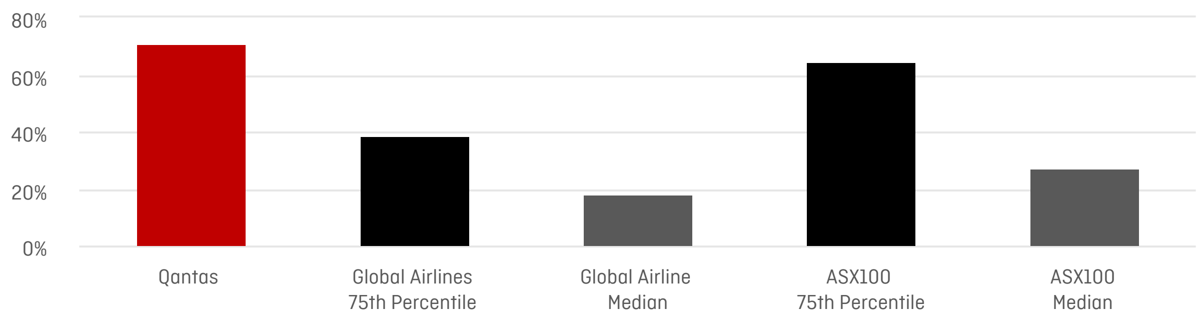
The three-year performance measures under the 2021-2023 LTIP are Qantas' TSR compared to:

- A global airline peer group
- ASX100 companies.

Having delivered on a Recovery Plan set at the start of the pandemic, the business is now in a strong financial position. This has been reflected in our share price and TSR performance.

Qantas' TSR performance over the past three years ranked 1st of companies in the global airline peer group and 17th of companies in the ASX100, resulting in top quartile performance against both performance measures. Based on this performance, 100 per cent vesting was achieved.

Qantas' Three-Year TSR Performance[1] vs Peer Groups (%)



1 TSR performance, applying the LTIP performance test methodology (which uses the average closing share price over the six months preceding the test date of 30 June 2023).

8 SUMMARY OF KEY CONTRACT TERMS AS AT 30 JUNE 2023

Contract Details	Alan Joyce[3]	Vanessa Hudson[4]	Andrew David[5]	Stephanie Tully[5]	Cameron Wallace[5,6]	Olivia Wirth[5]
Base Pay	$2,170,000	$1,300,000	$1,051,000	$850,000	$850,000	$893,000
Pay Mix per contract:						
– STIP Target[1]	100%	100%	80%	80%	80%	80%
– LTIP Target[1,2]	185%	160%	95%	95%	95%	95%
	An annual benefit of trips for these Executives and eligible beneficiaries during employment,[7] at no cost to the individual, is as follows:					
	4 long-haul 12 short-haul	4 long-haul 12 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul	2 long-haul 6 short-haul
	The same benefit is provided for use post-employment, based on the period of service in an Executive Management role within the Qantas Group.					
Notice	Employment may be terminated by either the Executive or Qantas by providing six months' written notice.[8] Each Executive's contract includes a provision that limits any termination payment to the statutory limit prescribed under the *Corporations Act 2001* (Cth).					
Severance	A severance payment of six months' Base Pay applies where termination is initiated by Qantas.[8]					

1 Opportunity expressed as a percentage of Base Pay.
2 Rights awarded on a face value basis and is the maximum number of Rights that may vest and convert to Qantas shares.
3 Target Remuneration Mix for the CEO for 2022/23 was Base Pay 26 per cent, STIP 26 per cent, and LTIP (on a face value basis) 48 per cent.
4 Target Remuneration Mix for CEO-Designate from 2 May 2023 was Base Pay 28 per cent, STIP 28 per cent, and LTIP (on a face value basis) 44 per cent.
5 Target Remuneration Mix for Executive Management for 2022/23 was Base Pay 36 per cent, STIP 29 per cent, and LTIP (on a face value basis) 35 per cent.
6 On a one-off basis Mr Wallace is eligible to receive an equity grant to replace forfeited incentives as a result of joining Qantas. Subject to a vesting event, Qantas will provide an award of Qantas shares to the same gross value as the vested award forfeited. This will be reported as Remuneration Outcome in the 2024 Remuneration Report once the value is known.
7 These benefits are not cumulative and lapse if they are not used during the calendar year in which the entitlements arise.
8 Other than for misconduct or unsatisfactory performance.

Directors' Report continued

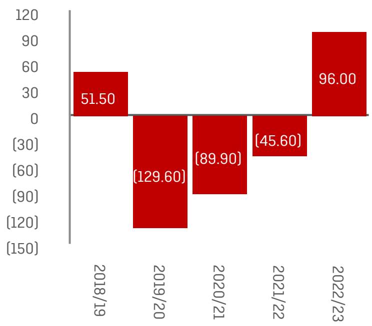
For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

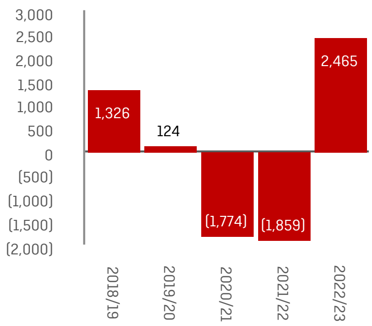
9 QANTAS FINANCIAL PERFORMANCE HISTORY

To provide further context on Qantas' performance, the following graphs outline a five-year history of key financial metrics:

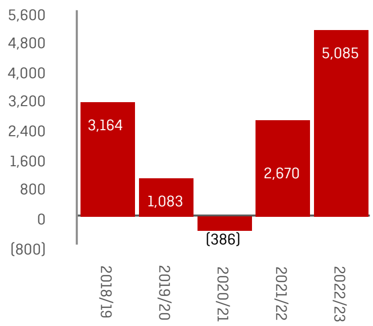
Earnings Per Share[1]



Underlying Profit Before Tax ($M)[2]

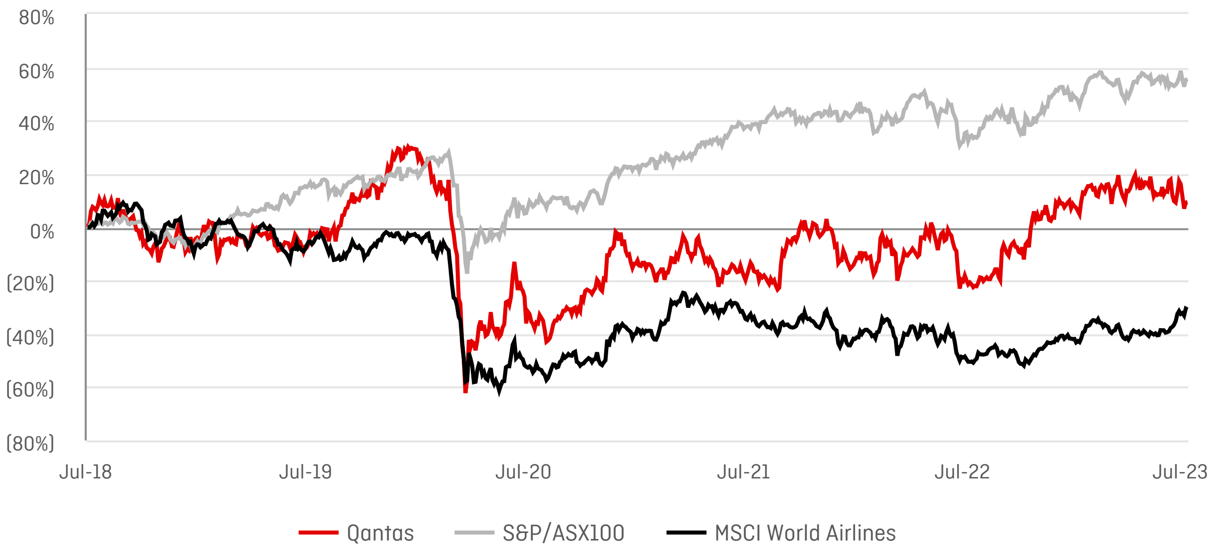


Operating Cash Flow ($M)



1 Basic Earnings/(Loss) Per Share (cents).
2 Underlying PBT is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. Statutory Profit/(Loss) After Tax for 2022/23 was $1,744 million (2022: ($860) million; 2021: ($1,692) million; 2020: ($1,964) million; and 2019: $840 million).

Qantas' Five-Year TSR Performance



Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

10 EQUITY INSTRUMENTS

The following tables set out the holdings of equity instruments granted as remuneration.

Shares Awarded Under the Short Term Incentive Plan

The following table details shares awarded under the STIP that are subject to a deferral period:

		Number of Shares				
Short Term Incentive Plan		**1 July**	**Granted**	**Vested and Transferred**	**Forfeited**	**30 June**
Alan Joyce	**2023**	**–**	**–**	**–**	**–**	**–**
	2022	97,768	–	(97,768)	–	–
Andrew David	**2023**	**–**	**–**	**–**	**–**	**–**
	2022	33,088	–	(33,088)	–	–
Vanessa Hudson	**2023**	**–**	**–**	**–**	**–**	**–**
	2022	26,585	–	(26,585)	–	–
Stephanie Tully	**2023**	**–**	**–**	**–**	**–**	**–**
commenced as KMP 14 November 2022	2022	–	–	–	–	–
Cameron Wallace	**2023**	**–**	**–**	**–**	**–**	**–**
commenced as KMP 1 June 2023	2022	–	–	–	–	–
Olivia Wirth	**2023**	**–**	**–**	**–**	**–**	**–**
	2022	31,250	–	(31,250)	–	–
Gareth Evans	**2023**	**–**	**–**	**–**	**–**	**–**
ceased as KMP 31 December 2022	2022	38,963	–	(38,963)	–	–

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Awarded Under the Long Term Incentive Plan

The following table details Rights awarded under the LTIP that are subject to performance hurdles that are yet to be tested, and tested Rights that have not yet converted into shares.

		Number of Rights						
Long Term Incentive Plan		1 July	Commenced as KMP	Granted[1,2]	Vested and Transferred[3]	Lapsed/ Forfeited	Ceased Employment	30 June[4]
Alan Joyce[5,6,7,8]	**2023**	**4,291,000**	**–**	**898,000**	**–**	**–**	**–**	**5,189,000**
	2022	3,430,000	–	861,000	–	–	–	4,291,000
Andrew David[8]	**2023**	**752,000**	**–**	**223,500**	**(89,750)**	**(89,750)**	**–**	**796,000**
	2022	701,500	–	208,000	(78,750)	(78,750)	–	752,000
Vanessa Hudson	**2023**	**722,000**	**–**	**223,500**	**(74,750)**	**(74,750)**	**–**	**796,000**
	2022	576,000	–	208,000	(31,000)	(31,000)	–	722,000
Stephanie Tully	**2023**	**–**	**259,000**	**86,500**	**–**	**–**	**–**	**345,500**
commenced as KMP 14 November 2022	2022	–	–	–	–	–	–	–
Cameron Wallace	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
commenced as KMP 1 June 2023	2022	–	–	–	–	–	–	–
Olivia Wirth	**2023**	**638,500**	**–**	**190,000**	**(76,250)**	**(76,250)**	**–**	**676,000**
	2022	595,500	–	176,500	(66,750)	(66,750)	–	638,500
Gareth Evans[9]	**2023**	**796,500**	**–**	**–**	**(95,000)**	**(268,854)**	**(432,646)**	**–**
ceased as KMP 31 December 2022	2022	742,500	–	220,500	(83,250)	(83,250)	–	796,500

1 Rights under the 2023-2025 LTIP were granted on 21 November 2022 to Mr Joyce (following approval by shareholders at the 2022 AGM) and other Executives and will be tested against the performance hurdles as at 30 June 2025. The number of Rights granted was determined using the face value of a Right on 30 June 2022 of $4.47, being the start of the performance period. The fair value of a Right on the grant date was $4.24 per Right.

2 Rights under the 2022-2024 LTIP were granted on 5 November 2021 to Mr Joyce (following approval by shareholders at the 2021 AGM) and 17 September 2021 for other Executives and will be tested against the performance hurdles as at 30 June 2024. The number of Rights granted was determined using the face value of a Right on 30 June 2021 of $4.66, being the start of the performance period. The fair value of a Right on the grant date was $3.85 for Mr Joyce and $3.895 per Right for other Executives.

3 50 per cent of Rights under the 2020-2022 LTIP (granted on 4 October 2019 for other Executives) vested following the testing of performance hurdles as at 30 June 2022 and the Board's approval of the 2020-2022 LTIP vesting outcome on 24 August 2022, with the remaining Rights lapsing.The shares awarded upon vesting of the LTIP remain subject to an additional one-year trading restriction and are detailed in the Equity Holdings and Transactions table.

4 Rights under the 2021-2023 LTIP (granted on 23 October 2020 to Mr Joyce and 11 September 2020 for other Executives) are included in the 30 June 2023 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2020 of $3.78, being the start of the performance period. The fair value of a Right on the grant date was $3.07 for Mr Joyce and $2.235 per Right for other Executives. 100 per cent of these Rights vested following the testing of performance hurdles as at 30 June 2023 and the Board's approval of the 2021-2023 LTIP vesting outcome on 23 August 2023. The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one-year trading restriction.

5 Rights under the 2020-2022 LTIP (granted on 25 October 2019 to Mr Joyce) are included in the 30 June 2023 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2019 of $5.40, being the start of the performance period. The fair value of a Right on the grant date was $3.59 for Mr Joyce. 50 per cent vesting was achieved following the testing of performance hurdles as at 30 June 2022. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until August 2023. After agreeing in previous years to defer the decision, the CEO elected to convert these Rights to shares on 23 August 2023, with remaining Rights lapsing.

6 Rights under the 2019-2021 LTIP (granted on 26 October 2018 to Mr Joyce) are included in the 30 June 2023 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2018 of $6.16, being the start of the performance period. The fair value of a Right on the grant date was $2.33 for Mr Joyce. 50 per cent vesting was achieved following the testing of performance hurdles as at 30 June 2021. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until August 2023. After agreeing in previous years to defer the decision, the CEO elected to convert these Rights to shares on 23 August 2023, with remaining Rights lapsing.

7 Rights under the 2018-2020 LTIP (granted on 27 October 2017 to Mr Joyce) are included in the 30 June 2023 balance. The number of Rights granted was determined using the face value of a Right on 30 June 2017 of $5.72, being the start of the performance period. The fair value of a Right on the grant date was $3.30 for Mr Joyce. 50 per cent vesting was achieved following the testing of performance hurdles as at 30 June 2020. Notwithstanding that the LTIP conditions were partially achieved, the CEO offered, and the Board agreed, to defer the decision as to whether his Rights will be forfeited or allowed to convert to shares until August 2023. After agreeing in previous years to defer the decision, the CEO elected to convert these Rights to shares on 23 August 2023, with remaining Rights lapsing.

8 Mr Joyce and Mr David will cease employment with Qantas during 2023/24. As Mr Joyce and Mr David will cease employment prior to the end of the performance period, the Rights under the 2022-2024 LTIP and the 2023-2025 LTIP will continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Joyce and Mr David were employed, consistent with the Terms and Conditions of those plans as a good leaver. The Rights may vest and convert to shares at the end of the performance period subject to achievement of the original respective performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction. The full award of Rights under the respective plans for Mr Joyce and Mr David is included in the 30 June 2023 balance. The total number of Rights to be forfeited after prorating for the portion of the performance period worked is 778,934 for Mr Joyce and 182,701 for Mr David.

9 Mr Evans ceased as KMP and ceased employment on 31 December 2022. Rights under the 2021-2023 LTIP remained on foot on a pro-rata basis for the portion of the performance period employed and were tested a 30 June 2023. Rights under the 2022-2024 LTIP continue to remain on foot on a pro-rata basis for the portion of the performance period employed and may vest and convert to shares at the end of the performance period subject to achievement of the original performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Awarded Under the Recovery Retention Plan

The following table details Rights awarded under the RRP that are tested Rights that have not yet converted into shares.

Recovery Retention Plan		Number of Rights						
		1 July	Commenced as KMP	Granted	Vested and Transferred	Lapsed/ Forfeited	Ceased Employment	30 June[1]
Alan Joyce	**2023**	**–**	**–**	**698,000**	**–**	**–**	**–**	**698,000**
	2022	–	–	–	–	–	–	–
Andrew David	**2023**	**262,500**	**–**	**–**	**–**	**–**	**–**	**262,500**
	2022	–	–	262,500	–	–	–	262,500
Vanessa Hudson	**2023**	**262,500**	**–**	**–**	**–**	**–**	**–**	**262,500**
	2022	–	–	262,500	–	–	–	262,500
Stephanie Tully commenced as KMP 14 November 2022	**2023**	**–**	**193,000**	**–**	**–**	**–**	**–**	**193,000**
	2022	–	–	–	–	–	–	–
Cameron Wallace commenced as KMP 1 June 2023	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	–	–	–	–	–	–	–
Olivia Wirth	**2023**	**223,500**	**–**	**–**	**–**	**–**	**–**	**223,500**
	2022	–	–	223,500	–	–	–	223,500
Gareth Evans[2] ceased as KMP 31 December 2022	**2023**	**278,500**	**–**	**–**	**–**	**(69,053)**	**(209,447)**	**–**
	2022	–	–	278,500	–	–	–	278,500

1 Rights under the 2022-2023 RRP are included in the 30 June 2023 balance. Rights were granted on 4 November 2023 to Mr Joyce (following approval at the 2022 AGM) and 9 June 2022 for other Executives. The number of Rights granted was determined using the face value of a Right on 30 June 2021 of $4.66, being the Qantas share price at the start of the performance period. The fair value of a Right was $5.918 per Right for the CEO and $4.98 per Right for other Executives. 100 per cent of these Rights vested following the testing of performance hurdles as at 30 June 2023 and the Board's approval of the vesting outcome on 23 August 2023.

2 Mr Evans ceased as KMP and ceased employment on 31 December 2022. Rights under the 2022-2023 RRP remained on foot on a pro-rata basis for the portion of the performance period employed and were tested at 30 June 2023.

Equity Holdings and Transactions

Executive Management or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below. It also shows each individual's shareholding and corresponding progress against their Minimum Shareholding Guideline at 30 June 2023.

Key Management Personnel — Executives	Interest in Shares 1 July 2022	Commenced as Executive Management	Rights Converted to Shares[1]	Other Changes[2]	Ceased Employment	Interest in Shares 30 June 2023	Value of Shares[3] $'000	Progress Against Minimum Shareholding Guideline[4]
Alan Joyce	**2,990,243**	–	–	(2,500,000)	–	**490,243**	**3,040**	On track
Andrew David	**244,918**	–	89,750	(244,000)	–	**90,668**	**562**	On track
Vanessa Hudson	**116,501**	–	74,750	–	–	**191,251**	**1,186**	Meets
Stephanie Tully commenced as KMP 14 November 2022	**–**	74,806	–	(40,056)	–	**34,750**	**215**	On track
Cameron Wallace commenced as KMP 1 June 2023	**–**	23,750	–	–	–	**23,750**	**147**	On track
Olivia Wirth	**–**	–	76,250	–	–	**76,250**	**473**	On track[5]
Gareth Evans[6] ceased as KMP 31 December 2022	**717,854**	–	95,000	(500,000)	(312,854)	**–**	**–**	NA

1 Shares awarded upon vesting of the 2020-2022 LTIP remained subject to an additional one-year trading restriction until 25 August 2023.
2 Other Changes include shares purchased, sold, forfeited, and on cessation as a KMP.
3 The interest in shares at 30 June 2023 multiplied by the Qantas share price of $6.20 at 30 June 2023.
4 The CEO and Executive Management have a maximum five-year period from the later of the date of their appointment to their respective role or 1 July 2019 to accumulate the value of their shareholding.
5 Ms Wirth has previously been unable to comply with the Minimum Shareholding Guideline as her spouse is a Partner at an accounting firm that prohibits the individual (or their immediate family member) owning a financial interest in assurance and audit clients. Commencing with the 2023-2025 LTIP and 2022/23 STIP, a voluntary election to restrict vested shares for a maximum of 15 years from grant date was introduced. Ms Wirth made an election to participate to the extent necessary to meet the Minimum Shareholding Guideline.
6 Mr Evans ceased as KMP on 31 December 2022. The 95,000 shares awarded upon vesting of the 2020-2022 LTIP remained subject to an additional one-year trading restriction until 25 August 2023.

Other than share-based payment compensation, all equity instrument transactions between the Executive Management (including their related parties) and Qantas during the year have been on an arm's length basis.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Remuneration Affecting Future Periods

The fair value of share-based payments granted is amortised over the service period. Therefore, remuneration in respect of these awards may be reported in future years. The following table summarises the maximum value of the awards that will be reported in the statutory remuneration tables in future years, assuming all performance conditions are met. The minimum value of these awards is nil should performance conditions not be satisfied.

	Future Expense by Plan						Future Expense by Financial Year			
	RRP Awards	Awards[1]	LTIP Awards							
Executives	2023-2024 $'000	2022-2023 $'000	2021-2023 $'000	2022-2024 $'000	2023-2025 $'000	Total $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Alan Joyce[2]	826	104	244	219	300	**1,693**	1,693	–	–	**1,693**
Andrew David[2]	145	59	43	67	80	**394**	394	–	–	**394**
Vanessa Hudson	146	232	43	298	648	**1,367**	850	449	68	**1,367**
Stephanie Tully	106	161	21	116	251	**655**	417	206	32	**655**
Cameron Wallace[3]	–	–	–	–	–	**–**	–	–	–	**–**
Olivia Wirth	124	176	36	253	551	**1,140**	713	371	56	**1,140**

1 The Board has determined to delay its decision as to whether to approve the vesting of the STIP until it has further information available.
2 Mr Joyce and Mr David will cease employment with Qantas during 2023/24. Shares that are awarded under the 2022/23 STIP to Mr Joyce and Mr David are subject to a deferral period. The deferral period and additional trading restriction will continue to apply and these shares are subject to clawback. As Mr Joyce and Mr David will cease employment prior to the end of the performance period, the Rights under the 2022-2024 LTIP and the 2023-2025 LTIP will continue to remain on foot on a pro-rata basis for the portion of the performance period in which Mr Joyce and Mr David were employed, consistent with the Terms and Conditions of those plans as a good leaver. The Rights may vest and convert to shares at the end of the performance period subject to achievement of the original respective performance conditions. Any shares allocated following vesting of the LTIP will be subject to a one-year trading restriction. The future expense reflects the service period to the termination date.
3 In addition to the above, the maximum value of the future expense for 2023/24, assuming all performance conditions are met, includes the amortised accounting value of $56,000 for the one-off equity grant to Mr Wallace to replace forfeited incentives as a result of joining Qantas that are subject to a vesting event occurring during 2023/24.

11 NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees are determined within an aggregate Non-Executive Directors' fee pool limit. An annual total fee pool of $3 million (excluding industry standard travel entitlements received) was approved by shareholders at the 2016 AGM. Total Non-Executive Directors' remuneration (excluding industry standard travel entitlements received and other non-cash benefits) for the year ended 30 June 2023 was $2.18 million (2022: $2.24 million), which is within the approved annual fee pool. Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors, with fees benchmarked against Non-Executive Director fees of ASX50 companies and revenue-based peer groups.

During 2022/23, Non-Executive Director fees were remixed with an increase in fees offset by the removal of the Nomination Committee fee. There was no change to the Chairman Board fees.

	Board		Committees[1]	
	Chairman[2]	Member	Chair	Member
Board Fees	$610,000	$167,500	$74,250	$32,500

1 The committees are the Audit Committee, Remuneration Committee, Nominations Committee and Safety, Health, Environment and Security Committee. No fees are received for serving on or chairing the Nominations Committee.
2 The Chairman does not receive any additional fees for serving on or chairing any Board committee.

Non-Executive Directors do not receive any performance-related remuneration. Overseas-based Non-Executive Directors are paid a travel allowance when travelling on international journeys of greater than six hours to attend Board and committee meetings or Board-related activities requiring the participation of all Directors.

A Non-Executive Director Fee Sacrifice Share Acquisition Plan is offered to Non-Executive Directors whereby the Non-Executive Director can elect to sacrifice a percentage of their Board or Board and committee fees in return for a grant of Rights to the equivalent value of the same number of Qantas ordinary shares. Each Right granted will convert automatically to one fully-paid Qantas ordinary share at the conversion date, which is six months from the grant date, subject to remaining as a Non-Executive Director on the conversion date. The plan is designed to provide Non-Executive Directors the opportunity to build their shareholding to achieve (and if desired, exceed) the Minimum Shareholding Guideline in a tax effective manner which further aligns their interests with the interests of shareholders. Fees elected to be sacrificed in return for a grant of Rights continue to be reported as Base Pay in the remuneration disclosures.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman and eligible beneficiaries are each entitled to four long-haul trips and 12 short-haul trips each calendar year and all other Non-Executive Directors and eligible beneficiaries are each entitled to three long-haul trips and nine short-haul trips each calendar year. These flights are not cumulative and lapse if they are not used during the calendar year in which the entitlement arises.

Post-employment, the Chairman and eligible beneficiaries are each entitled to two long-haul trips and six short-haul trips for each year of service, and all other Non-Executive Directors and eligible beneficiaries are each entitled to one long-haul trip and three short-haul trips for each year of service. The accounting value of the travel benefit is captured in the remuneration table (as a non-cash benefit for travel during the year and as a post-employment benefit).

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration for 2022/23 — Non-Executive Directors

		Short-Term Employee Benefits			Post-Employment Benefits			
$'000		Base Pay (Cash)[1]	Non-Cash Benefits	Sub-Total	Superannuation	Travel	Sub-Total	Total
Richard Goyder	**2023**	**604**	**117**	**721**	**6**	**23**	**29**	**750**
Chairman	2022	586	27	613	24	21	45	658
Maxine Brenner	**2023**	**210**	**161**	**371**	**22**	**11**	**33**	**404**
Non-Executive Director	2022	201	49	250	20	10	30	280
Jacqueline Hey	**2023**	**249**	**32**	**281**	**24**	**11**	**35**	**316**
Non-Executive Director	2022	233	2	235	18	10	28	263
Belinda Hutchinson	**2023**	**256**	**78**	**334**	**18**	**11**	**29**	**363**
Non-Executive Director	2022	246	15	261	17	10	27	288
Michael L'Estrange	**2023**	**210**	**7**	**217**	**22**	**11**	**33**	**250**
Non-Executive Director	2022	201	16	217	20	10	30	247
Doug Parker[2]	**2023**	**30**	**–**	**30**	**–**	**11**	**11**	**41**
Non-Executive Director	2022	–	–	–	–	–	–	–
Todd Sampson	**2023**	**214**	**34**	**248**	**19**	**11**	**30**	**278**
Non-Executive Director	2022	194	20	214	16	10	26	240
Antony Tyler[3]	**2023**	**292**	**6**	**298**	**–**	**11**	**11**	**309**
Non-Executive Director	2022	273	1	274	–	10	10	284
Total	**2023**	**2,065**	**435**	**2,500**	**111**	**100**	**211**	**2,711**
	2022	1,934	130	2,064	115	81	196	2,260

1 Base Pay includes any amounts that the Non-Executive Director elects to salary sacrifice in return for a grant of Rights under the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2 2022/23 remuneration reflects the period served by Mr Parker as a Non-Executive Director from 23 May 2023 to 30 June 2023. Mr Parker received a travel allowance of $12,000 during 2022/23. This amount is included in Base Pay (Cash).
3 Mr Tyler received a travel allowance of $50,000 during 2022/23 (2021/22: $20,000). This amount is included in Base Pay (Cash).

Equity Holdings and Transactions

Non-Executive Director KMP or their related parties directly, indirectly or beneficially held shares in the Qantas Group as detailed in the table below. It also shows each individual's shareholding and corresponding progress against their Minimum Shareholding Guideline at 30 June 2023.

Key Management Personnel – Non-Executive Directors	Interest in Shares as at 30 June 2022	Conversion of Rights to Ordinary Shares[1]	Other Changes[2]	Interest in Shares as at 30 June 2023	Value of Shares[3] $'000	Progress Against Minimum Shareholding Guideline[4]
Richard Goyder	**175,603**	35,459	–	**211,062**	1,309	Meets
Maxine Brenner	**39,498**	–	–	**39,498**	245	Meets
Jacqueline Hey	**61,731**	3,096	–	**64,827**	402	Meets
Belinda Hutchinson	**47,199**	16,258	–	**63,457**	393	Meets
Michael L'Estrange	**33,945**	–	–	**33,945**	210	Meets
Doug Parker[5]	**–**	–	–	**–**	–	–
Todd Sampson	**33,783**	6,304	–	**40,087**	249	Meets
Antony Tyler	**52,000**	–	–	**52,000**	322	Meets

1 Ordinary shares issued upon conversion of Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan.
2 Other Changes includes shares purchased and sold.
3 The interest in shares at 30 June 2023 multiplied by the Qantas share price of $6.20 at 30 June 2023.
4 Non-Executive Directors have a maximum five-year period from the later of the date of their appointment to the respective role or 1 July 2019 to accumulate the value of their shareholding.
5 Mr Parker as a recent appointee has yet to commence accumulating a shareholding.

Directors' Report continued

For the year ended 30 June 2023

REMUNERATION REPORT (AUDITED) (CONTINUED)

Rights Acquired Under the Non-Executive Director Fee Sacrifice Share Acquisition Plan

The following table details Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan by Non-Executive Director KMP or their related parties:

Key Management Personnel – Non-Executive Directors	Interest in Rights as at 30 June 2022	Acquired by Fee Sacrifice[1]	Converted to Ordinary Shares[2]	Interest in Rights as at 30 June 2023
Richard Goyder	**17,934**	32,017	(35,459)	**14,492**
Maxine Brenner	**–**	–	–	**–**
Jacqueline Hey	**3,096**	–	(3,096)	**–**
Belinda Hutchinson	**8,379**	14,394	(16,258)	**6,515**
Michael L'Estrange	**–**	–	–	**–**
Doug Parker	**–**	–	–	**–**
Todd Sampson	**3,096**	5,860	(6,304)	**2,652**
Antony Tyler	**–**	–	–	**–**

1 Number of Rights acquired under the Non-Executive Director Fee Sacrifice Share Acquisition Plan. Rights were acquired on 1 September 2022 applying a fair value of $ 5.2211 per Right. Rights were acquired on 3 March 2023 applying a fair value of $ 6.3138. The Rights acquired 3 March 2023 remained outstanding at 30 June 2023 and converted to restricted ordinary shares on 28 August 2023.

2 Rights acquired on 4 March 2022 (fair value of $ 5.1019 per Right) converted to restricted ordinary shares on 26 August 2022 and Rights acquired on 1 September 2022 (fair value of $5.2211 per Right) converted to restricted ordinary shares on 28 February 2023.

All equity instrument transactions between the Non-Executive Director KMP, including their related parties, and Qantas during the year have been on an arm's length basis.

Loans and Other Transactions with Key Management Personnel

No KMP or their related parties held any loans from the Qantas Group during or at the end of the year ended 30 June 2023 or prior year.

A number of KMPs and their related parties have transactions with the Qantas Group. All transactions are conducted on normal commercial arm's length terms.

Directors' Report continued

For the year ended 30 June 2023

ENVIRONMENTAL OBLIGATIONS

The Qantas Group's operations are subject to a range of Commonwealth, State, Territory and international environmental legislation. The Qantas Group is committed to environmental sustainability with high standards for environmental performance. The Board places particular focus on the environmental aspects of its operations through the Safety, Health, Environment and Security Committee, which assists the Board with fulfilling its strategy, policy, systems oversight, monitoring and corporate governance responsibilities with regard to environmental matters, including compliance with legal and regulatory obligations and risk management.

The Directors are satisfied that the Qantas Group Management System Standard underpins the management of the Qantas Group's environmental exposures and environmental performance, including compliance obligations. The Directors are also satisfied that appropriate monitoring procedures are in place to ensure compliance with the Group Management System Standard. Any significant environmental incidents are reported to the Board through the Safety, Health, Environment and Security Committee.

INDEMNITIES AND INSURANCE

Under the Qantas Constitution, Qantas indemnifies, to the extent permitted by law, each Director and Company Secretary of Qantas against any liability incurred by that person as an officer of Qantas.

The Directors and the Company Secretaries listed on pages 26 to 27 and individuals who formerly held any of these positions have the benefit of the indemnity in the Qantas Constitution. Members of Qantas' Executive Management team and certain former members of the Executive Management team have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect of non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on any information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2022/23 or to the date of this Report.

Qantas has insured against amounts which it may be liable to pay on behalf of Directors and Officers or which it otherwise agrees to pay by way of indemnity.

During the year, Qantas paid a premium for Directors' and Officers' liability insurance policies, which cover all Directors and Officers of the Qantas Group. Details of the nature of the liabilities covered, and the amount of the premiums paid in respect of the Directors' and Officers' insurance policies, are not disclosed, as disclosure is prohibited under the terms of the contracts.

NON-AUDIT SERVICES

During the year, Qantas' auditor, KPMG, performed certain other services in addition to its statutory duties. The Directors are satisfied that:

a. The non-audit services provided during 2022/23 by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth)

b. Any non-audit services provided during 2022/23 by KPMG as the external auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

   - KPMG services have not involved partners or staff acting in a managerial or decision-making capacity within the Qantas Group or being involved in the processing or originating of transactions
   - KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures
   - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes
   - A description of all non-audit services undertaken by KPMG and the related fees has been reported to the Board to ensure complete transparency in relation to the services provided
   - The declaration required by section 307C of the *Corporations Act 2001* (Cth) confirming independence has been received from KPMG.

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included on page 62.

Details of the amounts paid to KPMG for audit and non-audit services provided during the year are set out in Note 27 to the Financial Statements.

Directors' Report continued

For the year ended 30 June 2023

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 audit for the financial year ended 30 June 2023, there have been:

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

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

KPMG

KPMG	Julian McPherson
Sydney	Partner
20 September 2023	

Rounding

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

Signed pursuant to a Resolution of the Directors:

Richard Goyder	Vanessa Hudson
Chairman	Chief Executive Officer
20 September 2023	20 September 2023

Financial Report

For the year ended 30 June 2023

Consolidated Income Statement

For the year ended 30 June 2023

	Notes	2023 $M	2022 $M
REVENUE AND OTHER INCOME			
Net passenger revenue		16,923	5,951
Net freight revenue		1,380	1,963
Other revenue and income	4(B)	1,512	1,194
Revenue and other income		**19,815**	**9,108**
EXPENDITURE			
Salaries, wages and other benefits		4,261	3,024
Aircraft operating variable		3,996	2,328
Fuel		4,555	1,848
Depreciation and amortisation	5	1,762	1,801
Share of net loss of investments accounted for under the equity method	14	44	126
Net gain on disposal of assets	6	(4)	(692)
Other	7	2,512	1,563
Expenditure		**17,126**	**9,998**
Statutory profit/(loss) before income tax expense and net finance costs		**2,689**	**(890)**
Finance income	8	138	17
Finance costs	8	(355)	(318)
Net finance costs	8	**(217)**	**(301)**
Statutory profit/(loss) before income tax expense		**2,472**	**(1,191)**
Income tax (expense)/benefit	9	(728)	331
Statutory profit/(loss) for the year		**1,744**	**(860)**
Attributable to:			
Members of Qantas		1,746	(860)
Non-controlling interests		(2)	–
Statutory profit/(loss) for the year		**1,744**	**(860)**
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS			
Basic Earnings/(Loss) Per Share (cents)	3	**96.0**	**(45.6)**
Diluted Earnings/(Loss) Per Share (cents)	3	**93.0**	**(45.6)**

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	2023 $M	2022 $M
Statutory profit/(loss) for the year	**1,744**	**(860)**
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	(79)	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax[1]	(232)	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	–	(20)
Net changes in hedge reserve for time value of options, net of tax	(111)	20
Foreign currency translation of controlled entities	(17)	(18)
Foreign currency translation of investments accounted for under the equity method	5	7
Share of other comprehensive loss of investments accounted for under the equity method	–	(3)
Items that will not subsequently be reclassified to profit or loss		
Defined benefit actuarial (losses)/gains, net of tax	(103)	203
Fair value losses on investments, net of tax	(12)	(22)
Other comprehensive (loss)/income for the year	**(549)**	**385**
Total comprehensive income/(loss) for the year	**1,195**	**(475)**
Attributable to:		
Members of Qantas	1,197	(475)
Non-controlling interests	(2)	–
Total comprehensive income/(loss) for the year	**1,195**	**(475)**

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

1 These amounts were allocated to revenue of $17 million (2022: ($19) million), fuel expenditure of ($348) million (2022: ($372) million) and income tax expense of $99 million (2022: $117 million) in the Consolidated Income Statement.

Consolidated Balance Sheet

As at 30 June 2023

	Notes	2023 $M	2022 $M
CURRENT ASSETS			
Cash and cash equivalents	21(A)	3,171	3,343
Receivables	11	1,046	1,102
Lease receivables	16(B)	10	9
Other financial assets	26(B), (C)	222	641
Inventories	12	290	269
Assets classified as held for sale	13	38	1
Other	19	328	268
Total current assets		**5,105**	**5,633**
NON-CURRENT ASSETS			
Receivables	11	5	5
Lease receivables	16(B)	52	45
Other financial assets	26(B), (C)	151	199
Investments accounted for under the equity method	14	25	57
Property, plant and equipment	15	11,849	10,224
Right of use assets	16(A)	1,303	957
Intangible assets	17	687	778
Deferred tax assets	18	367	853
Other	19	810	902
Total non-current assets		**15,249**	**14,020**
Total assets		**20,354**	**19,653**
CURRENT LIABILITIES			
Payables		2,732	2,474
Revenue received in advance	20	6,662	5,863
Interest-bearing liabilities	21(B)	799	669
Lease liabilities	16(C)	581	384
Other financial liabilities	26(B), (C)	51	67
Provisions	22	1,272	1,101
Total current liabilities		**12,097**	**10,558**
NON-CURRENT LIABILITIES			
Revenue received in advance	20	2,010	2,066
Interest-bearing liabilities	21(B)	4,370	5,291
Lease liabilities	16(C)	976	888
Other financial liabilities	26(B), (C)	311	246
Provisions	22	580	794
Total non-current liabilities		**8,247**	**9,285**
Total liabilities		**20,344**	**19,843**
Net assets		**10**	**(190)**
EQUITY			
Issued capital	23(A)	2,186	3,186
Treasury shares	23(B)	(106)	(8)
Reserves		200	649
Accumulated losses		(2,275)	(4,024)
Equity attributable to members of Qantas		**5**	**(197)**
Non-controlling interests		5	7
Total equity		**10**	**(190)**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

30 June 2023 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2022	**3,186**	**(8)**	**81**	**394**	**15**	**159**	**(4,024)**	**7**	**(190)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Statutory profit for the year	–	–	–	–	–	–	1,746	(2)	1,744
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(79)	–	–	–	–	(79)
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(232)	–	–	–	–	(232)
Net changes in hedge reserve for time value of options, net of tax	–	–	–	(111)	–	–	–	–	(111)
Foreign currency translation of controlled entities	–	–	–	–	(17)	–	–	–	(17)
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	5	–	–	–	5
Defined benefit actuarial losses, net of tax	–	–	–	–	–	(103)	–	–	(103)
Fair value losses on investments, net of tax	–	–	–	–	–	(12)	–	–	(12)
Total other comprehensive loss for the year	**–**	**–**	**–**	**(422)**	**(12)**	**(115)**	**–**	**–**	**(549)**
Total comprehensive income for the year	**–**	**–**	**–**	**(422)**	**(12)**	**(115)**	**1,746**	**(2)**	**1,195**
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	(22)	–	–	–	–	(22)
Transactions with owners in their capacity as owners									
On-market share buy-back	(1,000)	–	–	–	–	–	–	–	(1,000)
Revaluation of put option over non-controlling interest	–	–	–	–	–	(56)	–	–	(56)
Treasury shares acquired	–	(104)	–	–	–	–	–	–	(104)
Share-based payments	–	–	188	–	–	–	–	–	188
Shares vested and transferred to employees/Rights unvested and lapsed	–	6	(10)	–	–	–	3	–	(1)
Total transactions with owners in their capacity as owners	**(1,000)**	**(98)**	**178**	**–**	**–**	**(56)**	**3**	**–**	**(973)**
Balance as at 30 June 2023	**2,186**	**(106)**	**259**	**(50)**	**3**	**(12)**	**(2,275)**	**5**	**10**

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

[1] Other Reserves as at 30 June 2023 includes the defined benefit reserve of $278 million, the put option reserve of ($280) million and the fair value reserve of ($10) million.

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2023

30 June 2022 $M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves[1]	Accumulated Losses	Non-controlling Interests	Total Equity
Balance as at 1 July 2021	**3,186**	**(18)**	**34**	**176**	**26**	**196**	**(3,160)**	**3**	**443**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR YEAR									
Statutory loss for the year	–	–	–	–	–	–	(860)	–	(860)
Other comprehensive (loss)/income									
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	492	–	–	–	–	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	–	–	–	(274)	–	–	–	–	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	–	–	–	(20)	–	–	–	–	(20)
Net changes in hedge reserve for time value of options, net of tax	–	–	–	20	–	–	–	–	20
Foreign currency translation of controlled entities	–	–	–	–	(18)	–	–	–	(18)
Foreign currency translation of investments accounted for under the equity method	–	–	–	–	7	–	–	–	7
Share of other comprehensive loss of investments accounted for under the equity method	–	–	–	(3)	–	–	–	–	(3)
Defined benefit actuarial gains, net of tax	–	–	–	–	–	203	–	–	203
Fair value losses on investments, net of tax	–	–	–	–	–	(22)	–	–	(22)
Transfer of accumulated fair value losses to accumulated losses	–	–	–	–	–	6	(6)	–	–
Total other comprehensive income for the year	**–**	**–**	**–**	**215**	**(11)**	**187**	**(6)**	**–**	**385**
Total comprehensive loss for the period	**–**	**–**	**–**	**215**	**(11)**	**187**	**(866)**	**–**	**(475)**
Recognition of effective cash flow hedges on capitalised assets, net of tax	–	–	–	3	–	–	–	–	3
Transactions with owners in their capacity as owners									
Recognition of non-controlling interest from acquisition of subsidiary	–	–	–	–	–	–	–	5	5
Recognition of put option over non-controlling interest	–	–	–	–	–	(224)	–	–	(224)
Dividends paid	–	–	–	–	–	–	–	(1)	(1)
Treasury shares acquired	–	(5)	–	–	–	–	–	–	(5)
Share-based payments	–	–	63	–	–	–	–	–	63
Shares vested and transferred to employees/Rights unvested and lapsed	–	15	(16)	–	–	–	2	–	1
Total transactions with owners in their capacity as owners	**–**	**10**	**47**	**–**	**–**	**(224)**	**2**	**4**	**(161)**
Balance as at 30 June 2022	**3,186**	**(8)**	**81**	**394**	**15**	**159**	**(4,024)**	**7**	**(190)**

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

[1] Other Reserves as at 30 June 2022 includes the defined benefit reserve of $381 million, the put option reserve of ($224) million and the fair value reserve of $2 million.

Consolidated Cash Flow Statement

For the year ended 30 June 2023

	Notes	2023 $M	2022 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		21,555	12,236
Cash payments to suppliers and employees		(16,356)	(9,326)
Interest received		128	13
Interest paid (interest-bearing liabilities)		(186)	(186)
Interest paid (lease liabilities)	16(C)	(65)	(66)
Dividends received from investments accounted for under the equity method	14	12	–
Foreign income taxes paid		(3)	(1)
Net cash inflow from operating activities	**28**	**5,085**	**2,670**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		(2,563)	(906)
Interest paid and capitalised on qualifying assets	8	(31)	(15)
Proceeds from disposal of property, plant and equipment, net of costs		11	801
Proceeds from disposal of shares in investments accounted for under the equity method		33	–
Payments for investments accounted for under the equity method	14	(75)	(66)
Payments for acquisition of subsidiary, net of cash acquired		–	(54)
Net cash outflow from investing activities		**(2,625)**	**(240)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share buy-back		(1,000)	–
Payments for treasury shares		(103)	(2)
Proceeds from interest-bearing liabilities, net of costs	21(D)	826	491
Repayments of interest-bearing liabilities	21(D)	(1,669)	(1,441)
Repayments of lease liabilities	16(C)	(690)	(363)
Proceeds from lease receivables		8	6
Dividends paid to non-controlling interests		–	(1)
Net cash outflow from financing activities		**(2,628)**	**(1,310)**
Net (decrease)/increase in cash and cash equivalents held		**(168)**	**1,120**
Cash and cash equivalents at the beginning of the year		3,343	2,221
Effects of exchange rate changes on cash and cash equivalents		(4)	2
Cash and cash equivalents at the end of the year	**21(A)**	**3,171**	**3,343**

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

Notes to the Financial Statements

For the year ended 30 June 2023

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(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 Financial Statements for the year ended 30 June 2023 comprise Qantas and its controlled entities (together referred to as the Qantas Group or the Group) and the Qantas Group's interest in investments accounted for under the equity method.

The Consolidated Financial Statements of Qantas for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 20 September 2023.

i. Statement of Compliance

The Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The Consolidated Financial Statements also complies with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) Interpretations adopted by the International Accounting Standards Board (IASB).

ii. Basis of Preparation

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

- Derivatives at fair value through profit and loss, and investments at fair value through other comprehensive income are measured at fair value
- Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- Net defined benefit asset/(liability) is measured at the fair value of plan assets less the present value of the defined benefit obligation
- Put option liability over relevant non-controlling interests is measured at fair value through Equity.

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

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis, as appropriate to the particular circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing this report, areas of judgements made by Management in the application of Australian Accounting Standards that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in future periods are included in the following notes:

- Note 26(C)/Note 35(C) – Derivatives and Hedging Instruments
- Note 29 – Superannuation
- Note 35(D) – Summary of Significant Accounting Policies (Revenue Recognition)
- Note 22/Note 35(O) – Summary of Significant Accounting Policies (Provisions).

Impact of climate change on financial reporting

The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to supporting the aims of the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels.

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

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

The Qantas Group's long-term strategy acknowledges the potential impact of climate change and resource constraints on the business. Climate-related risks and opportunities are also addressed in the Qantas Group's Sustainability Report 2023.

Notes to the Financial Statements continued

For the year ended 30 June 2023

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

- Operational and fleet efficiency: Focusing on flying and engineering practices, investing in fuel-efficient aircraft, as well as broader airspace design and management initiatives which require industry-wide collaboration. Continuing to reduce fuel burn, including smarter flight planning. Reducing single-use plastic and waste to landfill
- Sustainable Aviation Fuels (SAF): Working with governments, industry and businesses to develop a commercial-scale, competitive SAF industry in Australia. This includes supporting the establishment of new supply chains and relies on creating SAF from various biomass sources such as used cooking oil, energy crops, agricultural residues or waste materials that can reduce emissions on a lifecycle basis, typically by up to around 80 per cent. It also includes advancing non-biogenic, synthetic SAF produced with carbon dioxide, green hydrogen and significant amounts of renewable electricity using power-to-liquid technology pathways
- Carbon offsets: Offsetting emissions by investing in high-quality, high-integrity Australian and international projects with community co-benefits, including those led by Traditional Owners.

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

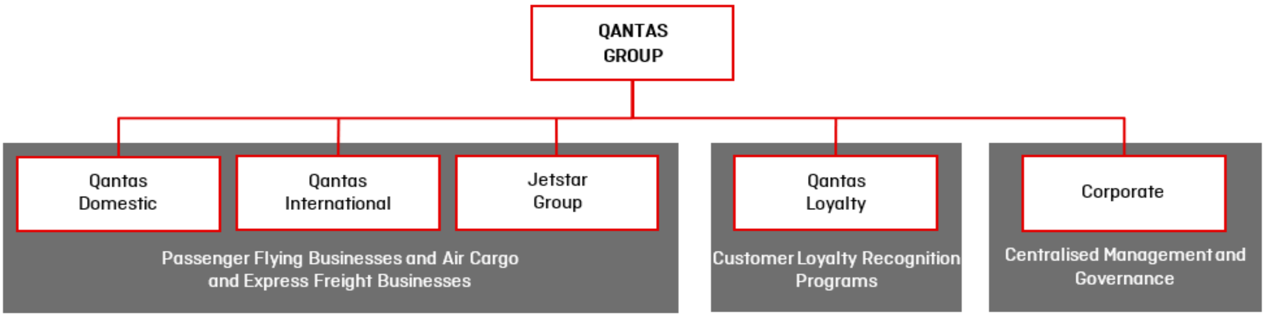
In preparing the Consolidated Financial Statements, the medium and long-term cash flow impacts of meeting the interim targets in the CAP have been considered in key estimates, including:

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

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 Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments. Underlying EBIT is calculated as Underlying PBT as outlined below (refer to Note 2(B)) but excluding the impact of net finance costs.

Notes to the Financial Statements continued

For the year ended 30 June 2023

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

(A) OPERATING SEGMENTS (CONTINUED)

ii. Analysis by Operating Segment

2023 $M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations[1]	Consolidated
REVENUE AND OTHER INCOME							
External segment revenue and other income	6,497	7,493	4,097	2,043	9	(324)	19,815
Inter-segment revenue and other income	483	256	138	146	–	(1,023)	–
Total segment revenue and other income	**6,980**	**7,749**	**4,235**	**2,189**	**9**	**(1,347)**	**19,815**
Share of net (loss)/profit of investments accounted for under the equity method	5	5	(54)	–	–	–	(44)
Underlying EBITDA[2]	**1,936**	**1,592**	**759**	**500**	**(205)**	**(137)**	**4,445**
Depreciation and amortisation	(665)	(686)	(355)	(49)	(7)	–	(1,762)
Impairment	(1)	–	–	–	–	–	(1)
Underlying EBIT	**1,270**	**906**	**404**	**451**	**(212)**	**(137)**	**2,682**
Net finance costs					(217)		(217)
Underlying PBT					**(429)**		**2,465**
ROIC %[3]							**103.6%**

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

1 Unallocated/Eliminations represents unallocated businesses of the Qantas Group that are not considered to be reportable segments and consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 7 and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation. Unallocated/Eliminations also includes the recognition of the Recovery Boost bonus for EBA-covered employees announced in June 2022 and the Recovery Retention bonuses announced in February 2022 expensed in accordance with relevant Accounting Standards.
2 Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment.
3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

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 Marketplace 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.

Notes to the Financial Statements continued

For the year ended 30 June 2023

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

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

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 outside the ordinary course of business relating to business activities in other reporting periods, Recovery Plan restructuring costs, transactions involving investments, impairments of assets and other transactions.

RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT/(LOSS) BEFORE TAX	2023 $M	2022 $M
Underlying PBT	**2,465**	**(1,859)**
Items not included in Underlying PBT		
– Recovery Plan restructuring costs	5	(21)
– Reversal of impairment of assets and related costs	–	3
– Net gain on disposal of Mascot land and buildings	–	686
– Net gain on disposal of investments/associates	2	–
Total items not included in Underlying PBT	**7**	**668**
Statutory Profit/(Loss) Before Income Tax Expense	**2,472**	**(1,191)**

In the 2022/23 financial year, items outside of Underlying PBT included:

Item outside of Underlying PBT	Description
Recovery Plan restructuring costs	$5 million primarily relates to the reversal of a redundancy provision previously recognised.
Net gain on disposal of investments/associates	The net gain on disposal of investments/associates of $2 million arose from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

The 2021/22 financial year included the following items:

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

(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 AND ROIC %

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2023

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

(C) RETURN ON INVESTED CAPITAL (CONTINUED)

	2023 $M	2022 $M
Underlying EBIT	**2,682**	**(1,558)**
Add back: Lease right of use depreciation under AASB 16	320	336
Less: Notional depreciation[1]	(131)	(118)
Less: Cash expenses for non-aircraft leases	(228)	(219)
ROIC EBIT	**2,643**	**(1,559)**
Average Invested Capital for the year ended 30 June	**2,552**	**4,928**
ROIC %[2]	**103.6%**	**(31.6%)**

1 For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing Aircraft Value Analysis Company (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 as notional depreciation.
2 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C)ii.

ii. Average Invested Capital

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

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

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

Invested Capital	2023 $M	2022 $M
Receivables (current and non-current)	1,051	1,107
Inventories	290	269
Other assets (current and non-current)	1,138	1,170
Investments accounted for under the equity method	25	57
Property, plant and equipment	11,849	10,224
Intangible assets	687	778
Assets classified as held for sale	38	1
Payables (current and non-current)	(2,732)	(2,474)
Provisions (current and non-current)	(1,852)	(1,895)
Revenue received in advance (current and non-current)	(8,672)	(7,929)
Capitalised aircraft leased assets[1]	1,409	1,892
Invested Capital as at 30 June	**3,231**	**3,200**
Average Invested Capital for the year ended 30 June	**2,552**	**4,928**

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 Aircraft Value Analysis Company (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 in ROIC EBIT 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 aircraft leased assets.

Notes to the Financial Statements continued

For the year ended 30 June 2023

3 EARNINGS PER SHARE

	2023 cents	2022 cents
Basic Earnings/(loss) per share[1]	**96.0**	**(45.6)**
Diluted Earnings/(loss) per share[2]	**93.0**	**(45.6)**

1 Weighted average number of shares used in basic Earnings Per Share calculation of 1,818 million (June 2022: 1,886 million) excludes unallocated treasury shares.
2 Weighted average number of shares used in diluted Earnings Per Share calculation of 1,877 million (June 2022: 1,886 million). Weighted average number of shares used in the diluted Earnings Per Share calculation for the year ended 30 June 2023 excludes unallocated treasury shares and includes the effect of share rights expected to vest (using the treasury stock method). Weighted average number of shares for the year ended 30 June 2022 used in the diluted Earnings Per Share calculation is the same as used in basic Earnings Per Share calculation as the effect of share rights expected to vest were anti-dilutive and excluded from the calculation.

	2023 $M	2022 $M
Statutory profit/(loss) attributable to members of Qantas	**1,746**	**(860)**

NUMBER OF SHARES	2023 Number M	2022 Number M
Issued shares as at 1 July	1,886	1,886
Shares bought back and cancelled	(162)	–
Issued shares as at 30 June	**1,724**	**1,886**
Weighted average number of shares for the year	**1,824**	**1,886**

4 REVENUE AND OTHER INCOME

(A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2023 $M	2022 $M
Net passenger and freight revenue		
Australia	13,785	6,026
Overseas	4,518	1,888
Total net passenger and freight revenue	**18,303**	**7,914**
Other revenue and income	1,512	1,194
Total revenue and other income	**19,815**	**9,108**

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

(B) OTHER REVENUE AND INCOME

	2023 $M	2022 $M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	868	537
Qantas Marketplace and other redemption revenue[1,2]	79	64
Third-party services revenue	271	185
Other revenue and income	294	408
Total other revenue and income	**1,512**	**1,194**

1 Qantas Marketplace and other 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

	Notes	2023 $M	2022 $M
Property, plant and equipment	15	1,351	1,345
Right of use assets	16(A)	320	336
Intangible assets	17	91	120
Total depreciation and amortisation		**1,762**	**1,801**

Notes to the Financial Statements continued

For the year ended 30 June 2023

6 NET GAIN ON DISPOSAL OF ASSETS

	2023 $M	2022 $M
Net gain on disposal of property, plant and equipment	(2)	(692)
Net gain on disposal of investment/associates	(2)	–
Total net gain on disposal of assets	**(4)**	**(692)**

In the 2022/23 financial year, the Group recognised a net gain on disposal of investments/associates of ($2) million that arose from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

The net gain on disposal of property, plant and equipment in the 2021/22 financial year includes a net gain of $686 million arising from the sale of Mascot land and buildings.

7 OTHER EXPENDITURE

	2023 $M	2022 $M
Commissions and other selling costs	577	263
Technology and digital	541	452
Capacity hire (excluding lease components)	410	194
Property occupancy and utility expenses	127	120
Marketing and advertising	188	99
Discretionary bonuses to non-executive employees	67	124
Discount rate changes impact on provisions	(34)	(194)
Impairment of assets and related costs	1	35
De-designation of fuel and foreign exchange hedges	–	(22)
Redundancy and related costs	4	5
Other	631	487
Total other expenditure	**2,512**	**1,563**

8 NET FINANCE COSTS

	Notes	2023 $M	2022 $M
FINANCE INCOME			
Interest income on financial assets measured at amortised cost		135	13
Unwind of discount on other assets and receivables		3	4
Total finance income		**138**	**17**
FINANCE COSTS			
Interest expense on financial liabilities measured at amortised cost		(264)	(232)
Interest expense on leases	16(C)	(65)	(73)
Interest paid and capitalised on qualifying assets[1]	15	31	15
Total finance costs on financial liabilities		**(298)**	**(290)**
Unwind of discount on provisions and other liabilities			
Employee benefits		(24)	(9)
Other liabilities and provisions		(33)	(19)
Total unwind of discount on other liabilities and provisions		**(57)**	**(28)**
Total finance costs		**(355)**	**(318)**
Net finance costs		**(217)**	**(301)**

1 The borrowing costs are capitalised using a 3.7 per cent interest rate (2022: 3.4 per cent).

Notes to the Financial Statements continued

For the year ended 30 June 2023

9 INCOME TAX

(A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2023 $M	2022 $M
Current income tax expense		
Current income tax – Australia	–	–
Current income tax – foreign	–	–
Total current income tax expense	**–**	**–**
Deferred income tax (expense)/benefit		
Origination and reversal of temporary differences	(121)	111
(Net utilisation of tax losses)/benefit of tax losses	(485)	222
Utilisation of prepaid income tax instalments	(117)	–
Current year deferred income tax (expense)/benefit	**(723)**	**333**
Adjustments for the prior year	(5)	(2)
Total deferred income tax (expense)/benefit	**(728)**	**331**
Total income tax (expense)/benefit in the Consolidated Income Statement	**(728)**	**331**

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

	2023 $M	2022 $M
Statutory profit/(loss) before income tax (expense)/benefit	**2,472**	**(1,191)**
Income tax (expense)/benefit using the domestic corporate tax rate of 30 per cent	(742)	357
Adjusted for:		
Differences in loss from investments accounted for under the equity method	(16)	(37)
Utilisation of previously unrecognised tax losses/(losses not recognised) for foreign branches	4	(16)
Utilisation of previously unrecognised tax losses/(losses not recognised) for controlled entities	7	(13)
Non-assessable gain on property, plant and equipment	–	43
Other net non-deductible items	(4)	(5)
Recognition of previously unrecognised losses for branches and controlled entities	22	–
Over provision from prior periods	1	2
Income tax (expense)/benefit	**(728)**	**331**

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

	2023 $M	2022 $M
Income tax on:		
Cash flow hedges	190	(95)
Defined benefit actuarial losses/(gains)	44	(87)
Fair value losses on investments	4	9
Income tax benefit/(expense) recognised directly in the Consolidated Statement of Comprehensive Income	**238**	**(173)**

Notes to the Financial Statements continued

For the year ended 30 June 2023

9 INCOME TAX (CONTINUED)

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

	2023 $M	2022 $M
Income tax (expense)/benefit	**(728)**	**331**
Adjusted for temporary differences:		
Receivables	(88)	(13)
Inventories	2	1
Investments accounted for under the equity method	(1)	(1)
Property, plant and equipment and intangible assets	75	(35)
Right of use assets	105	(51)
Payables	(2)	12
Revenue received in advance	(2)	(28)
Interest-bearing liabilities	64	(12)
Lease liabilities	(86)	38
Other financial assets/(liabilities)	(1)	18
Provisions	1	(12)
Other items	54	(28)
Temporary differences	**121**	**(111)**
Adjustments for the prior year	5	2
(Tax on taxable income)/Value of recognised tax losses	**(602)**	**222**
Tax losses utilised/(recognised)	485	(222)
Prepaid tax instalments utilised	117	–
Income tax payable	**–**	**–**

10 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

(A) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2023 the Group did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2023.

(B) OTHER SHAREHOLDER DISTRIBUTIONS

During the year ended 30 June 2023, the Group completed on-market buy-backs totalling $1,000 million, which were announced in August 2022, February 2023 and May 2023. The Group purchased 161.6 million ordinary shares on issue at the average price of $6.19.

In August 2023, the Directors announced an on-market share buy-back of up to $500 million.

(C) FRANKING ACCOUNT

	2023 $M	2022 $M
Total franking account balance at 30 per cent	1	–

The above amount represents the balance of the franking account as at 30 June, after taking into account adjustments for:

- Franking credits that will arise from the payment of income tax payable for the current year
- Franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- Franking credits that may be prevented from being distributed in subsequent years.

Notes to the Financial Statements continued

For the year ended 30 June 2023

11 RECEIVABLES

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	876	–	876	989	–	989
Less: provision for impairment losses	(1)	–	(1)	(1)	–	(1)
Total trade receivables	**875**	**–**	**875**	**988**	**–**	**988**
Sundry receivables	171	5	176	114	5	119
Total receivables	**1,046**	**5**	**1,051**	**1,102**	**5**	**1,107**

	2023 $M	2022 $M
The ageing of trade receivables, net of provision for expected credit losses at 30 June was:[1]		
Not past due	763	837
Past due 1-30 days	88	84
Past due 31-120 days	17	67
Past due 121 days or more	7	–
Total trade receivables	**875**	**988**

1 The Group assesses at each reporting date whether the carrying value of financial assets is impaired. Where necessary, a provision for expected credit losses (ECL) is recognised, depending on whether there has been a significant increase in credit risk, including risk of default occurring since initial recognition. Refer to Note 35(G) for the Group's accounting policy.

12 INVENTORIES

	2023 $M	2022 $M
Engineering expendables	240	227
Consumables stores	50	41
Work in progress	—	1
Total inventories	**290**	**269**

13 ASSETS CLASSIFIED AS HELD FOR SALE

2023 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Reversal of Impairment/ (Impairment)	Closing Net Book Value
Aircraft and engines	1	21	–	16	38
Total assets classified as held for sale	**1**	**21**	**–**	**16**	**38**

2022 $M	Opening Net Book Value	Transferred from Property, Plant and Equipment	Disposals	Reversal of Impairment/ (Impairment)	Closing Net Book Value
Aircraft and engines	1	–	(1)	1	1
Total assets classified as held for sale	**1**	**–**	**(1)**	**1**	**1**

The balance as at 30 June 2023 relates to aircraft being retired as part of the fleet renewal program. The fair value measurement for property, plant and equipment classified as held for sale has been categorised under the fair value hierarchy as Level 2. Refer to Note 35(C) for a definition of the fair value hierarchy.

Notes to the Financial Statements continued

For the year ended 30 June 2023

14 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Ownership interest in investments accounted for under the equity method[1]

	June 2023 %	June 2022 %
Fiji Resorts Pte Limited	21	21
Hallmark Aviation Services L.P.	49	49
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd.	37	37
Holiday Tours and Travel Vietnam Co. Ltd.	37	37
Holiday Tours and Travel (GSA) Ltd.	37	37
Helloworld Travel Limited	–	12
Jetstar Japan Co. Ltd.	33	33
PT Holidays Tours & Travel	37	37

1 Based on voting rights.

	Notes	2023 $M	2022 $M
Balance as at 1 July		**57**	**57**
Cash additions		75	66
Non-cash additions		9	17
Dividends received		(12)	–
Share of net loss		(44)	(126)
Share of reserves and other movements		1	5
Transfer to provisions	22	(32)	37
Reversal of impairment/(impairment)[1]	24(C)	–	1
Disposal of investments[2]		(29)	–
Balance as at 30 June		**25**	**57**

1 The Group recognised a reversal of impairment of $1 million in the 2021/22 financial year in relation to its investment in Helloworld Travel Ltd (ASX: HLO). The reversal of impairment recognised was determined with reference to the closing share price as at 30 June 2022.
2 The Group recognised the disposal of investments of ($29) million in the 2022/2023 financial year from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

Notes to the Financial Statements continued

For the year ended 30 June 2023

15 PROPERTY, PLANT AND EQUIPMENT

	2023 $M			2022 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Freehold land	9	–	9	9	–	9
Buildings	229	(188)	41	231	(188)	43
Leasehold improvements	1,032	(891)	141	1,067	(896)	171
Plant and equipment	1,285	(956)	329	1,251	(982)	269
Aircraft and engines	22,698	(13,833)	8,865	21,248	(13,282)	7,966
Aircraft spare parts	1,122	(595)	527	952	(505)	447
Aircraft deposits	1,937	–	1,937	1,319	–	1,319
Total property, plant and equipment	**28,312**	**(16,463)**	**11,849**	**26,077**	**(15,853)**	**10,224**

2023 $M	Opening Net Book Value	Cash Additions[1]	Acquisition of Controlled Entities	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Impairment	Other[3]	Closing Net Book Value
Freehold land	9	–	–	–	–	–	–	–	–	9
Buildings	43	–	–	–	–	–	(2)	–	–	41
Leasehold improvements	171	13	–	–	(15)	–	(28)	–	–	141
Plant and equipment	269	99	–	(2)	7	–	(46)	–	2	329
Aircraft and engines	7,966	682	–	–	1,455	(22)	(1,226)	(17)	27	8,865
Aircraft spare parts	447	135	–	–	(3)	1	(49)	–	(4)	527
Aircraft deposits	1,319	1,665	–	–	(1,041)	–	–	–	(6)	1,937
Total property, plant and equipment	**10,224**	**2,594**	**–**	**(2)**	**403**	**(21)**	**(1,351)**	**(17)**	**19**	**11,849**

2022 $M	Opening Net Book Value	Cash Additions[1]	Acquisition of Controlled Entities	Disposals	Transfers[2]	Transferred (to)/from Assets Classified as Held for Sale	Depreciation	Impairment	Other[3]	Closing Net Book Value
Freehold land	49	–	2	(41)	–	–	–	–	(1)	9
Buildings	69	–	3	(26)	–	–	(3)	–	–	43
Leasehold improvements	202	20	2	(4)	(9)	–	(33)	–	(7)	171
Plant and equipment	292	31	–	(6)	7	–	(53)	–	(2)	269
Aircraft and engines	8,734	507	–	–	1	–	(1,212)	(35)	(29)	7,966
Aircraft spare parts	433	65	–	(1)	23	–	(44)	(3)	(26)	447
Aircraft deposits	1,008	288	–	–	(5)	–	–	–	28	1,319
Total property, plant and equipment	**10,787**	**911**	**7**	**(78)**	**17**	**–**	**(1,345)**	**(38)**	**(37)**	**10,224**

1 Cash additions includes capitalised interest of $31 million (2022: $15 million).
2 Transfers includes transfers between categories of property, plant and equipment, transfers from/(to) other balance sheet accounts and transfers of leased aircraft from right of use assets following the completion of lease buyouts during the year.
3 Other includes non-cash movements and movements in accrued payments for property, plant and equipment (2023: $41 million, 2022: ($4) million),

(A) AIRCRAFT BY GEOGRAPHIC AREA

Aircraft supporting the Group's global operations are primarily located in Australia, with the exception of two A380 aircraft, which are currently in storage overseas awaiting maintenance ahead of return to service, and five A320 aircraft, which are based in Singapore to support Jetstar Asia's operations.

(B) SECURED ASSETS

Certain aircraft and engines act as security against related financing facilities. Under the terms of certain financing facilities entered into by the Qantas Group, the underwriters of these agreements have a fixed charge over certain aircraft and engines to the extent that debt has been issued directly to those underwriters. The total carrying amount of assets under pledge is $3,885 million (2022: $4,653 million).

(C) CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2023 are $14,646 million (2022: $15,774 million). The Group has certain rights within its aircraft purchase contracts which can defer the 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 30 June 2023 closing exchange rate of $0.68 (2022: $0.69).

Notes to the Financial Statements continued

For the year ended 30 June 2023

16 LEASES

(A) RIGHT OF USE ASSETS

	2023 $M			2022 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Aircraft	2,117	(1,596)	521	2,634	(2,279)	355
Property	1,896	(1,197)	699	1,636	(1,071)	565
Other	315	(232)	83	241	(204)	37
Total right of use assets	**4,328**	**(3,025)**	**1,303**	**4,511**	**(3,554)**	**957**

2023 $M	Opening Net Book value	Additions/ Modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book value
Aircraft	355	645	(338)	(144)	3	521
Property	565	219	–	(138)	53	699
Other	37	84	–	(38)	–	83
Total right of use assets	**957**	**948**	**(338)**	**(320)**	**56**	**1,303**

2022 $M	Opening Net Book value	Additions/ Modifications/ Remeasurements	Transfers[1]	Depreciation	Other[2]	Closing Net Book value
Aircraft	406	88	–	(147)	8	355
Property	632	73	(3)	(137)	–	565
Other	71	41	(3)	(52)	(20)	37
Total right of use assets	**1,109**	**202**	**(6)**	**(336)**	**(12)**	**957**

1 Transfers includes transfers to lease receivables where the Group is a sub-lessor and transfers of aircraft to property,plant and equipment relating to completed lease buyouts during the year.
2 Other movements include early terminations of nil (2022: ($21) million), foreign exchange movements and changes in the measurement of make good assets.

(B) LEASE RECEIVABLES

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Lease receivables[1]	10	52	62	9	45	54
Total	**10**	**52**	**62**	**9**	**45**	**54**

1 The Group has subleased property and aircraft and classified the subleases as finance leases. The subleased portion of the right of use asset was derecognised and the Group recognised a finance lease receivable (net investment in the finance lease). The interest income recognised on the net investment in the finance lease was $2 million (2022: $2 million).

(C) LEASE LIABILITIES

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Aircraft	359	168	527	197	178	375
Property	190	738	928	163	674	837
Other	32	70	102	24	36	60
Total lease liabilities[1]	**581**	**976**	**1,557**	**384**	**888**	**1,272**

1 In addition to the lease liabilities disclosed, committed lease payments for non-cancellable lease contracts which have not commenced as at 30 June 2023 are $34 million.

2023 $M	Opening Balance	Additions/ Modifications/ Remeasurements[1]	Lease Repayments[2]	Interest	Foreign Exchange	Other[3]	Closing Balance
Aircraft	375	645	(515)	12	9	1	527
Property	837	219	(191)	48	(1)	16	928
Other	60	84	(49)	5	1	1	102
Total lease liabilities	**1,272**	**948**	**(755)**	**65**	**9**	**18**	**1,557**

1 During the 2022/23 financial year, the Group recognised lease modifications relating to the exercise of buyout options for aircraft leases. This resulted in a lease liability modification and repayment of $322 million recognised in financing cash flows.
2 Lease repayments of $755 million includes $690 million principal repayments and $65 million interest repayments. The lease repayments include deferred lease repayments of $2 million from financial year 2020/21.
3 Other movements include additions to sub-leases which has resulted in corresponding increases to lease liabilities and lease receivables.

Notes to the Financial Statements continued

For the year ended 30 June 2023

16 LEASES (CONTINUED)

(C) LEASE LIABILITIES (CONTINUED)

2022 $M	Opening Balance	Additions/ Modifications/ Remeasurements	Lease Repayments[1]	Interest	Foreign Exchange	Other[2]	Closing Balance
Aircraft	471	53	(196)	16	31	–	375
Property	833	118	(171)	54	4	(1)	837
Other	95	41	(62)	3	4	(21)	60
Total lease liabilities	**1,399**	**212**	**(429)**	**73**	**39**	**(22)**	**1,272**

1 Lease repayments of $429 million includes $363 million principal repayments and $66 million interest repayments. The lease repayments include deferred lease repayments of $7 million from financial year 2020/21.
2 Other movements include rental waivers of $1 million and early terminations of $22 million.

(D) RECOGNISED WITHIN OTHER EXPENSES IN THE CONSOLIDATED INCOME STATEMENT

	2023 $M	2022 $M
Lease expense for short-term leases	6	1
Variable lease expenses not included in lease liabilities[1]	58	23
Rental waivers	–	1

1 Recognised in other expenditure — capacity hire.

17 INTANGIBLE ASSETS

	2023 $M			2022 $M		
	At Cost	Accumulated Depreciation and Impairment	Net Book Value	At Cost	Accumulated Depreciation and Impairment	Net Book Value
Goodwill	270	–	270	270	–	270
Airport landing slots	35	–	35	35	–	35
Software	1,523	(1,345)	178	1,523	(1,260)	263
Brand names and trademarks	32	–	32	41	(1)	40
Customer contracts/relationships	19	(6)	13	11	(4)	7
Contract intangible assets	171	(12)	159	171	(8)	163
Total intangible assets	**2,050**	**(1,363)**	**687**	**2,051**	**(1,273)**	**778**

2023 $M	Opening Net Book Value	Cash Additions	Acquisition of Controlled Entities[1]	Amortisation	Closing Net Book Value
Goodwill	270	–	–	–	270
Airport landing slots	35	–	–	–	35
Software	263	–	–	(85)	178
Brand names and trademarks	40	–	(8)	–	32
Customer contracts/relationships	7	–	8	(2)	13
Contract intangible assets	163	–	–	(4)	159
Total intangible assets	**778**	**–**	**–**	**(91)**	**687**

2022 $M	Opening Net Book Value	Cash Additions	Acquisition of Controlled Entities[1]	Amortisation	Closing Net Book Value
Goodwill	166	–	104	–	270
Airport landing slots	35	–	–	–	35
Software	376	–	2	(115)	263
Brand names and trademarks	1	–	40	(1)	40
Customer contracts/relationships	–	–	7	–	7
Contract intangible assets	167	–	–	(4)	163
Total intangible assets	**745**	**–**	**153**	**(120)**	**778**

1 The fair value of the assets acquired in financial year 2021/22 were subject to the completion of an independent valuation. This was finalised in financial year 2022/23, resulting in a transfer of $8 million between categories of intangible assets.

Notes to the Financial Statements continued

For the year ended 30 June 2023

18 DEFERRED TAX ASSETS

	2023 $M	2022 $M
Deferred tax assets	**367**	**853**

(A) RECONCILIATION OF DEFERRED TAX ASSETS

2023 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Other	Closing Balance
Receivables	(114)	88	–	19	(7)
Inventories	(13)	(2)	–	–	(15)
Investments accounted for under the equity method	(1)	1	–	–	–
Property, plant and equipment and intangible assets	(1,333)	(75)	–	–	(1,408)
Right of use assets	(305)	(105)	–	–	(410)
Payables	11	2	–	–	13
Revenue received in advance	971	2	–	–	973
Interest-bearing liabilities	(119)	(64)	–	–	(183)
Lease liabilities	381	86	–	–	467
Other financial assets/(liabilities)	(277)	1	194	–	(82)
Provisions	560	(1)	–	–	559
Other items	(23)	(54)	44	(1)[1]	(34)
Tax value of prepaid tax instalments	136	(117)	–	(19)	–
Tax value of recognised tax losses	979	(485)	–	–	494
Total deferred tax assets	**853**	**(723)**	**238**	**(1)**	**367**

1 A deferred tax liability of ($1) million relating to share-based payments recognised in retained earnings.

2022 $M	Opening Balance	Recognised in the Consolidated Income Statement	Recognised in Other Comprehensive Income	Other	Closing Balance
Receivables	(127)	13	–	–	(114)
Inventories	(12)	(1)	–	–	(13)
Investments accounted for under the equity method	(2)	1	–	–	(1)
Property, plant and equipment and intangible assets	(1,356)	35	–	(12)[1]	(1,333)
Right of use assets	(356)	51	–	–	(305)
Payables	23	(12)	–	–	11
Revenue received in advance	943	28	–	–	971
Interest-bearing liabilities	(131)	12	–	–	(119)
Lease liabilities	419	(38)	–	–	381
Other financial assets/(liabilities)	(173)	(18)	(86)	–	(277)
Provisions	548	12	–		560
Other items	37	28	(87)	(1)[2]	(23)
Tax value of prepaid tax instalments	136	–	–	–	136
Tax value of recognised tax losses	757	222	–	–	979
Total deferred tax assets	**706**	**333**	**(173)**	**(13)**	**853**

1 A deferred tax liability of ($12) million relating to the acquisition of TAD Holdco Pty Limited and its subsidiaries (TripADeal).
2 A deferred tax liability of ($1) million relating to share-based payments recognised in retained earnings.

(B) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2023 $M	2022 $M
Total tax losses brought forward as at 1 July	**(979)**	**(757)**
Tax losses utilised against current taxable income	507	–
Tax losses recognised	(22)	(222)
Tax losses carried forward to be utilised in future years[1]	**(494)**	**(979)**

1 A deferred tax asset of $494 million has been recognised for income tax losses and is expected to be recovered in future periods.

Notes to the Financial Statements continued

For the year ended 30 June 2023

18 DEFERRED TAX ASSETS (CONTINUED)

(C) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised with respect to the following items:

	2023 $M	2022 $M
Tax losses – New Zealand[1]	16	44
Tax losses – Singapore	60	54
Tax losses – Hong Kong	24	21
Total unrecognised deferred tax assets	**100**	**119**

1 A deferred tax asset of $22 million was recognised in the 2022/23 financial year which is expected to be recovered in future periods.

19 OTHER ASSETS

		2023 $M			2022 $M		
	Note	Current	Non-current	Total	Current	Non-current	Total
Prepayments		251	160	411	206	196	402
Net defined benefit asset	29(B)	–	399	399	–	539	539
Other assets[1]		77	251	328	62	167	229
Total		**328**	**810**	**1,138**	**268**	**902**	**1,170**

1 Other assets include incremental costs of obtaining a contract. Refer to Note 35(D)vii. for the Group's accounting policy.

20 REVENUE RECEIVED IN ADVANCE

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue[1]	4,992	–	4,992	4,389	–	4,389
Unredeemed Frequent Flyer revenue	1,311	1,869	3,180	1,168	1,945	3,113
Other revenue received in advance	359	141	500	306	121	427
Total revenue received in advance	**6,662**	**2,010**	**8,672**	**5,863**	**2,066**	**7,929**

1 Unavailed passenger revenue relates to sales to passengers in advance of the date of passenger travel. The balance includes tickets with a travel date subsequent to year end and tickets which have been transferred to a travel credit.

Notes to the Financial Statements continued

For the year ended 30 June 2023

21 NET ON BALANCE SHEET DEBT

(A) CASH AND CASH EQUIVALENTS

	2023 $M	2022 $M
Cash balances	703	254
Cash at call	501	302
Short-term money market securities and term deposits	1,967	2,787
Total cash and cash equivalents	**3,171**	**3,343**

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

Short-term money market securities of $292 million (2022: $201 million) held by the Qantas Group are pledged as collateral under the terms of certain operational financing facilities when underlying unsecured limits are exceeded. The collateral cannot be sold or repledged in the absence of default by the Qantas Group.

(B) INTEREST-BEARING LIABILITIES

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	177	971	1,148	308	1,321	1,629
Bank loans – unsecured	–	402	402	–	438	438
Other loans – secured	373	1,330	1,703	361	1,566	1,927
Other loans – unsecured	249	1,667	1,916	–	1,966	1,966
Total interest-bearing liabilities	**799**	**4,370**	**5,169**	**669**	**5,291**	**5,960**

Certain current and non-current interest-bearing liabilities relate to specific financing of aircraft and engines and are secured by the aircraft to which they relate (refer to Note 15(B)).

(C) UNDRAWN FACILITIES

At 30 June 2023, the Group has committed undrawn facilities of $1,196 million (2022: $1,330 million).

(D) ANALYSIS OF CHANGES IN NET ON BALANCE SHEET DEBT

2023 $M	Opening Balance	Debt Repayment	Debt Drawdown	Foreign Exchange, Mark-to-Market and Non-Cash Movements	Shareholder Distributions	Treasury Shares	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	5,960	(1,669)	826	52	–	–	–	**5,169**
Cash	(3,343)	1,669	(826)	4	1,000	103	(1,778)	**(3,171)**
Net on balance sheet debt	**2,617**	**–**	**–**	**56**	**1,000**	**103**	**(1,778)**	**1,998**

2022 $M	Opening Balance	Debt Repayment	Debt Drawdown	Foreign Exchange, Mark-to-Market and Non-Cash Movements	Shareholder Distributions	Treasury Shares	Other Net Cash Movement	Closing Balance
Interest-bearing liabilities	6,830	(1,441)	491	80	–	–	–	5,960
Cash	(2,221)	1,441	(491)	(2)	–	2	(2,072)	(3,343)
Net on balance sheet debt	**4,609**	**–**	**–**	**78**	**–**	**2**	**(2,072)**	**2,617**

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Notes to the Financial Statements continued

For the year ended 30 June 2023

22 PROVISIONS

	2023 $M			2022 $M		
	Current	Non-current	Total	Current	Non-current	Total
Annual leave	434	–	434	358	–	358
Long service leave	353	44	397	303	38	341
Redundancies and other employee benefits	188	–	188	189	–	189
Total employee benefits	**975**	**44**	**1,019**	**850**	**38**	**888**
Onerous contracts	7	–	7	12	–	12
Make good on leased assets	170	386	556	50	641	691
Insurance, legal and other[1]	120	150	270	189	115	304
Total other provisions	**297**	**536**	**833**	**251**	**756**	**1,007**
Total provisions	**1,272**	**580**	**1,852**	**1,101**	**794**	**1,895**

1 Insurance, legal and other includes a provision relating to a decision of the Federal Court of Australia that determined Qantas had contravened the adverse action provisions of the Fair Work Act in outsourcing the remainder of Qantas' ground handling function in 2020. As at 30 June 2023, the ruling of the Federal Court of Australia was subject to appeal in the High Court of Australia. Subsequent to year end, on 13 September 2023, the High Court of Australia upheld the ruling of the Federal Court (refer to Note 34 Post-Balance Sheet Date Events).

Reconciliations of the movements of each class of provision, other than employee benefits, are set out below:

2023 $M	Opening Balance	Provisions Made	Provisions Utilised/ Reversed	Unwind of Discount	Discount Rate Changes	Transfers from Investments in Associates	Other/FX	Closing Balance
Onerous contracts	12	–	(6)	–	–	–	1	7
Make good on leased assets	691	173	(336)	27	(14)	–	15	556
Insurance, legal and other	304	44	(49)	3	(1)	(32)	1	270
Total other provisions	**1,007**	**217**	**(391)**	**30**	**(15)**	**(32)**	**17**	**833**

23 CAPITAL

(A) ISSUED CAPITAL

	2023 $M	2022 $M
Opening balance: 1,886,044,698 (1 July 2021: 1,886,044,698) ordinary shares, fully paid	3,186	3,186
Shares bought back during the year: 161,590,018 (June 2022: nil) ordinary shares	(1,000)	–
Closing balance: 1,724,454,680 (2022: 1,886,044,698) ordinary shares	**2,186**	**3,186**

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.

(B) TREASURY SHARES

Treasury shares consist of shares held in trust for Qantas employees in relation to equity compensation plans. As at 30 June 2023, 16,703,789 (2022: 1,602,255) shares were held in trust and classified as treasury shares.

(C) CAPITAL MANAGEMENT

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. 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.

Notes to the Financial Statements continued

For the year ended 30 June 2023

23 CAPITAL (CONTINUED)

(C) CAPITAL MANAGEMENT (CONTINUED)

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.

	Metrics	2023	2022
Net Debt[1]	$3.7B to $4.6B[2]	$2.89B	$3.94B
Return on Invested Capital (%)	ROIC > WACC	103.6 per cent	(31.6) per cent
Net capital expenditure[3]		$2,666M	$398M
Shareholder distributions[4]		$1,000M	–

1 Net Debt is a non-statutory measure. It includes net on balance sheet debt and capitalised aircraft lease liabilities under the Group's Financial Framework. Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over the lease term on a principal and interest basis. The residual value of the capitalised aircraft lease liability denominated in a foreign currency is translated at the long-term exchange rate.
2 Target Net Debt range of $3.7 billion to $4.6 billion is based on the 12-month average Invested Capital of $2.6 billion as at 30 June 2023. The Target Net Debt range for the 2021/22 financial year was $4.2 billion to $5.2 billion, which is based on the average Invested Capital of $4.9 billion as at 30 June 2022.
3 Net capital expenditure is a non-statutory measure which is equal to net investing cash outflows included in the Consolidated Cash Flow Statement of $2,625 million (2022: $240 million) and the impact to Invested Capital from the acquisitions/disposals of leased aircraft of $41 million (2022: $158 million).
4 During the year ended 30 June 2023, the Group completed on-market buy-backs totalling $1,000 million, which were announced in August 2022, February 2023 and May 2023. The Group purchased 161.6 million ordinary shares on issue at the average price of $6.19.

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

The identified CGUs by operating segment for the 2022/23 financial year are outlined in the table below:

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

ii. Impairment Assessment

An assessment is made 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.

Notes to the Financial Statements continued

For the year ended 30 June 2023

24 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

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

ii. Impairment Assessment (CONTINUED)

Significant Assumption	How It Was Determined
Calculation of recoverable amount	The recoverable amounts of CGUs were determined based on their value in use. The value in use was determined by discounting the future cash flows forecast in the Financial Plan.
Net assets	Net assets excluding cash and cash equivalents, interest-bearing liabilities and deferred tax assets/liabilities within CGUs but excludes any items that have been tested for impairment individually.
Cash Flows — Group Financial Plan	Cash flows were projected based on the Board-approved Financial Plan. 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 or capital expenditure relating to assets that commence operation beyond the terminal year. The Group's Financial Plan incorporates estimates of the future impact on the Group of meeting the interim targets in the Group's Climate Action Plan, including the financial impact within cash flow projections of the increased cost of carbon offsetting and SAF (together with estimated recovery through revenue). For the purposes of performing an impairment test, a terminal value has been been estimated. Cash flows to determine the 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.
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 the long-term average pre-tax Weighted Average Cost of Capital (WACC) of the Qantas Group (2022: 10 per cent per annum).
Sensitivity to significant changes in assumptions	*Sensitivity to Changes in Assumptions (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 the surplus between the recoverable amount and carrying value of CGUs. The earlier years in the Financial Plan, while impacting the measurement of the recoverable amount, do not materially impact the surplus identified. Reasonably possible changes in the Financial Plan and discount rates are unlikely to result in impairment of the CGUs. 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 Assumptions (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. 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. 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.

Notes to the Financial Statements continued

For the year ended 30 June 2023

24 IMPAIRMENT OF ASSETS AND RELATED COSTS (CONTINUED)

(B) CARRYING VALUE OF GOODWILL AND INDEFINITE LIVED INTANGIBLE ASSETS

The following CGUs have goodwill and other intangible assets with indefinite useful lives as follows:

	2023 $M	2022 $M
Goodwill		
Qantas Domestic CGU	14	14
Qantas Loyalty CGU[1]	68	12
TripADeal CGU[1]	48	104
Qantas Freight CGU	49	49
Jetstar Australia/New Zealand CGU	91	91
Total goodwill	**270**	**270**
Other intangible assets with indefinite useful lives		
TripADeal CGU[2]	32	40
Qantas International CGU	35	35
Total other intangible assets with indefinite useful lives	**67**	**75**

1 Goodwill arising from the acquisition of TAD Holdco Pty Limited (TripADeal) in financial year 2021/22 has been allocated between Qantas Loyalty CGU and TripADeal CGU in financial year 2022/23 due to the finalisation of the purchase price allocation.
2 Other intangible assets with indefinite useful lives allocated to the TripADeal CGU decreased by ($8) million due to the finalisation of the purchase price allocation relating to the acquisition of TripADeal.

(C) RESULTS OF THE GROUP'S IMPAIRMENT TEST

i. CGU Impairments

No impairment or impairment reversal was recognised in any of the Group's CGUs during the year ended 30 June 2023 (2022: nil).

ii. Other Impairments and/or Reversals of Impairment

Investments accounted for under the equity method

No impairment or impairment reversal was recognised in relation to the Group's investments accounted for under the equity method during the year ended 30 June 2023 (2022: ($1) million).

Assets classified as held for sale

The Group recognised a net impairment of $1 million in relation to aircraft on transfer to assets held for sale at 30 June 2023 (2022: $38 million). The impairment primarily relates to aircraft being retired as part of the Group's fleet replacement strategy of which $17 million was recognised in property, plant and equipment, partially offset by a $16 million impairment reversal in assets held for sale.

Notes to the Financial Statements continued

For the year ended 30 June 2023

25 SHARE-BASED PAYMENTS

The Group provides benefits to Executives of the Group in the form of share-based payments, whereby Executives render services in exchange for Rights over shares. Additionally, the Recovery Retention Plan was announced in the second half of the 2021/22 financial year and includes share-based payments to eligible employees (both non-executive and executive). The total equity-settled share-based payment expense for the year was $188 million (2022: $63 million). Further details regarding the operation of equity plans are outlined in the Remuneration Report from pages 30 to 60.

(A) LONG TERM INCENTIVE PLAN (LTIP)

Generally, participation in the LTIP is limited to Senior Executives of the Qantas Group in key roles or other participants who have been identified as high potential Executives. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of performance hurdles. Dividends are not payable on Rights. For more information on the operation of the LTIP, see pages 47 to 49.

Performance Rights Reconciliation	2023 Number of Rights	2022 Number of Rights
Rights outstanding as at 1 July	18,262,972	16,568,569
Rights granted during the year	4,273,500	4,250,500
Rights forfeited during the year	(380,758)	(871,097)
Rights vested and converted to shares during the year	(1,143,343)	(827,568)
Rights lapsed during the year	(1,149,491)	(857,432)
Rights outstanding as at 30 June	**19,862,880**	**18,262,972**
Rights exercisable as at 30 June	–	–

The Rights outstanding as at 30 June 2023 included 9,559,480 Rights under the 2021-2023 LTIP. 9,399,949 Rights vested and converted to shares and 159.531 Rights forfeited following the testing of performance hurdles as at 30 June 2023 and after applying service conditions and the Board's approval of the 2021-2023 LTIP vesting outcome on 23 August 2023. The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one-year trading restriction.

The Rights outstanding as at 30 June 2023 included 687,000 Rights under the 2018-2020 LTIP, 651,000 Rights under the 2019-2021 LTIP and 743,000 Rights under the 2020-2022 LTIP relating to the CEO (Mr Joyce). As noted in the Remuneration Report on page 38, after agreeing in previous years to defer the decision of vesting Rights awarded under these plans, the CEO (Mr Joyce) elected to convert these Rights to shares in August 2023. The following Rights vested and converted to shares 343,500 (2018-2020 LTIP), 325,500 (2019-2021 LTIP) and 371,500 (2020-2022 LTIP) and the following Rights lapsed 343,500 (2018-2020 LTIP), 325,500 (2019-2021 LTIP) and 371,500 (2020-2022 LTIP) in August 2023.

The Rights outstanding as at 30 June 2022 included 3,035,834 Rights under the 2020-2022 LTIP. 1,143,343 Rights vested and converted to shares and 1,149,491 Rights lapsed following the testing of performance hurdles as at 30 June 2022 and after applying service conditions and the Board's approval of the 2020-2022 LTIP vesting outcome on 24 August 2022 (743,000 Rights under the 2020-2022 LTIP in relation to the CEO (Mr Joyce) remained unvested). The shares awarded to Executive Management upon vesting of the LTIP remain subject to an additional one-year trading restriction. The Rights outstanding at 30 June 2022 also included 651,000 Rights under the 2019-2021 LTIP and 687,000 Rights under the 2018-2020 LTIP in relation to the CEO (Mr Joyce) which remained unvested.

i. Fair Value Calculation

The estimated value of Rights granted was determined at grant date using a Monte Carlo model. The weighted average fair value of Rights granted during the year was $4.24 (2022: $3.89).

Inputs into the Models	2023	2022	
	4 November 2022	17 September 2021	5 November 2021
Rights granted	4,273,500	3,389,500	861,000
Closing share price	$5.97	$5.53	$5.62
Expected volatility	30.0%	30.0%	30.0%
Dividend yield	2.4%	1.1%	1.1%
Risk-free interest rate	3.4%	0.2%	0.3%

The expected volatility was determined having regard to the historical volatility of Qantas shares and the implied volatility on exchange traded options. The risk-free rate was the yield on an Australian Government Bond at the grant date matching the remaining useful lives of the plans. The yield is converted into a continuously compounded rate in the model. The expected life assumes immediate exercise after vesting.

(B) SHORT TERM INCENTIVE PLAN (STIP)

For details on the operation of the STIP see pages 45 to 47. There were nil awards of Qantas shares made during the year ended 30 June 2023 (2022: nil).

During the 2022/23 financial year, share-based payment expense in relation to the STIP was recognised but no deferred shares were awarded.

Notes to the Financial Statements continued

For the year ended 30 June 2023

25 SHARE-BASED PAYMENTS (CONTINUED)

(C) MANAGER INCENTIVE PLAN (MIP)

The MIP is the annual incentive plan for the broader Management group. Each year, to the extent that the plan's performance conditions are achieved, this group may receive an award that is a combination of cash and restricted shares. The Scorecard performance outcomes are the same as those for STIP. For the Scorecard performance outcomes, refer to the details of the operation of the STIP on pages pages 45 to 47. The CEO retains discretion over any awards made under the MIP. There were nil awards of Qantas shares made during the year ended 30 June 2023 (2022: nil).

During the 2022/23 financial year, share-based payment expense in relation to the MIP was recognised but no deferred shares were awarded.

(D) RECOVERY RETENTION PLAN (RRP)

The Recovery and Retention Plan was announced in the second half of the 2021/22 financial year and includes a grant of Rights to eligible employees (both non-executive and executive) subject to both performance and service conditions. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of performance hurdles. Dividends are not payable on Rights. For more information on the operation of the RRP, see pages 49 to 50.

	2023	2022
Performance Rights Reconciliation	**Number of Rights**	**Number of Rights**
Rights outstanding as at 1 July	42,931,072	–
Rights granted during the year	1,518,750	42,931,072
Rights forfeited during the year	(2,274,418)	–
Rights outstanding as at 30 June	**42,175,404**	**42,931,072**
Rights exercisable as at 30 June	**–**	**–**

Subsequent to 30 June 2023, 41,723,150 Rights vested and converted to shares, and 452,254 Rights forfeited following the testing of performance hurdles as at 30 June 2023 and after applying service conditions and the Board's approval of the vesting outcome on 23 August 2023.

i. Fair Value Calculation

The estimated value of Rights granted was determined at grant date using a simplification of the Black-Scholes option pricing formula. The weighted average fair value of Rights granted during the year was $5.92 (2022: $4.98).

	2023	2022
Inputs into the Models	**4 November 2022**	**28 February 2022**
Rights granted	1,518,750	42,931,072
Weighted average share value	$5.96	$5.04
Dividend yield	0.9%	0.9%

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT

(A) RISKS

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 and 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 Qantas Group uses different methods to assess and manage different types of financial risk to which it is exposed. These methods include correlations between risk types, sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis and sensitivity analysis for liquidity and credit risk. A summary of these risks has been presented below:

Risk	Nature of Risk	Management of Risk
Liquidity risk	Difficulty in meeting financial liability obligations.	Remaining within optimal capital structure, targeting a minimum liquidity level, ensuring long-term commitments are managed, maintaining access to a variety of additional funding sources and managing maturity profiles.
Interest rate risk	Fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.	Floating versus fixed rate debt framework, interest rate swaps, forward rate agreements and options.
Foreign exchange risk	Fluctuations in the fair value of future cash flows or assets/liabilities denominated in a currency other than AUD because of changes in foreign exchange rates.	Forward foreign exchange contracts, currency options, cross-currency swaps and designation of non-derivative foreign currency liabilities in a cash flow hedge relationship.
Fuel price risk	Exposure of future AUD fuel to unfavourable USD-denominated price movements and foreign exchange movements.	**USD price** – options and swaps on jet kerosene, gasoil and crude oil. **Foreign exchange risk** – foreign exchange contracts and currency options.
Credit risk	Potential loss from a transaction in the event of a default by a counterparty during the term or on settlement of a transaction.	**Trade debtor counterparties** – use of International Air Transport Association (IATA) clearing mechanism which undertakes its own credit review of members, and stringent credit policies where the Group provides credit to customers directly. **Other financial asset counterparties** – transact only with counterparties that have acceptable credit ratings and counterparty limits.

i. Liquidity Risk

Nature of the risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity risk management
The Qantas Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflows, maintaining access to a variety of additional funding sources, including commercial paper and standby facilities, managing maturity profiles and maintaining an unencumbered pool of assets. Qantas may from time to time seek to purchase and retire outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Any such repurchases would depend on prevailing market conditions, liquidity requirements and possibly other factors.

The Qantas Group has maintained a prudent liquidity policy during the 2022/23 financial year, ensuring adequate coverage of liquidity requirements while considering a range of adverse scenarios. As at 30 June 2023, the Group's total sources of liquidity were greater than $10 billion, including $3.2 billion of cash and cash equivalents, $1.2 billion in committed undrawn facilities and an unencumbered asset base greater than $5.6 billion, including 62 per cent of the Group's fleet, spare engines and other assets.

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

i. Liquidity Risk (continued)

The following table summarises the contractual timing of cash flows, including estimated interest payments, of financial liabilities and derivative instruments. The contractual amount assumes current interest rates and foreign exchange rates. The amounts disclosed in the table are undiscounted.

2023 $M	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Financial liabilities					
Payables	2,732	–	–	–	2,732
Lease liabilities[1]	581	507	307	472	1,867
Bank loans – secured[2]	276	536	447	558	1,817
Bank loans – unsecured[2]	23	45	45	445	558
Other loans – secured[2]	412	432	244	523	1,611
Other loans – unsecured[2]	322	133	411	1,461	2,327
Net other financial assets/liabilities – outflows/(inflows)[3]	(93)	314	–	–	221
Total financial liabilities	**4,253**	**1,967**	**1,454**	**3,459**	**11,133**

2022 $M	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years	Total
Financial liabilities					
Payables	2,474	–	–	–	2,474
Lease liabilities[1]	419	496	232	488	1,635
Bank loans – secured[2]	363	600	394	466	1,823
Bank loans – unsecured[2]	10	459	–	–	469
Other loans – secured[2]	424	443	414	937	2,218
Other loans – unsecured[2]	81	393	430	1,572	2,476
Net other financial assets/liabilities – outflows/(inflows)[3]	(556)	(62)	281	–	(337)
Total financial liabilities	**3,215**	**2,329**	**1,751**	**3,463**	**10,758**

1 This represents the Group's contractual undiscounted cash flows relating to leases at 30 June 2023.
2 Recognised financial liability maturity values are shown pre-hedging.
3 Excluding equity investments but includes the put option liability.

ii. Interest Rate Risk

Nature of the risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Qantas Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities, which are predominantly in AUD and USD currencies. These principally include corporate debt, leases and cash.

Management of interest rate risk

The Qantas Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swaps, forward rate agreements and options. As at 30 June 2023, interest-bearing liabilities amounted to $5,169 million (2022: $5,960 million). The fixed/floating split is 52 per cent and 48 per cent respectively (2022: 48 per cent and 52 per cent). As noted in Note 23(C), the Group manages its exposure to interest rate risk with reference to the Group's Financial Framework where the fixed/floating ratio is measured against Net Debt. The Group's Net Debt is a non-statutory measure and includes on balance sheet debt, cash and capitalised aircraft lease liabilities. The ratio of fixed/floating on Net Debt is 100 per cent and nil per cent respectively, which assumes cash is treated as floating (2022: 91 per cent and 9 per cent). As at 30 June 2023, other financial assets and liabilities including derivative financial instruments relating to debt obligations and future interest payments were nil (2022: nil). These are recognised at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

ii. Interest Rate Risk (continued)

Sensitivity to interest rate risk

	Profit/(Loss) Before Tax		Equity (Before Tax)[1]	
$M	2023	2022	2023	2022
100bps increase in interest rates[2,3]				
Variable rate interest-bearing instruments (net of cash)	3	(2)	–	–
100bps decrease in interest rates[2,3]				
Variable rate interest-bearing instruments (net of cash)	(2)	2	–	–

1 Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2 Sensitivity analysis of financial instruments assume hedge designations as at 30 June 2023 remain unchanged.
3 Sensitivity analysis excludes impact of discount rate movements on provisions.

Under AASB 16, interest rate movements on lease liabilities are treated as modifications against the corresponding right of use asset and lease liability. As such, there is no immediate impact to the Consolidated Income Statement or Other Comprehensive Income and as a result, interest rate movements on lease liabilities are not included as an interest rate sensitivity.

iii. Foreign Exchange Risk

Nature of the risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the Group. The Group operates internationally and is exposed to foreign exchange risk, primarily the US dollar. The source and nature of this risk arises from operations, capital expenditure and revaluation risk. The revaluation risk primarily exists in interest-bearing liabilities, lease liabilities and other financial assets and liabilities. The Group hedges foreign exchange risk with the objective of minimising volatility of the Australian currency cost of highly probable forecast purchases and disposals of property, plant and equipment and other revenue and operating expenditures.

Management of foreign exchange risk

Forward foreign exchange contracts and currency options are used to hedge a portion of net foreign currency exposures in accordance with Qantas Group policy. Net foreign currency exposures, including foreign currency purchases and disposals of property, plant and equipment, may be hedged out to two years within specific parameters. Any hedging outside these parameters requires approval by the Board. For the year ended 30 June 2023, other financial assets and liabilities, including derivative financial instruments relating to the hedging of future capital expenditure, totalled $15 million (net asset) (2022: $31 million (net asset)) and those relating to the hedging of future operating expenditure payments were nil (2022: nil). These are recognised at fair value.

Non-derivative financial liabilities including interest-bearing liabilities and lease liabilities are designated in a cash flow hedge relationship to hedge forecast foreign currency revenue. These interest-bearing liabilities and lease liabilities have a maturity between one and 13 years. To the extent a foreign exchange gain or loss is incurred, and the cash flow hedge is deemed effective, this is deferred until the revenue is realised. As at 30 June 2023, total unrealised foreign exchange losses on hedges of revenue designated to non-derivative financial liabilities was $3 million (2022: $2 million gains).

Sensitivity to foreign exchange risk

	Profit Before Tax		Equity (Before Tax)[1]	
$M	2023	2022	2023	2022
20% movement in foreign exchange risk[2,3]				
20% (2022: 20%) USD depreciation	–	–	(71)	(167)
20% (2022: 20%) USD appreciation	–	–	177	278

1 Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2 Sensitivity analysis assumes hedge designations as at 30 June 2023 remain unchanged. Sensitivity analysis on foreign currency pairs of 20 per cent represent reasonable volatility in market conditions.
3 Sensitivity analysis of financial instruments include foreign currency interest-bearing liabilities and derivatives designated in a hedge relationship.

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) RISKS (CONTINUED)

iv. Fuel Price Risk

Nature of the risk

Exposure of future AUD fuel costs to unfavourable USD-denominated price and foreign exchange movements.

Management of future AUD fuel costs risk

The Qantas Group uses options and swaps on jet kerosene, gasoil and crude oil to hedge exposure to movements in the USD price of aviation fuel. The Group considers the crude component to be a separately identifiable and measurable component of aviation fuel. In identifying this component, the Group considers long-term correlation levels between crude hedging products and underlying jet fuel exposure. The foreign exchange risk in the total fuel cost is separately hedged using foreign exchange contracts and currency options. Hedging is conducted in accordance with Qantas Group policy. Fuel consumption out to two years may be hedged within specific parameters, with any hedging outside these parameters requiring approval by the Board. For the year ended 30 June 2023, other financial assets and liabilities included fuel and foreign exchange derivatives totalling $97 million (net asset) (2022: $587 million (net asset)). These are recognised at fair value.

Sensitivity to foreign exchange and fuel price risk

	Profit Before Tax		Equity (Before Tax)[1]	
$M	2023	2022	2023	2022
20% movement in AUD fuel costs[2]				
20% (2022: 20%) USD depreciation, 20% (2022: 20%) increase per barrel in fuel indices	–	–	31	271
20% (2022: 20%) USD appreciation, 20% (2022: 20%) decrease per barrel in fuel indices	–	–	248	(35)

1 Equity (Before Tax) does not include sensitivity recognised in Profit/(Loss) Before Tax.
2 Sensitivity analysis of financial instruments assume hedge designations as at 30 June 2023 remain unchanged. Sensitivity analysis on foreign currency pairs and fuel indices of 20 per cent represents reasonable volatility in market conditions. Sensitivity analysis assumes an offset between USD and fuel price indices based on observed market movements.

v. Credit Risk

Nature of the risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. The Group has credit exposure in respect of trade receivables and other financial instruments in the ordinary course of business. The maximum exposure to credit risk is represented by the carrying value of financial assets.

Management of credit risk

The Qantas Group conducts transactions with the following major types of counterparties:

- **Trade debtor counterparties:** The credit risk is the recognised amount, net of any impairment losses. As at 30 June 2023, trade debtors amounted to $875 million (2022: $988 million). The Qantas Group has credit risk associated with travel agents, codeshare partners, industry settlement organisations, and credit provided to direct customers, such as large airline, loyalty and freight corporate customers. A significant proportion of receivables is settled through the IATA clearing mechanism which undertakes its own credit review of members. The Qantas Group minimises this credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs
- **Other financial asset counterparties:** The Qantas Group restricts its dealings to counterparties that have acceptable credit ratings. Should the rating of a counterparty fall below certain levels, internal policy dictates that approval by the Board is required to maintain the level of the counterparty exposure. Alternatively, Management may consider closing out positions with the counterparty or novate open positions to another counterparty with acceptable credit ratings.

The Qantas Group minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries in accordance with Board-approved policy. As at 30 June 2023, the credit risk of the Qantas Group to counterparties in relation to other financial assets, cash and cash equivalents, and other financial liabilities amounted to $3,368 million (2022: $3,981 million). Refer to Note 26(C) for offsetting disclosures of contractual arrangements. The Qantas Group's credit exposure in relation to these assets is with counterparties that have a minimum credit rating of A-/A3, unless individually approved by the Board.

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) FAIR VALUE

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial assets and liabilities is determined by valuing them at the present value of future contracted cash flows. The fair value of forward foreign exchange and fuel contracts is determined as the unrealised gain/loss at balance date by reference to market exchange rates and fuel prices. The fair value of interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. The fair value of options is determined using standard valuation techniques. Other financial assets and liabilities represent the fair value of investments, put option liability and derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 35(C) for a definition of the fair value hierarchy.

	June 2023				June 2022			
	Carrying Amount Held at				Carrying Amount Held at			
$M	Fair Value Through Profit and Loss	Fair Value Through Other Comprehensive Income[3]	Amortised Cost	Fair Value	Fair Value Through Profit and Loss	Fair Value Through Other Comprehensive Income[3]	Amortised Cost	Fair Value
Cash and cash equivalents	–	–	3,171	3,180	–	–	3,343	3,345
Receivables	–	–	1,051	1,051	–	–	1,107	1,107
Other financial assets[1]	194	101	78	373	707	115	18	840
Financial assets	**194**	**101**	**4,300**	**4,604**	**707**	**115**	**4,468**	**5,292**
Payables	–	–	2,732	2,732	–	–	2,474	2,474
Interest-bearing liabilities[2]	–	–	5,169	5,311	–	–	5,960	6,160
Other financial liabilities[1]	82	280	–	362	89	224	–	313
Financial liabilities	**82**	**280**	**7,901**	**8,405**	**89**	**224**	**8,434**	**8,947**

1 Other financial assets and liabilities represents the fair value of equity investments, the put option liability and derivative financial instruments recognised on the Consolidated Balance Sheet. Derivative financial instruments have been measured at fair value using Level 2 inputs in estimating their fair values. Equity instruments have been measured at fair value using Level 1 or Level 2 inputs in estimating their fair value. The put option liability is measured at the present value of the forecast amount expected to be paid under the put option calculation, using Level 3 inputs. Subsequent movements are recognised within the put option reserve.
2 The fair value of interest-bearing liabilities used level 2 inputs to calculate the present value of outstanding contractual cash flows discounted using market curves.
3 As at 30 June 2023, $92 million of the $101 million (2022: $113 million of the $115 million) of other financial assets relate to the Group's investment in Alliance Airlines Limited (ASX: AQZ), which has been accounted for as an investment held at fair value through other comprehensive income under AASB 9.

During the year, the Group recognised fair value changes in relation to listed and unlisted equity investments, net of tax in other comprehensive income of ($12) million loss (2022: ($22) million loss). The Group recognised fair value changes, net of tax of ($15) million loss (2022: ($22) million loss) in respect of listed equity investment using Level 1 inputs. The Group recognised fair value changes, net of tax of nil (2022: nil) in respect of unlisted equity investments using Level 2 inputs. The Group recognised fair value changes, net of tax of $3 million gain (2022: nil) in respect of unlisted equity investments using Level 3 inputs.

(C) DERIVATIVES AND HEDGING INSTRUMENTS

The following section summarises derivative financial instruments in the Consolidated Financial Statements:

Type of Hedge	Description	Derivative
Cash flow hedges	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.	Exchange derivative contracts to hedge future AUD fuel costs and foreign currency operational payments (forwards, swaps or options). Interest rate derivative contracts to hedge future interest payments (forwards, swaps or options). Foreign exchange derivative contracts to hedge future capital expenditure payments (forwards or options).

The Group's derivative assets and liabilities as at 30 June 2023 are detailed below:

	2023			2022		
$M	Current	Non-current	Total	Current	Non-current	Total
Derivative assets						
Designated as cash flow hedges	144	50	194	623	84	707
Total derivative assets	**144**	**50**	**194**	**623**	**84**	**707**
Derivative liabilities						
Designated as cash flow hedges	(51)	(31)	(82)	(67)	(22)	(89)
Total derivative liabilities	**(51)**	**(31)**	**(82)**	**(67)**	**(22)**	**(89)**
Net derivative assets	**93**	**19**	**112**	**556**	**62**	**618**

Notes to the Financial Statements continued

For the year ended 30 June 2023

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) DERIVATIVES AND HEDGING INSTRUMENTS (CONTINUED)

i. Offsetting

The Group enters into contractual arrangements such as the International Swaps and Derivatives Association (ISDA) Master Agreement where, upon the occurrence of a credit event (such as default), a termination value is calculated and only a single net amount is payable in settlement of all transactions that are capable of offset under the terms of the contract. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet and consequently, financial assets and liabilities are recognised as gross. This is because the Group does not have any current legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events. The amounts shown as financial assets and financial liabilities would each have been $81 million lower (2022: $89 million lower) in the event of the right to offset being currently enforceable.

ii. Hedge Reserve

The effective portion of the cumulative net change in the fair value of derivative financial instruments designated as a cash flow hedge and the cumulative change in fair value arising from the time value of options are included in the hedge reserve. These options relate entirely to transaction-related hedged items. For further information on accounting for derivative financial instruments as cash flow hedges, refer to Note 35(C). For the year ended 30 June 2023, ($48) million loss (2022: $340 million gain) is expected to be released to the Consolidated Income Statement within one year and ($8) million loss (2022: $39 million gain) after one year. A $6 million gain (2022: $15 million gain) is expected to be capitalised to assets within one year. Other financial assets and liabilities represent the fair value of derivative financial instruments recognised on the Consolidated Balance Sheet. Refer to Note 35(C) for a definition of the fair value hierarchy.

iii. Hedge Accounting

As at	Nominal Amount of Hedging Instrument and Hedged Item		Hedge Rates	Carrying Amount of the Hedging Instrument[1,2]		Change in Value of the Hedging Instrument Used for Calculating Hedge Ineffectiveness	Change in Value of the Hedged Item used for Calculating Hedge Ineffectiveness	Change in Value of the Hedging Instrument Recognised in Other Comprehensive Income	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss
				Assets	Liabilities				
30 June 2023	M		$M	$M	$M	$M	$M	$M	$M
Cash flow hedges									
AUD fuel costs (up to 2 years)	25	Barrels	AUD / Barrel 104 - 160	179	(82)	(117)	117	(117)	(348)
Revenue (up to 13 years)	659	USD	AUD / USD 0.66 - 0.72	–	(517)	(22)	22	(22)	17
Capital expenditure (up to 2 years)	1,591	USD	AUD / USD 0.68 - 0.70	15	–	26	(26)	26	–

1 Derivative cash flow hedging instruments are located within the other financial assets and other financial liabilities on the Consolidated Balance Sheet and include costs of hedging. The carrying amount of the hedging instrument is presented in AUD where the hedged item equals the nominal amount of the hedging instrument.
2 The revenue hedging instrument is a non-derivative financial liability with the carrying amount presented in USD and is located within interest-bearing liabilities and lease liabilities.

Notes to the Financial Statements continued

For the year ended 30 June 2023

27 AUDITOR'S REMUNERATION

	2023 $'000	2022 $'000
STATUTORY ASSURANCE SERVICES		
Audit and review of Financial Reports	3,960	3,517
Total statutory assurance services	**3,960**	**3,517**
OTHER ASSURANCE SERVICES		
Regulatory assurance services	13	39
Other assurance services	319	161
Total other assurance services	**332**	**200**
NON-ASSURANCE SERVICES		
Audit-related non-assurance services	5	–
Taxation services	175	175
Other non-assurance services	94	188
Total non-assurance services	**274**	**363**
Total auditor's remuneration	**4,566**	**4,080**

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF STATUTORY PROFIT/(LOSS) FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	Notes	2023 $M	2022 $M
Statutory profit/(loss) for the year		**1,744**	**(860)**
Adjusted for:			
Depreciation and amortisation	5	1,762	1,801
Impairment of assets and related costs	7	1	35
Hedging-related activities		(149)	(118)
Share of net loss of investments accounted for under the equity method	14	44	126
Share-based payments	25	188	63
Net gain on disposal of assets	6	(4)	(692)
Discount rate changes impact on provisions	7	(34)	(194)
Other items		43	95
Dividends received from investments accounted for under the equity method	14	12	–
Changes in other items:			
Receivables		(13)	(476)
Inventories		(58)	(14)
Other assets		(162)	(18)
Payables		271	657
Revenue received in advance		741	2,395
Provisions		(28)	201
Deferred tax assets and tax payable		727	(331)
Net cash inflow from operating activities		**5,085**	**2,670**

Notes to the Financial Statements continued

For the year ended 30 June 2023

29 SUPERANNUATION

The Qantas Superannuation Plan (QSP) is a hybrid defined benefit/defined contribution fund with multiple divisions that commenced operation in June 1939. In addition to the QSP, there are other small overseas defined benefit plans. The Qantas Group makes contributions to defined benefit plans that provide defined benefit amounts for employees upon retirement. Under these plans, employees are entitled to retirement benefits determined, at least in part, by reference to a formula based on years of membership and salary levels.

The defined benefit plans are legally separated from the Qantas Group. Responsibility for governance of the plans, including investment decisions and plan rules, rests solely with the Trustee of the plan. The Trustee of the QSP is a corporate trustee which has a Board comprising five company-appointed Directors and five member-elected Directors.

The QSP's defined benefit plan exposes the Group to a number of risks, the most significant of which are detailed below:

- **Investment risk:** The investment strategy for the assets attributable to the QSP's defined benefit liabilities is to progressively de-risk the defined benefit investment portfolio as the funding position improves over time. If investment returns underperform expectations, the Group may be required to provide additional funding to the QSP
- **Interest rate risk:** Changes in bond yields, such as a decrease in corporate bond yields, will increase defined benefit liabilities through the discount rate assumed
- **Inflation risk:** The defined benefit liabilities are linked to salary inflation, and higher salary inflation will lead to higher liabilities.

(A) FUNDING

Employer contributions to the defined benefit divisions of the QSP are based on recommendations by the QSP's plan actuary. It is estimated that $66 million of normal employer contributions will be paid by the Qantas Group to its defined benefit plans in financial year 2023/24.

In addition, the Trustee of the QSP and the Group have in place an Additional Funding Plan (AFP), last agreed in 2023 (as part of the agreed Defined Benefit Contribution Strategy following the 2022 triennial actuarial valuation of the QSP), which is an evergreen restoration plan and addresses the requirements of Australian Prudential Regulation Authority (APRA) Prudential Standard SPS 160. The determination of Qantas' additional employer contributions under the AFP is triggered if the quarterly determination of the Defined Benefit Vested Benefits Index (DB VBI) indicates that the DB VBI has been below 100 per cent for two consecutive quarters, or the value of the DB VBI has fallen from a value in excess of 100 per cent at the previous quarter to a value that is less than 96 per cent. The DB VBI is the ratio of the QSP's assets attributable to the defined benefit liabilities to the total defined benefit amount that the QSP would be required to pay if all members were to voluntarily leave the plan on the funding valuation date. Additional benefit payment top-up contributions may also be payable if after two consecutive quarters, the DB Retrenchment Benefits Index (DB RBI) is less than 100 per cent and retrenchments occur that place a greater than VBI level of funding strain on the Plan assets. The DB RBI is the ratio of the QSP's assets attributable to the defined benefit liabilities to the total defined benefit component of retrenchment benefits in respect of DB members. The last additional contribution required under the AFP was paid into the QSP by the Group in December 2016. The QSP's financial position is monitored by the Trustee each quarter.

(B) MOVEMENT IN NET DEFINED BENEFIT (ASSET)/LIABILITY

	Present Value of Obligation $M		Fair Value of Plan Assets $M		Net Defined Benefit (Asset)/Liability[1] $M	
	2023	2022	2023	2022	2023	2022
Balance as at 1 July	**1,405**	**1,762**	**(1,944)**	**(2,079)**	**(539)**	**(317)**
Included in the Consolidated Income Statement						
Current service cost	76	88	–	–	76	88
Interest expense/(income)	78	52	(99)	(59)	(21)	(7)
Contributions by plan participants	–	–	(19)	(19)	(19)	(19)
Total amount included in salaries, wages and other benefits	**154**	**140**	**(118)**	**(78)**	**36**	**62**
Included in the Consolidated Statement of Comprehensive Income						
Return on plan assets, excluding interest income	–	–	10	70	10	70
Losses from change in demographic assumptions	42	–	–	–	42	–
Losses/(gains) from change in financial assumptions	46	(398)	–	–	46	(398)
Experience losses	51	37	–	–	51	37
Exchange differences on foreign plans	5	(3)	(6)	4	(1)	1
Total amount recognised in other comprehensive income	**144**	**(364)**	**4**	**74**	**148**	**(290)**
Contributions by employer	–	–	(41)	(4)	(41)	(4)
Benefit payments	(137)	(151)	137	151	–	–
Other movements	(1)	18	(2)	(8)	(3)	10
Balance as at 30 June	**1,565**	**1,405**	**(1,964)**	**(1,944)**	**(399)**	**(539)**

1 The net defined benefit asset is included in non-current other assets (refer to Note 19).

Notes to the Financial Statements continued

For the year ended 30 June 2023

29 SUPERANNUATION (CONTINUED)

(C) PLAN ASSETS

The major categories of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

	2023 %	2022 %
Australian equity[1,2]	11	10
Global equity[1]		
– *United States*	9	9
– *Europe*	1	1
– *Japan*	1	1
– *Other*	5	4
Private equity	8	6
Fixed interest[1]		
– *Government bonds*	9	17
– *Other*	30	32
Hedge funds	2	1
Property and infrastructure	2	4
Agriculture	5	6
Timberland	–	2
Insurance policies	4	2
Cash and cash equivalents[1]	13	5
Total	**100**	**100**

1 The majority of these plan assets have a quoted market price in an active market.
2 As at 30 June 2023, QSP assets in shares of Qantas Airways Limited (ASX:QAN) are $968,465 (2022: $747,767).

The Trustee of the QSP is responsible for setting the investment strategy and objectives for the QSP's assets to support the defined benefit liabilities. The QSP does not use any asset-liability matching strategies. It utilises traditional investment management techniques to manage the defined benefit assets.

(D) ACTUARIAL ASSUMPTIONS AND SENSITIVITY

The significant actuarial assumptions (expressed as weighted averages per annum) were as follows:

	2023 %	2022 %
Discount rate	5.6	5.3
Long-term future salary increase[1]	3.0	2.0

1 For the 30 June 2023 actuarial calculation, specific increase rates were assumed for years 1 to 5, averaging 2.6 per cent and then 3 per cent for the remaining duration of the plan (30 June 2022: salary increases averaging 1.8 per cent for years 1 to 5 and 2 per cent for the remaining duration of the plan were assumed).

The weighted average duration of the QSP's defined benefit obligation as at 30 June 2023 was nine years (2022: nine years). The sensitivity of the defined benefit obligation to changes in the significant assumption is as follows:

		Impact on Defined Benefit Obligation			
		30 June 2023		30 June 2022	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 9.8%	Increase by 11.4%	Decrease by 9.5%	Increase by 12.8%
Future salary increase	1%	Increase by 4.8%	Decrease by 4.4%	Increase by 5.8%	Decrease by 3.8%

Defined Contribution Fund

A defined contribution expense of $199 million has been recognised for the year ended 30 June 2023 (2022: $153 million).

Notes to the Financial Statements continued

For the year ended 30 June 2023

30 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Instrument), the wholly-owned entities identified below are relieved from the *Corporations Act 2001* (Cth) requirements for preparation, audit, distribution and lodgement of Financial Statements and Directors' Reports:

AAL Aviation Limited	National Jet Operations Services Pty Ltd	Qantas Ground Services Pty Ltd
Airlink Pty Ltd	Network Aviation Holdings Pty Ltd	Qantas Group Flight Training (Australia) Pty Ltd
Australian Air Express Pty Ltd	Network Aviation Pty Ltd	Qantas Group Flight Training Pty Ltd
Australian Airlines Limited	Network Holding Investments Pty Ltd	Qantas Information Technology Limited
Australian Regional Airlines Pty Ltd	Network Turbine Solutions Pty Ltd	Qantas Road Express Pty Ltd
Eastern Australia Airlines Pty Ltd	Osnet Jets Pty Ltd	Qantas Ventures Pty Limited
Express Freighters Australia (Operations) Pty Ltd	Q H Tours Limited	Qantas Wheatbelt Connect Pty Limited
Express Freighters Australia Pty Ltd	Qantas Asia Investment Company Pty Ltd	QF Cabin Crew Australia Pty Ltd
Impulse Airlines Holdings Pty Ltd	Qantas Courier Limited	Regional Airlines Charter Pty Ltd
Jetstar Airways Pty Ltd	Qantas Domestic Pty Ltd	Sunstate Airlines (Qld) Pty Ltd
Jetstar Asia Holdings Pty Ltd	Qantas Freight Enterprises Limited	The Network Holding Trust
Jetstar Group Pty Ltd	Qantas Frequent Flyer Limited	The Network Trust
Jetstar Services Pty Ltd	Qantas Frequent Flyer Operations Pty Ltd	Vii Pty Limited
National Jet Systems Pty Ltd	Qantas Group Accommodation Pty Ltd	

It is a condition of the Instrument that Qantas and each of the controlled entities eligible to obtain relief under the Instrument enter into a Deed of Cross Guarantee (Deed). Under the Deed, Qantas guarantees to each creditor payment in full of any debt upon the winding up under certain provisions of the *Corporations Act 2001* (Cth) of any of the controlled entities that are party to the Deed. If the winding up occurs under other provisions of the *Corporations Act 2001* (Cth), Qantas will only be liable if, six months after a resolution or order for the winding up of the controlled entity, any debt of a creditor of that controlled entity has not been paid in full. Each controlled entity that is party to the Deed has given similar guarantees in the event that Qantas is wound up.

Qantas and its eligible controlled entities first entered into a Deed on 4 June 2001. Subsequently, additional controlled entities became party to the Deed by way of Assumption Deeds dated 17 June 2002, 26 June 2006, 29 June 2007, 30 June 2008, 29 June 2009, 16 June 2010, 25 November 2010, 4 April 2011, 13 October 2011, 20 November 2012, 26 November 2015, 26 June 2017, 2 November 2017, 31 July 2020 and 14 March 2023.

The Consolidated Condensed Income Statement and Consolidated Condensed Balance Sheet for Qantas and each of its controlled entities that are party to the Deed are set out below. The principles of consolidation are:

- Transactions (including dividends), balances and unrealised gains and losses on transactions between entities that are party to the Deed are eliminated
- Investments in controlled entities that are not party to the Deed are carried at cost less any accumulated impairment
- Dividends received from controlled entities that are not party to the Deed are recognised as income.

(A) Consolidated Condensed Income Statement for the Year Ended 30 June 2023

	2023 $M	2022 $M
Revenue and other income	19,348	8,978
Expenditure	(16,614)	(9,675)
Impairment of assets and related costs	(6)	(210)
Statutory profit/(loss) before income tax (expense)/benefit and net finance costs	**2,728**	**(907)**
Finance income	130	14
Finance costs	(342)	(311)
Net finance costs	**(212)**	**(297)**
Statutory profit/(loss) before income tax (expense)/benefit	**2,516**	**(1,204)**
Income tax (expense)/benefit	(729)	341
Statutory profit/(loss) for the year	**1,787**	**(863)**
Accumulated losses as at 1 July	(4,087)	(3,220)
Transfer of accumulated fair value losses to accumulated losses	–	(6)
Shares vested and transferred to employees/Rights unvested and lapsed	3	2
Accumulated losses as at 30 June	**(2,297)**	**(4,087)**

Notes to the Financial Statements continued

For the year ended 30 June 2023

30 DEED OF CROSS GUARANTEE (CONTINUED)

i. Consolidated Condensed Balance Sheet as at 30 June 2023

	2023 $M	2022 $M
CURRENT ASSETS		
Cash and cash equivalents	3,090	3,214
Receivables	1,600	1,757
Other financial assets	144	623
Inventories	290	269
Assets classified as held for sale	38	1
Other	243	240
Total current assets	**5,405**	**6,104**
NON-CURRENT ASSETS		
Receivables	87	259
Other financial assets	151	199
Investments in subsidiaries	117	117
Investments accounted for under the equity method	22	55
Property, plant and equipment	11,828	10,213
Right of use assets	1,294	944
Intangible assets	527	617
Deferred tax assets	373	867
Other	810	920
Total non-current assets	**15,209**	**14,191**
Total assets	**20,614**	**20,295**
CURRENT LIABILITIES		
Payables	3,406	3,168
Revenue received in advance	6,448	5,712
Interest-bearing liabilities	724	769
Lease liabilities	578	382
Other financial liabilities	51	67
Provisions	1,192	994
Total current liabilities	**12,399**	**11,092**
NON-CURRENT LIABILITIES		
Revenue received in advance	1,996	2,066
Interest-bearing liabilities	4,400	5,505
Lease liabilities	976	888
Other financial liabilities	311	246
Provisions	552	776
Total non-current liabilities	**8,235**	**9,481**
Total liabilities	**20,634**	**20,573**
Net assets	**(20)**	**(278)**
EQUITY		
Issued capital	2,186	3,186
Treasury shares	(106)	(8)
Reserves	197	631
Accumulated losses	(2,297)	(4,087)
Total equity	**(20)**	**(278)**

ii. Net Asset Position of Deed of Cross Guarantee (Deed)

The Deed's net asset position of ($20) million at 30 June 2023 (2022: ($278) million) is a direct result of the losses incurred since the outbreak of COVID-19. The negative net asset position does not impact the ability of the parties to the Deed to pay its debts as and when they become due and payable.

Notes to the Financial Statements continued

For the year ended 30 June 2023

31 RELATED PARTIES

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The aggregate remuneration of the KMP of the Qantas Group is set out below:

	2023 $'000	2022 $'000
Short-term employee benefits	12,798	8,323
Post-employment benefits[1]	681	577
Other long-term benefits[2]	59	71
Share-based payments	15,453	7,439
	28,991	**16,410**

1 Post-employment benefits include superannuation and post-employment travel benefits.
2 Other long-term benefits include movements in annual leave and long service leave balances. The accounting value of other long-term benefits may be negative, for example, where an Executive's annual leave balance decreases as a result of taking more annual leave than they accrue during the current year.

Further details in relation to the remuneration of KMP are included in the Remuneration Report.

(B) NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE ACQUISITION PLAN

Under the Non-Executive Director Fee Sacrifice Share Acquisition Plan, Non-Executive Directors can elect to sacrifice a percentage of their Board or Board and Committee fees in return for a grant of Rights to the equivalent value of the same number of Qantas ordinary shares. Each Right granted will convert automatically to one fully-paid Qantas ordinary share at the conversion date, which is six months from the grant date subject to the individual remaining as a Non-Executive Director on the conversion date. The plan is designed to provide Non-Executive Directors the opportunity to build their shareholding in a tax effective manner and to further align their interests with the interests of shareholders.

Non-Executive Director Fee Sacrifice Share Acquisition Plan - Rights Reconciliation	2023 Number of Rights	2022 Number of Rights
Rights outstanding as at 1 July	32,505	44,025
Rights acquired during the year by fee sacrifice	52,271	64,493
Rights converted to ordinary shares during the year	(61,117)	(76,013)
Rights outstanding as at 30 June	**23,659**	**32,505**

(C) OTHER RELATED PARTY TRANSACTIONS – ASSOCIATES

Transactions with associates are conducted on normal terms and conditions.

Transactions between the Qantas Group and associates include:

- The Qantas Group provides airline seats on domestic and international routes to Helloworld Ltd for sale through its travel agency network. In the 2022/23 financial year, the Group sold its investment in Helloworld Travel Ltd (ASX: HLO)
- The Qantas Group has established a business service agreement with a Jetstar-branded airline in Japan (Jetstar Japan). As part of the business service agreement, amongst other services, Qantas allows Jetstar Japan's credit card transactions to be acquired through the Qantas Group's contractual arrangements
- The Qantas Group co-guarantees the lease obligations, on a limited liability basis, in respect of two A320 aircraft on behalf of Jetstar Japan to the external lessors in exchange for guarantee fees to the Qantas Group. The Qantas Group has also provided indemnities to Japan Airlines for up to 50 per cent of Japan Airlines' guarantees provided to Jetstar Japan's creditor banks in relation to unsecured bank loans.

Notes to the Financial Statements continued

For the year ended 30 June 2023

32 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED

(A) CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	2023 $M	2022 $M
Revenue and other income[1]	13,300	4,670
Expenditure	(10,279)	(5,411)
Impairment of assets and related costs[2]	(20)	(199)
Statutory profit/(loss) before income tax (expense)/benefit and net finance costs	**3,001**	**(940)**
Net finance costs	(178)	(272)
Statutory profit/(loss) before income tax (expense)/benefit	**2,823**	**(1,212)**
Income tax (expense)/benefit	(446)	369
Statutory profit/(loss) for the year	**2,377**	**(843)**

1 Revenue and other income included $1,300 million of dividend income from wholly-owned subsidiaries of the Qantas Group (2022: nil).
2 Impairment of assets and related costs includes the impairment of investments in subsidiaries and intercompany loans of $7 million (2022: $174 million).

(B) CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	2023 $M	2022 $M
Statutory profit/(loss) for the year	**2,377**	**(843)**
Effective portion of changes in fair value of cash flow hedges, net of tax	(79)	492
Transfer of effective hedging gains from hedge reserve to the Condensed Income Statement, net of tax	(232)	(274)
De-designation of fuel and foreign exchange hedges to the Condensed Income Statement, net of tax	–	(20)
Net changes in hedge reserve for time value of options, net of tax	(111)	20
Defined benefit actuarial (losses)/gains, net of tax	(103)	203
Foreign currency translation of investments accounted for under the equity method	1	1
Fair value losses on investments, net of tax	(11)	(22)
Total other comprehensive (loss)/income for the year	**(535)**	**400**
Total comprehensive income/(loss) for the year	**1,842**	**(443)**

Notes to the Financial Statements continued

For the year ended 30 June 2023

32 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(C) CONDENSED BALANCE SHEET AS AT 30 JUNE 2023

		2023 $M	2022 $M
CURRENT ASSETS			
Cash and cash equivalents		2,961	3,212
Receivables		417	535
Intercompany receivables		7,095	6,596
Other financial assets		144	623
Inventories		183	165
Assets classified as held for sale		38	1
Other		217	213
Total current assets		**11,055**	**11,345**
NON-CURRENT ASSETS			
Receivables		47	36
Intercompany receivables		30	215
Investments in subsidiaries		420	420
Other financial assets		151	199
Investments accounted for under the equity method		22	22
Property, plant and equipment		10,440	8,954
Right of use assets		1,217	906
Intangible assets		331	414
Deferred tax assets		262	727
Other		807	899
Total non-current assets		**13,727**	**12,792**
Total assets		**24,782**	**24,137**
CURRENT LIABILITIES			
Payables		1,842	1,652
Intercompany payables		7,070	7,176
Revenue received in advance		5,322	4,643
Interest-bearing liabilities		721	769
Lease liabilities		533	347
Other financial liabilities		51	67
Provisions		888	751
Total current liabilities		**16,427**	**15,405**
NON-CURRENT LIABILITIES			
Revenue received in advance		1,980	2,040
Interest-bearing liabilities		4,368	5,505
Lease liabilities		917	856
Other financial liabilities		31	22
Provisions		254	407
Total non-current liabilities		**7,550**	**8,830**
Total liabilities		**23,977**	**24,235**
Net assets		**805**	**(98)**
EQUITY			
Issued capital		2,186	3,186
Treasury shares		(106)	(8)
Other reserves	32(D)	476	855
Profit reserves	32(E)	2,377	–
Accumulated losses		(4,128)	(4,131)
Total equity		**805**	**(98)**

Notes to the Financial Statements continued

For the year ended 30 June 2023

32 PARENT ENTITY DISCLOSURES – QANTAS AIRWAYS LIMITED (CONTINUED)

(D) OTHER RESERVES

	2023 $M	2022 $M
Employee compensation reserve	259	81
Hedging reserves	(50)	394
Defined benefit reserve	278	381
Foreign currency translation of investments accounted for under the equity method	(1)	(2)
Fair value reserve	(10)	1
Total other reserves	**476**	**855**

(E) DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

During the year ended 30 June 2023, Qantas Airways Limited did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2023.

During the year, Qantas Airways Limited reported a Statutory Profit After Tax of $2,377 million, which was set aside in a separate profit reserve.

During the year ended 30 June 2023, Qantas Airways Limited completed on-market share buy-backs totalling $1,000 million, which were announced in August 2022, February 2023 and May 2023. The Group purchased 161.6 million ordinary shares on issue at an average price of $6.19.

(F) CAPITAL EXPENDITURE COMMITMENTS

The capital expenditure commitments held by the parent entity are the same as those held by the Group as disclosed in Note 15(C).

(G) CONTINGENT LIABILITIES

The contingent liabilities held by the parent entity are primarily the same as those held by the Group as disclosed in Note 33.

(H) PARENT ENTITY'S RELATIONSHIPS WITH SUBSIDIARIES AND ASSOCIATES

During the reporting period and previous reporting periods, Qantas Airways Limited was the primary purchaser and owner of aircraft, the primary source of issuance of external debt and equity, advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation and administrative services to other controlled entities within the Group. Entities within the Group also exchanged goods and services in sale and purchase transactions.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 30. The parent entity is also the head entity of the tax consolidated group (wholly-owned Australian resident entities) and has assumed the current tax liabilities of the members of the tax consolidated group.

The parent entity's related party transactions with associates and jointly controlled entities, including in respect to the provision of guarantees, are primarily the same as those held by the Group, which are disclosed in Note 31(C) and Note 33(A).

(I) INTEREST-BEARING LIABILITIES

The parent entity has total interest-bearing liabilities of $5,089 million (2022: $6,274 million), of which $139 million (2022: $628 million) represents secured loans payable to controlled entities. Of the $4,950 million (2022: $5,646 million) payable to other parties, $2,721 million (2022: $3,260 million) represents secured bank loans and other secured loans, with the remaining balance representing unsecured loans.

33 CONTINGENT LIABILITIES

Details of contingent liabilities are set out below. The Directors are of the opinion that provisions are not required with respect to these matters, as it is not probable that a future outflow of economic benefits will be required or that the amount is not capable of reliable measurement.

(A) GUARANTEES

The Qantas Group co-guarantees the lease obligations, on a limited liability basis, in respect of two A320 aircraft on behalf of Jetstar Japan to the external lessors in exchange for guarantee fees to the Qantas Group. The Qantas Group has also provided indemnities to Japan Airlines for up to 50 per cent of Japan Airlines' guarantees provided to Jetstar Japan's creditor banks in relation to unsecured bank loans.

As part of the business service agreements, the Qantas Group has extended support to the Jetstar-branded airline in Japan (Jetstar Japan) by allowing its credit card transactions to be acquired through the Qantas Group's contractual arrangements.

Notes to the Financial Statements continued

For the year ended 30 June 2023

33 CONTINGENT LIABILITIES (CONTINUED)

(A) GUARANTEES (CONTINUED)

Qantas has also entered into guarantees in the normal course of business to secure a Workers' Compensation self-insurance licence under the *Safety, Rehabilitation and Compensation Act 1988*, the *New South Wales Workers' Compensation Act*, the *Victorian Accident Compensation Act* and the *Queensland Workers' Compensation and Rehabilitation Act*, to support non-aircraft lease commitments, and other arrangements entered into with third parties. Due to specific self-insurance provisions raised, the Directors are of the opinion that the probability of having to make a payment under these guarantees is remote.

(B) LITIGATION

From time to time Qantas is subject to claims and litigation during the normal course of business. The Directors have given consideration to such matters, which are or may be subject to litigation at year end and, subject to specific provisions raised, are of the opinion that no material contingent liability exists. Refer to Note 34 for details of contingent liabilities after 30 June 2023.

34 POST-BALANCE SHEET DATE EVENTS

There has not arisen, in the interval between 30 June 2023 and the date of this report, any event (including the items outlined below) that had a material impact on the Consolidated Financial Statements as at 30 June 2023.

Announcements after 30 June 2023

On 24 August 2023, the Directors announced an on-market share buy-back of up to $500 million. Additionally, the Group announced a firm order of 24 aircraft (12 Airbus A350s and 12 Boeing 787s) arriving from the 2026/27 financial year to progressively replace its existing A330 fleet. The Group also has additional purchase right options to give flexibility for future growth and ultimately replace its A380 fleet from around 2031/32 onwards. These transactions have no financial impact on the Consolidated Financial Statements for the year ended 30 June 2023 and will be recognised in subsequent financial reporting periods.

On 31 August 2023, the Qantas Group announced that it would remove the expiry date on COVID travel credits that were due to expire on 31 December 2023. Following this decision, Qantas customers with COVID credits can request a cash refund, and Jetstar customers can use their COVID vouchers for flights, indefinitely. For Qantas customers, 'COVID travel credits' refers to Qantas travel credits for bookings up to and including 30 September 2021. For Jetstar customers, a 'COVID Voucher' refers to all Jetstar Airways vouchers that have an expiry date of 31 December 2023 (which will be extended upon request). The change in terms and conditions of COVID travel credits does not impact the Consolidated Financial Statements for the year ended 30 June 2023.

On 5 September 2023, Alan Joyce retired as Managing Director and Qantas Group CEO. CEO-Designate Vanessa Hudson assumed the role of Managing Director and Group CEO effective 6 September 2023.

Contingent Liabilities

The following legal proceedings were filed after 30 June 2023 and have no financial impact on the Consolidated Financial Statements for the year ended 30 June 2023. These are contingent liabilities subject to the uncertain outcome of the legal proceedings which may, or may not, result in an obligation. The potential financial impact of any possible obligation, if any, is unable to be reliably measured.

On 21 August 2023, a class action proceeding was filed in the Federal Court of Australia, with allegations including breaches of the Australian Consumer Law in respect of Qantas' communications with its customers following the COVID-19 outbreak.

On 31 August 2023, the Australian Competition and Consumer Commission (ACCC) commenced proceedings in the Federal Court of Australia alleging breaches of the Australian Consumer Law in respect of Qantas' approach to the cancellation of flights scheduled to operate between May and July 2022. The ACCC is seeking orders including penalties, injunctions, declarations, and costs.

Outcome of High Court Appeal

On 13 September 2023, the High Court of Australia dismissed an appeal by Qantas against a decision of the Full Federal Court of Australia that determined that Qantas had contravened the adverse action provisions of the Fair Work Act in outsourcing the remainder of Qantas' ground handling function in 2020. The High Court's judgement related only to liability, and made no finding as to the financial remedies – i.e. penalties or compensation – that might follow that liability. The determination of any remedies will now be determined by a single judge of the Federal Court, and will have regard to matters such as the redundancy payments already made by Qantas. A Case Management hearing in the Federal Court is scheduled for 20 September 2023, which will set a timetable for the remedies proceedings, which are expected to take several months to conclude, before a judgement is issued by the Federal Court. As a first step in that process, the Federal Court is encouraging, and Qantas has indicated its willingness to participate in, mediation with the claimant. The Group has considered any material impact of the High Court decision on the best estimate of the provision recognised in the Consolidated Financial Statements for the year ended 30 June 2023 (refer to Note 22 Provisions). Given the Federal Court has significant discretion to consider and attach weight to the matters that affect any award of compensation and/or any imposition of penalties, both the quantum and timing of economic outflows is uncertain and the final outcome may vary from the amount provided. In line with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* further information is not disclosed on the grounds that it may significantly prejudice the outcome of the proceedings.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

i. Controlled Entities

Controlled entities are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Qantas has controlled entities (subsidiaries) and some are material to the Qantas Group. The parent has majority voting rights in respect of each of the material subsidiaries. Materiality has been assessed based on the expected long-term contribution of statutory profit to the Qantas Group. The material subsidiaries are amongst the wholly-owned Australia entities which are included in the Deed of Cross Guarantee in Note 30.

ii. Non-Controlling Interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests in the results and equity of controlled entities are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet.

iii. Investments Accounted for Under the Equity Method

Jointly controlled entities are those entities in which the Group has joint control (contractually agreed sharing of control), but not control, over an entity. Joint control exists when decisions about the relevant activities of the entity require unanimous consent of the Group and the party or parties sharing control. Interests in jointly controlled entities are accounted for under the equity accounting method when the Group has rights to the net assets of the the jointly controlled entity (joint venture), rather than rights to it assets and obligations for its liabilities (joint operation).

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of an entity. Significant influence is evidenced through, but not limited to, the voting power of the Group, representation on the Board of Directors and participation in policy-making processes. Interests in associates are accounted for under the equity accounting method.

Investments accounted for under the equity accounting method are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases. Dividends received or receivable reduce the carrying amount of the equity accounted investment.

When the Group's share of total comprehensive losses exceeds the equity accounted carrying value of an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations to fund an associate's operations or has made payments on behalf of an associate or jointly controlled entity, which are recognised within provisions.

When an associate or jointly controlled entity is disposed of in its entirety or partially such that significant influence or joint control is lost or classified as an asset held for sale, the cumulative amount in the foreign currency translation reserve related to that associate or jointly controlled entity is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. When the Group disposes of only part of an associate while retaining significant influence, or only part of a jointly controlled entity while retaining joint control, the relevant proportion of the cumulative amount in the foreign currency translation reserve related to that associate or jointly controlled entity is reclassified to the Consolidated Income Statement.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 35(G).

iv. Transactions Eliminated on Consolidation

Intra-group transactions, balances and unrealised gains and losses on transactions between controlled entities are eliminated in the Consolidated Financial Statements. Unrealised gains and losses arising from transactions with investments accounted for under the equity method are eliminated to the extent of the Group's interest in the associate.

v. Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business combination and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set of assets and activities has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) FOREIGN CURRENCY

i. Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group's companies at the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the Consolidated Income Statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions.

ii. Foreign Operations

The assets and liabilities and the income and expenditure of foreign operations that have a functional currency other than AUD are translated into AUD as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost or classified as an asset held for sale, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal. If the Group disposes of part of its interests in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Consolidated Income Statement.

iii. Exchange Rates

References to exchange rates are based on International Air Transport Association (IATA) Five Day Rates.

(C) FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

i. Recognition, Measurement and Derecognition of Non-Derivative Financial Assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs related to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed.

The Group subsequently classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income)
- Those to be measured at amortised cost.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, are settled or the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred.

ii. Recognition, Measurement and Derecognition of Non-Derivative Financial Liabilities

At initial recognition, the Group measures a non-derivative financial liability at its fair value, less transaction costs.

The Group subsequently measures non-derivative financial liabilities at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Consolidated Income Statement.

At initial recognition, the Group measures a non-controlling interest put option financial liability at the present value of the estimated redemption amount, through equity via the put option reserve. The subsequent remeasurement includes all changes in the carrying amount of the liability, including the accretion of interest and is recognised in the put option reserve.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

Derivative Financial Instruments

Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. The accounting for subsequent changes in fair value depends on whether the derivative is a designated hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The Group designates derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or as hedges of a particular risk associated with the cash flows of recognised assets and liabilities or of highly probable forecast transactions (cash flow hedges). At the inception of the transactions, the Qantas Group documents the economic relationship between hedging instruments and hedged items, including the risk management objective and strategy for undertaking each transaction. The Qantas Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective.

From time to time, certain derivative financial instruments do not qualify for hedge accounting, notwithstanding that the derivatives are held to hedge identified exposures. Any changes in the fair value of a derivative instrument or part of a derivative instrument that do not qualify for hedge accounting are classified as ineffective and recognised immediately in the Consolidated Income Statement.

i. Fair Value Hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability or firm commitment attributable to the hedged risk.

ii. Cash Flow Hedges

Where a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Comprehensive Income and accumulated within the hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Consolidated Income Statement.

The amount accumulated in equity is retained in the hedge reserve and reclassified to the Consolidated Income Statement in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. Where the hedged item is capital in nature, the cumulative gain or loss recognised in the hedge reserve is transferred to the carrying amount of the asset when the asset is recognised.

If the forecast transaction is no longer highly probable, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is de-designated prospectively. If the forecast transaction is no longer highly probable, but still probable, hedge accounting is discontinued and the amounts accumulated in the hedge reserve are recognised in the Consolidated Income Statement in the period in which the original hedged item transaction ultimately occurs. If the forecast transaction is no longer probable (or subsequently considered no longer probable), hedge accounting is de-designated and the amounts accumulated in the hedge reserve are reclassified to the Consolidated Income Statement immediately.

iii. Cost of Hedging

The time value of an option, the forward element of a forward contract and any foreign currency basis spread is excluded from the designation of a financial instrument and accounted for as a cost of hedging. The fair value changes of these elements are recognised in other comprehensive income and depending on the nature of the hedged item, will either be transferred to the Consolidated Income Statement in the same period that the underlying transaction affects the Consolidated Income Statement or capitalised into the initial carrying value of the asset.

iv. Fair Value Calculations

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is estimated using valuation techniques consistent with accepted market practice. The Qantas Group uses a variety of methods and input assumptions that are based on market conditions existing at the balance sheet date. The different methods of estimating the fair value of these items have been defined in the Consolidated Financial Statements as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

v. Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments*, and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(D) REVENUE RECOGNITION

i. Net Passenger and Net Freight Revenue

Net passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Net freight revenue primarily arises within the Qantas International segment except where belly space is utilised in Qantas Domestic and the Jetstar Group.

Passenger, freight revenue, capacity hire and air charter revenue are recognised when the travel or service is provided. Revenue recognised on travel is net of sales discounts, passenger and freight interline/IATA commission and the Goods and Services Tax. Net freight revenue includes amounts the Group receives as operating lease income in relation to freighters leased to customers.

At the time of expected travel, revenue is also recognised in respect of tickets that are not expected to be used. Unused tickets and unredeemed travel credits are recognised as revenue using estimates based on the terms and conditions of the ticket, experience, historical and expected future trends.

Passenger travel and freight services are generally paid for in advance of travel and are deferred on the balance sheet as revenue received in advance. Travel credits are classified as revenue received in advance where they are available for future flights or in certain circumstances for refund, if requested. Where customers have made refund claims these are classified as payables.

Where the passenger is also a Qantas Frequent Flyer member and earns Qantas Points on travel, the allocation of revenue is on a proportional basis using relative stand-alone selling prices and the consideration allocated to Qantas Points is deferred as unrecognised redemption revenue.

Consideration received in relation to certain ancillary services regarding passenger travel such as credit card fees and change fees are not considered to be distinct from the passenger flight. Revenue relating to these ancillary services is deferred until uplift to align with the related passenger travel. These amounts are included within net passenger revenue.

Passenger recoveries (including fuel surcharges on passenger tickets) are included in net passenger revenue. Freight fuel surcharge is included in net freight revenue.

ii. Frequent Flyer Marketing Revenue and Other Qantas Loyalty Businesses

Marketing revenue associated with the issuance of Qantas Points is recognised within the Qantas Loyalty segment as the service is performed over time (typically, this approximates to the timing of the issuance of Qantas Points). Marketing revenue is measured as the difference between the stand-alone selling price of a Qantas Point and the consideration received, using the residual approach. The stand-alone selling price of a Qantas Point is determined using estimation techniques based on the value of redemption options for which Qantas Points could be redeemed and considers the proportion of Qantas Points not expected to be redeemed. The consideration for Qantas Points is typically received within normal credit terms following the issuance of points.

Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation.

Revenue from other Qantas Loyalty businesses includes both commission revenue where Qantas Loyalty is acting as a sales agent and holiday package revenue from the provision of travel services where Qantas Loyalty is acting as a principal. Commission and holiday package revenue is measured based on its relative stand-alone selling price and recognised on satisfaction of the performance obligation (typically, the transfer of the underlying good or service to the customer). Revenue is recognised on a net basis for commission revenue and a gross basis for holiday package revenue. Deposits received from customers to secure bookings are paid in advance and are deferred on the balance sheet as revenue received in advance.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) REVENUE RECOGNITION (CONTINUED)

iii. Frequent Flyer Redemption Revenue

The consideration for issuance of Qantas Points is typically received in advance of redemption and is deferred as unrecognised redemption revenue at its relative stand-alone selling price. Redemption revenue is measured based on the weighted average value of the points redeemed.

Redemption revenue is recognised within the Qantas Loyalty segment when Qantas Points are redeemed.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Marketplace redemptions and other carrier redemptions, is recognised in the income statement net of related costs where the Group is an agent. Obligations for returns or refunds in relation to redemptions from the Qantas Rewards Store are recognised where material. 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 Qantas Marketplace and other redemption revenue.

For the purposes of segment reporting, the Qantas Loyalty segment reports Qantas Group flight redemptions when Qantas Points are redeemed. Adjustments are made within the consolidation eliminations to present these redemptions on uplift and present within net passenger revenue.

Significant changes in the estimate of issued Qantas Points expected to expire unredeemed are recognised within other revenue and income. The Group uses estimates based on terms and conditions of the Frequent Flyer program, experience, historical and expected future trends to determine any amount recognised.

iv. Other Carrier Commissions and Commissions from Third Parties (within Third-party services revenue)

The Group considers whether it is a principal or agent in relation to services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for services to be provided by a third party, such as another carrier or a third party. Other carrier commission revenue is included within third-party services revenue and is generally recognised on uplift by the other carrier. Consideration for other carrier commissions is received within normal credit terms through IATA. Commissions from third parties are typically recognised when the underlying good or service has been transferred to the end customer.

v. Freight Terminal Fees (within Third-party services revenue)

Revenue from freight terminal fees is measured based on its stand-alone selling price and recognised within third party-services revenue on satisfaction of the performance obligation, which is typically the transfer of the underlying service to the customer. Invoices are issued according to contractual terms.

vi. Qantas Club Membership

Qantas Club Membership revenue is measured based on its stand-alone selling price and is recognised within other revenue and income on satisfaction of the performance obligation, which is typically recognised on a straight-line basis over the membership period. The deferred revenue is included in other revenue received in advance.

vii. Incremental Costs of Obtaining a Contract

The incremental cost of obtaining a contract is capitalised and amortised over the expected period of benefits to the Group and in line with the pattern those benefits are expected to arise. The Group recognises the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would have been recognised is one year or less.

(E) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group expects to comply with the conditions. Depending on the grant conditions, grants received may be deferred and recognised over time on a straight-line basis. Grants received to support capital expenditure are deferred and recognised in the Consolidated Income Statement over the useful life of the related asset.

(F) TAXES

i. Tax Compliance

The Qantas Group is committed to embedding risk management practices to support the achievement of compliance objectives and fulfil corporate governance obligations. Tax risk management is governed by both the Qantas Group Risk Management Policy and the Qantas Group Tax Risk Management Policy, ensuring corporate governance obligations with respect to tax risks are met. The Qantas Group has paid all taxes that it owes and all tax compliance obligations are up to date. The ATO also acknowledged Qantas' continued commitment to engage cooperatively and transparently to mitigate tax risks, including obtaining tax certainty on key transactions through the use of binding Private Rulings and entering into a multi-tax Annual Compliance Arrangement (ACA).

Tax treaties

Due to the operation of income tax treaties and specific rules dealing with airlines, the Qantas Group appropriately reports the majority of its income in Australia, with only a small component being reported in foreign jurisdictions (for the purpose of determining liability to company tax).

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) TAXES (CONTINUED)

i. Tax Compliance (continued)

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable with respect to previous years. It is measured using tax rates enacted or substantially enacted at the balance sheet date where the Group and its subsidiaries operate and generate taxable income or loss.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss
- Temporary differences relating to investments in controlled entities and associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. Qantas provides for income tax in both Australia and overseas jurisdictions where a liability exists.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

ii. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Balance Sheet. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

iii. Tax Consolidation

Qantas and its Australian wholly-owned controlled entities, trusts and partnerships are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity.

(G) IMPAIRMENT

i. Non-Financial Assets

The carrying amounts of non-financial assets such as equity accounted investments, property, plant and equipment, goodwill and intangible assets and other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of assessing impairment, goodwill and indefinite lived intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)). Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from the synergies of the combination.

Assets which primarily generate cash flows as a group, such as aircraft, are typically assessed on a CGU basis, inclusive of related infrastructure and intangible assets and compared to net cash inflows for the CGU. Where assets are no longer expected to contribute to the cash flows of a CGU, they are tested for impairment separately. Identification of an asset's CGU requires significant judgement, as it requires identification of the lowest aggregation of assets that generate largely independent cash inflows. In Management's judgement, the lowest aggregation of assets which give rise to CGUs as defined by AASB 136 *Impairment of Assets* are the Qantas Domestic CGU, Qantas International CGU, Qantas Loyalty CGU, TripADeal (TAD) CGU, Qantas Freight CGU, Jetstar Australia/New Zealand CGU, Jetstar Asia CGU and the Jetstar Japan CGU. Estimated net cash flows used in determining recoverable amounts are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) IMPAIRMENT (CONTINUED)

i. Non-Financial Assets (CONTINUED)

An impairment loss is recognised for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and value in use. Impairment loss is recognised in the Consolidated Income Statement.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The maximum amount of any impairment reversal is the lower of:

- The amount necessary to bring the carrying amount of the asset to its recoverable amount (if it is determinable), and
- The amount necessary to restore the assets of the CGU to their pre-impairment carrying amounts less subsequent depreciation or amortisation that would have been recognised.

ii. Financial Assets

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Where necessary, the Group recognises provisions for expected credit loss (ECL) at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk, including risk of default occurring, since initial recognition. For significant customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. For other customers, ECL is assessed based on credit risk characteristics and the days past due. It is then measured based on actual historical credit loss experienced over the past years, along with other factors, to reflect differences between the economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of macroeconomic conditions over the expected lives of the receivables. The Group considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations in full.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. A financial asset is written off when there is no reasonable expectation of recovery, such as the debtor failing to engage in a repayment plan with the Group.

(H) PROPERTY, PLANT AND EQUIPMENT

i. Recognition and Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Costs to dismantle and remove assets
The cost of acquired assets includes the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located. Changes in the measurement of existing liabilities resulting from changes in foreign exchange rates, timing or expected outflow of resources required to settle the obligation, or from changes in the discount rate are recognised as an adjustment to the asset recognised. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.

Gains or losses on cash flow hedges of the purchase of assets
The cost also may include transfers from the hedge reserve of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment in accordance with Note 35(C).

Capitalisation of interest
Interest attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset. All other borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

iii. Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment except for freehold land, which is not depreciated. The depreciation rates of owned assets are calculated to allocate the cost or valuation of an asset, less any estimated residual value, over the asset's estimated useful life to the Qantas Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is available for use. The costs of improvements to assets are depreciated over the shorter of the remaining useful life of the asset or the estimated useful life of the improvement.

The principal asset depreciation periods and estimated residual value percentages applied where material are:

	Years	Residual Value (%)
Buildings and leasehold improvements	5 – 40	0
Plant and equipment	2 – 20	0
Passenger aircraft and engines	2 – 25	0 – 10
Freighter aircraft and engines	2 – 20	0 – 10
Aircraft spare parts	2 – 20	0 – 10

Useful lives and residual values are reviewed annually and adjusted where appropriate, having regard to commercial and technological developments, the estimated useful life of assets to the Qantas Group and the long-term fleet plan.

iv. Maintenance and Overhaul Costs

Embedded maintenance
An element of the cost of an acquired aircraft is attributed to its service potential, reflecting the maintenance condition of its engines and airframe. This cost is depreciated over the shorter of the period to the next major inspection event, the remaining life of the asset or the remaining lease term.

Subsequent maintenance expenditure
The costs of subsequent major cyclical maintenance checks for owned and leased aircraft are recognised as an asset and depreciated over the shorter of the scheduled usage periods to the next major inspection event, the remaining life of the aircraft or lease term (as appropriate to their estimated residual value). Maintenance checks which are covered by third-party maintenance agreements where there is a transfer of risk and legal obligation are expensed on the basis of hours flown. All other maintenance costs are expensed as incurred.

Modifications
Modifications that enhance the operating performance or extend the useful lives of aircraft are capitalised and depreciated over the remaining estimated useful life of the asset or remaining lease term (as appropriate to their estimated residual value).

v. Manufacturers' Credits

The Qantas Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the related aircraft and engines, when the credits are utilised by the Group.

(I) LEASES

The Group predominantly leases passenger aircraft and engines, freighter aircraft, domestic and international properties, and equipment. Lease contracts are typically entered into for fixed periods but may have extension options.

i. Initial Recognition

Leases (other than those described below) are recognised as a lease liability with a corresponding right of use asset at the date at which the leased asset is available for use by the Group.

Leases are contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from the use of the asset throughout the period of use.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises lease payments associated with these leases as an expense in the Consolidated Income Statement as incurred.

For contracts that include lease components and non-lease components, these are separated based on their relative stand-alone selling prices. The lease component is recognised as a lease and the non-lease component is recognised as an expense in the Consolidated Income Statement as incurred. This includes, for example, certain capacity hire arrangements where a third party provides aircraft (lease component) to the Group, together with other services such as crew and maintenance (non-lease components), which are recognised within capacity hire expense.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) LEASES (CONTINUED)

i. Initial Recognition (CONTINUED)

Lease liability
At the lease commencement date, lease liabilities are initially measured at the present value of lease payments over the lease term.

Lease payments include fixed payments (less any lease incentives receivable), variable payments that are based on an index or a rate (initially measured using the index or rate as at the commencement date) and, where relevant, the exercise price of a purchase option (where it is reasonably certain that option will be exercised).

The lease term includes the non-cancellable period for which the Group has contracted to lease the asset, together with any option terms to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term for cancellable leases or renewable leases, the Group considers both the broader economics of the contract (and not only contractual termination payments) and whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Such leases include, for example, leases which have expired and are legally cancellable by both the lessor and lessee and/or leases which contain holdover arrangements which allow the lessee to continue to occupy the property beyond the lease end date until the arrangement is cancelled by either the lessee or the lessor.

Lease payments are discounted using the Group's incremental borrowing rate where the implicit interest rate in the lease is not readily determined. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value or the right to use an asset in an economic environment with similar terms and conditions.

Right of use asset
At the lease commencement date, right of use assets are measured at an amount equal to the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date), and an initial estimate of the present value of restoration or return costs that arise at lease commencement (with the corresponding amount recognised as a provision, less any lease incentives received).

ii. Subsequent Measurement

Lease liability
Lease payments are allocated between principal and interest payments. The interest expense is recognised in the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities denominated in currencies other than the Group's functional currency are translated to Australian dollars at each reporting date. However, the right of use asset is recognised at the foreign exchange rate at initial recognition.

In accordance with the Group's Treasury Risk Management Policy, certain foreign currency lease liabilities (for example, aircraft leases denominated in US dollars) have been designated as a hedging instrument of future corresponding foreign currency revenues (for example, US dollar revenues) in a cash flow hedge relationship. The effective portion of the foreign exchange revaluation of the lease liability is recognised in other comprehensive income and is recycled to the Consolidated Income Statement within net passenger revenue when the hedged item is realised.

The lease liability is remeasured where there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of amounts expected to be payable under a residual value guarantee, or if there is a change in the lease term, including the Group’s assessment of whether it will exercise a purchase, extension or termination option within the lease contract (reassessed where there is a significant event or change in circumstances that is within the Group's control and affects the ability to exercise, or not to exercise, an option). Where the lease liability is remeasured in this way, a corresponding adjustment is recognised to the right of use asset or is recorded in the Consolidated Income Statement if the carrying amount of the right of use asset has been reduced to zero.

Right of use asset
Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right of use asset is adjusted for certain changes in the lease liability. The right of use asset is also adjusted for changes in the measurement of the restoration provision recognised for return costs that arise at lease commencement.

iii. Amendment to AASB 16

In May 2020, the IASB issued amendments to AASB 16 to provide an optional relief to lessees from applying AASB 16’s guidance on lease modification accounting for rent concessions if they are a direct consequence of COVID-19 and meet certain conditions specified in the amendment. On 31 March 2021, the IASB extended the period of application of the practical expedient up until 30 June 2022 (originally 30 June 2021). The practical expedient allows the lessee to recognise a forgiveness or waiver of lease payments as a variable lease payment in the income statement and a corresponding derecognition of the part of the lease liability that has been extinguished by the forgiveness or waiver of lease payments. The practical expedient also provides guidance on accounting for rent deferrals whereby a change in lease payment that reduces the payment in one period and proportionally increases the payment in another does not extinguish the lessee’s lease liability nor changes the consideration for the lease. The lessee would continue to recognise lease payment deferrals within the lease liability.

The Group has determined that it meets the conditions to apply the practical expedient and has applied the practical expedient in accounting for rent concessions. The impact of the application of this practical expedient is disclosed in Note 16.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) LEASES (CONTINUED)

iv. Lease Revenue

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Where the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right to use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term within net freight revenue and other revenue and income.

v. Sale and Leaseback

A sale and leaseback transaction is one where the Group sells an asset in accordance with AASB 15 *Revenue from Contracts with Customers,* and simultaneously reacquires the use of the asset by entering into a lease with the buyer.

The Group measures the right of use asset arising from the leaseback at the portion of the previous carrying amount that is retained by the Group, with any difference between the right of use asset and the lease liability reflected in the gain on sale. Accordingly, any residual gain from the disposal of assets is representative of the rights transferred to the buyer and is recognised in the Consolidated Income Statement.

(J) INTANGIBLE ASSETS

i. Recognition and Measurement

Goodwill	Goodwill has an indefinite useful life and is stated at cost less any accumulated impairment losses. With respect to investments accounted for under the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.
Airport landing slots	Airport landing slots which are recognised as intangible assets have an indefinite useful life. Airport landing slots are not amortised and are stated at cost less any accumulated impairment losses.
Brand names and trademarks	Brand names and trademarks have an indefinite useful life and are carried at cost less any accumulated impairment losses.
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 an expense as the service is provided over the contract period.
Customer contracts/ relationships	Customer contracts/relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation commences when the asset is ready for use.
Contract intangible assets	Contract intangible assets are stated at cost less accumulated amortisation. Amortisation commences when the asset is ready for use.

The Group considers that there are no individual intangible assets that are material for additional disclosure within the financial statements.

ii. Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in the Consolidated Income Statement as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Consolidated Income Statement. Goodwill, brand names and trademarks and airport landing slots are indefinite lived intangible assets and are allocated to the relevant CGU. These indefinite lived intangible assets are not amortised but tested annually for impairment.

The principal amortisation periods and estimated residual value percentages applied where material are:

	Years	Residual Value %
Software	2 – 10 years	0%
Customer contracts/relationships	11 years	0%
Contract intangible assets	40 years	0%

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost is determined by the weighted average cost method. Inventories include mainly engineering expendables, consumable stores and work-in-progress.

(L) ASSETS HELD FOR SALE

Non-current assets, or disposal of groups comprising asset and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use and the asset is available for immediate sale in its present condition.

Such assets, or disposal of groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment loss on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the Consolidated Income Statement.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investees are no longer equity accounted.

(M) PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, if the effect of discounting is material.

(N) REVENUE RECEIVED IN ADVANCE

Unavailed passenger revenue

Passenger travel and freight services are generally paid for in advance of travel and are deferred on the balance sheet as revenue received in advance. Travel credits are classified as revenue received in advance where they are available for future flights or in certain circumstances for refund, if requested. Where customers have made refund claims these are classified as payables.

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.

Notwithstanding that travel credits may not be utilised in the next 12 months, unavailed passenger revenue is classified as current on the basis that the Group does not have an unconditional right to defer usage of the ticket for at least 12 months.

Unredeemed Frequent Flyer revenue

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 card 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. The non-current amount of Unredeemed Frequent Flyer revenue will be materially recognised as revenue over three years. Significant changes in Qantas Points expected to expire unredeemed are recognised within other revenue and income using estimates based on the terms and conditions of the Frequent Flyer program, experience, historical and expected future trends.

Other revenue received in advance

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

(O) PROVISIONS

A provision is recognised if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses.

If the effect is material, a provision is determined by discounting the best estimate of the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement.

Provisions are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) PROVISIONS (CONTINUED)

Wages, salaries and annual leave	Liabilities for wages, salaries and annual leave vesting to employees are recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers' compensation insurance, superannuation and payroll tax. The annual leave provision is discounted using corporate bond rates which most closely match the expected settlement dates of the provision.
Long service leave	The liability for long service leave is recognised as a provision for employee benefits and measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on expected employee usage. The provision is discounted using corporate bond rates which most closely match the expected settlement dates of the provision. The unwinding of the discount is treated as a finance expense in the Consolidated Income Statement. Remeasurements as a result of experience adjustments and changes in assumptions are recognised in the Consolidated Income Statement.
Redundancies and other employee benefits	Redundancy provisions are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. These benefits are expected to be settled wholly within 12 months of the end of the reporting period. Other employee benefits such as discretionary bonus amounts due to non-executive employees are recognised as a provision where the Group has a legal or constructive obligation to make the payment to non-executive employees and the amount can be reliably measured.
Onerous contracts	An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.
Make good on leased assets	**Aircraft:** An initial estimate of the present value of restoration or return costs that arise at lease commencement are recognised as a provision with a corresponding amount recognised as part of the initial recognition of the right of use asset and depreciated over the lease term. Changes in this provision are recognised as an adjustment to the right of use asset. Provisions for return costs that occur over the lease term through usage or the passage of time are recognised as an expense when they occur. The determination of provisions for return costs requires significant judgement and is estimated in USD based on the forecast costs expected to be incurred when the aircraft is returned to or purchased from the lessor, calculated using expected future increases in costs and discounted to present value using the Group's incremental borrowing rate. The expense is recognised pro-rata over the period to an expected lease return date. Movements in the provision due to changes in foreign exchange rates and discount rates as well as changes in estimates of forecast return costs expected to be incurred or expected lease return dates are recognised in the Consolidated Income Statement. **Property:** An initial estimate of the present value of restoration costs that arise at lease commencement are recognised as a provision with a corresponding amount recognised as part of the initial recognition of the right of use asset and depreciated over the lease term. Changes in this provision are recognised as an adjustment to the right of use asset. **Environment:** Where the usage of property or land gives rise to an obligation for rehabilitation, the Group recognises a provision for the costs associated with restoration with a corresponding amount recognised in the Consolidated Income Statement. Changes in this provision are recognised in the Consolidated Income Statement.
Insurance, legal and other	**Insurance:** The Qantas Group self-insures for risks associated with workers' compensation in certain jurisdictions. Qantas has made a provision for all notified and assessed workers' compensation liabilities, together with an estimate of liabilities incurred but not reported, based on an independent actuarial assessment. The provision is discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liabilities and which have maturity dates approximating the terms of Qantas' obligations. Workers' compensation for all remaining employees is commercially insured. **Legal and other provisions:** Provisions are recognised where they are incurred as a result of a past event, there is a legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) OTHER EMPLOYEE BENEFITS

Employee share plans
The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Defined contribution superannuation plans
The Qantas Group contributes to employee defined contribution superannuation plans. Contributions to these plans are recognised as an expense in the Consolidated Income Statement as incurred.

Defined benefit superannuation plans
The Qantas Group's net obligation with respect to defined benefit superannuation plans is calculated separately for each plan. The Qantas Superannuation Plan has been split based on the divisions which relate to accumulation members and defined benefit members. Only defined benefit members are included in the Qantas Group's net obligation calculations. The calculation estimates the amount of future benefit that employees have earned in return for their service in the current and prior periods, which is discounted to determine its present value, and the fair value of any plan assets is then deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Consolidated Income Statement.

The discount rate used is the corporate bond rate which has a maturity date that approximates the expected terms of Qantas' obligations. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Consolidated Income Statement as past service costs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(Q) NET FINANCE COSTS

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount rate on lease liabilities, provisions and receivables, interest receivable on funds invested and gains and losses on mark-to-market movements in fair value hedges.

Finance income is recognised in the Consolidated Income Statement as it accrues, using the effective interest method.

Finance costs are recognised in the Consolidated Income Statement as incurred, except where interest costs relate to qualifying assets, in which case they are capitalised to the cost of the assets. Qualifying assets are assets that necessarily take a substantial period of time to be made ready for intended use. Where funds are borrowed generally, borrowing costs are capitalised using the average interest rate applicable to the Qantas Group's debt facilities.

(R) CAPITAL AND RESERVES

i. Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of tax.

ii. Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

iii. Treasury Shares

Shares purchased and held by the Qantas-sponsored Employee Share Plan Trust are recognised as treasury shares at their purchase price and deducted from equity on the purchase date.

iv. Employee Compensation Reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the cost of treasury shares used is recognised in retained earnings (net of tax).

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) CAPITAL AND RESERVES (CONTINUED)

v. Hedge Reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments and the cumulative change in fair value arising from the time value of options related to future forecast transactions. Gains or losses relating to ineffective portions are recognised immediately in the Consolidated Income Statement. Cash flow hedges are further described in Note 35(C)ii.

vi. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign controlled entities and investments accounted for under the equity method.

vii. Other Reserves

Other reserves includes the following:

- The defined benefit reserve, comprising the remeasurements of the net defined benefit asset/(liability), which is recognised in other comprehensive income
- The fair value reserve, comprising the fair value gains/(losses) on investments at fair value through other comprehensive income
- The put option reserve, comprising the recognition and remeasurements of a put option liability over relevant non-controlling interests, which is recognised in equity.

viii. Dividends

A provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Where the Group has revoked a declared dividend, it is no longer recognised as a provision.

(S) COMPARATIVES

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

(T) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, being the Chief Executive Officer, Group Management Committee and the Board of Directors.

Underlying EBIT is the primary reporting measure used by the CODM for the purpose of assessing the performance of the operating segments, with the exception of the Corporate segment which is assessed using Underlying PBT. Underlying EBIT of the Qantas Group's operating segments is prepared and presented on the basis that it reflects the revenue earned and the expenses incurred by each operating segment. The significant accounting policies applied in implementing this basis of preparation are set out below. These accounting policies have been consistently applied to all periods presented in the Consolidated Financial Statements.

Segment Performance Measure	Basis of Preparation
External segment revenue	External segment revenue is reported by operating segments as follows: – Net passenger revenue is reported by the operating segment that operated the relevant flight or provided the relevant service. For Qantas Airlines, where a multi-sector ticket covering international and domestic travel is sold, the revenue is reported by Qantas International and Qantas Domestic on a pro-rata basis using an industry standard allocation process – Other revenue is reported by the operating segment that earned the revenue.
Inter-segment revenue	Inter-segment revenue for Qantas Domestic, Qantas International and Jetstar Group operating segments primarily represents: – Net passenger revenue arising from the redemption of Frequent Flyer points for Qantas Group flights by Qantas Loyalty – Net freight revenue from the utilisation of Qantas Group's aircraft belly space. Inter-segment revenue for Qantas Loyalty primarily represents marketing revenue arising from the issuance of Frequent Flyer points to Qantas Domestic, Qantas International and Jetstar Group. Inter-segment revenue transactions, which are eliminated on consolidation, occur in the ordinary course of business at prices that approximate market prices. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Frequent Flyer point issuances and redemptions.
Share of net profit/(loss) of investments accounted for under the equity method	Share of net profit/(loss) of investments accounted for under the equity method is reported by the operating segment that is accountable for the management of the investment. The share of net profit/(loss) of investments accounted for under the equity method for Qantas Airlines' investments has been equally shared between Qantas Domestic and Qantas International.

Notes to the Financial Statements continued

For the year ended 30 June 2023

35 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(T) SEGMENT REPORTING (CONTINUED)

Underlying EBITDA	The significant expenses impacting Underlying EBITDA are as follows: – Salaries, wages and other benefits are reported by the operating segment that utilises the salaries, wages and other benefits. Where personnel support both Qantas Domestic and Qantas International, costs are reported by using an appropriate allocation methodology – Fuel expenditure is reported by the segment that consumes the fuel in its operations – Aircraft operating variable costs are reported by the segment that incurs these costs – All other expenditure is reported by the operating segment to which it is directly attributable or, in the case of Qantas Airlines, between Qantas Domestic and Qantas International using an appropriate allocation methodology. To apply this accounting policy, where necessary, expenditure is recharged between operating segments as a cost recovery. The impact of discount rate changes on provisions is not allocated to operating segments, and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation.
Depreciation and amortisation	Qantas Domestic, Qantas International and Jetstar Group report depreciation expenses for passenger and freight aircraft owned or leased by the Qantas Group and flown by the segment. Other depreciation and amortisation is reported by the segment that uses the related asset.

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

A number of new accounting amendments and interpretations have been issued that are not yet effective and not yet adopted by the Group for the financial year ended 30 June 2023. If applicable, the Group intends to adopt the following new or amended standards and interpretations when they become effective, with no significant impact being expected on the Consolidated Financial Statements of the Group:

- AASB 17 *Insurance Contracts* and amendments
- Amendments to AASB 101 *Classification of Liabilities as Current or Non-current*
- Amendments to AASB 107, AASB 7 *Disclosure of supplier finance arrangements*
- Amendments to AASB 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to AASB 101, AASB 8 and IFRS Practice Statement 2 *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- Amendments to AASB 16 *Lease liability in a sale-and-leaseback*
- Amendments to AASB 10 and 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Directors' Declaration

For the year ended 30 June 2023

1. In the opinion of the Directors of Qantas Airways Limited (Qantas):
   a. The Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001* (Cth), including:
      i. Giving a true and fair view of the financial position of the Qantas Group as at 30 June 2023 and of its performance for the financial year ended on that date
      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*
   b. There are reasonable grounds to believe that Qantas will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Qantas and the controlled entities will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Qantas and those controlled entities pursuant to ASIC Corporations (Wholly-owned companies) Instrument 2016/785 (Instrument).
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2023.
4. The Directors draw attention to Note 1(A) which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a Resolution of the Directors:

Richard Goyder	Vanessa Hudson
Chairman	Chief Executive Officer
20 September 2023	20 September 2023

Independent Auditor's Report

For the year ended 30 June 2023

To the Shareholders of Qantas Airways Limited

Opinion

We have audited the **Financial Report** of Qantas Airways Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Consolidated Balance Sheet as at 30 June 2023
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Cash Flow Statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Passenger revenue recognition
- Frequent Flyer revenue recognition
- Derivative financial instrument accounting

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

For the year ended 30 June 2023

Passenger revenue recognition

Refer to Note 4(A) and 35(D)i. to the Financial Report

THE KEY AUDIT MATTER

Recognition of passenger revenue is a key audit matter due to:

- its financial significance to the Group;
- the high volume of relatively low value passenger tickets;
- judgement within the estimate for the proportion of unused tickets which are expected to expire (breakage); and
- audit effort arising from a variety of ticket conditions and points of sale.

Historical trend information is used to estimate breakage and has been supplemented by forward-looking estimation and changes to conditions of carriage to determine breakage at 30 June 2023. Estimations, particularly as they relate to predicting customer behaviours are prone to a wider range of possible outcomes for us to consider.

Passenger revenue and ticketing is dependent on IT systems and controls, therefore we involved our IT specialists in addressing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- for key passenger revenue streams, we assessed the Group's identification of performance obligations and revenue recognised by comparing to the relevant features of the underlying contracts.
- with the assistance of our IT specialists, we analysed the end to end flow of ticket information through multiple passenger revenue IT systems and interfaces to evaluate the recognition of revenue against accounting standards.
- with the assistance of our IT specialists, we tested the key controls restricting access to authorised users and preventing unauthorised changes to the relevant IT systems for financial reporting. We tested key controls within the system relating to ticket validation and the recognition of revenue at flight date.
- testing key controls related to the Group's review and approval of manual changes to revenue accounting records where tickets have been identified as exceptions to automated validation.
- using data analytics and sampling techniques, checking passenger revenue transactions to underlying records including evidence of payment and flight records, to assess the existence and accuracy of the revenue recognised.
- using data analytics and sampling techniques, checking passenger revenue received in advance to underlying records, to assess the completeness of revenue recognised.
- evaluating the Group's accounting policy for estimations of passenger revenue breakage, assessing the methodology applied and challenging the key assumptions. In doing so: we compared estimates to historical experience; we assessed the Group's ability to reliably estimate ticket breakage by comparing previous estimates to actual outcomes; we inquired specifically regarding the Group's responses to unredeemed travel credit holders; we read the Group's external announcements and communications to customers as corroboration of our sources;
- checking the calculation and IT system reports in the Group's expectation of the proportion of tickets which will expire unused. We evaluated the Group's related key assumptions against historical trends, adjusting for the forecast customer behaviour, and assessed for indicators of bias, using our industry knowledge.

Independent Auditor's Report continued

For the year ended 30 June 2023

Frequent Flyer revenue recognition

Refer to Note 4(B), Note 35(D)ii., Note 35(D)iii., and to the Financial Report

THE KEY AUDIT MATTER

Recognition of Frequent Flyer revenue is a key audit matter due to the high level of audit effort and judgement required by us in assessing the Group's assumptions underpinning the amount deferred as Unredeemed Frequent Flyer revenue.

We focused on the Group's assumptions used in their estimation of the:

- stand-alone selling price of Qantas Points: the Group bases this on their estimated price of available rewards at the time of redemption weighted in proportion to the expected redemptions, based on historical experience and assumptions of future behaviour; and
- proportion of Qantas Points not expected to be redeemed by members in the future (breakage): the Group uses actuarial experts to estimate the proportion of Qantas Points not expected to be redeemed by members in the future.

Given the complex judgements, we involved our valuation and actuarial specialists to supplement our senior team members in addressing this key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- assessing the Group's methodology used to estimate the stand-alone selling price of Qantas Points against the requirements of AASB 15 Revenue from Contracts with Customers and the Group's accounting policy.
- we tested the integrity of the calculation used to estimate the stand-alone selling price of Qantas Points, including the accuracy of the underlying calculation.
- we assessed the key inputs of the various redemption channels used to estimate the stand-alone selling price of expected future redemptions. We did this by comparing a sample of available rewards to observable market values, such as comparable market air fares. We compared the weighting used in the calculation to historic redemption patterns, taking into consideration the estimated future volume of Qantas Points redeemed for flights and our understanding of other changes in the Frequent Flyer program.
- involving our actuarial specialists, we assessed key breakage assumptions against historical experience, recent trends and the estimated future volume of Qantas Points redeemed based on the Board approved Forecast and our understanding of changes in the Frequent Flyer program.
- involving our actuarial specialists, we assessed the appropriateness of the Group's breakage methodology used against accounting standard requirements and the Frequent Flyer program. We independently recalculated the breakage using the Group's inputs and compared to the Group's recorded breakage at year end.
- we checked the accuracy of points activity data used in the calculation of breakage to source data in Qantas' Points system.

Independent Auditor's Report continued

For the year ended 30 June 2023

KPMG

Derivative financial instrument accounting

Refer to Note 26 and Note 35(C) to the Financial Report

THE KEY AUDIT MATTER

Cash flow hedge accounting and valuation of financial instruments is a key audit matter due to:

- the complexity inherent in the Group's estimation of the fair value of derivative financial instruments. The Group's approach is to use market standard valuation techniques to determine the fair value of options, swaps and cross-currency swaps not traded in active markets;
- the impact of changes in the underlying market price of fuel and foreign exchange rates which are key inputs to the derivative valuations;
- the complexity in the Group's cash flow hedge accounting relationships driven by an active financial risk management strategy, including the restructuring of specific exposures over time;
- the volume of transactions and counterparties;
- the hedging of a high proportion of forecast future cash flows; and
- the significance of the Group's financial risk management program on the financial results.

In assessing this key audit matter, we involved our valuation specialists to supplement our senior team members, who understand methods, inputs and assumptions relevant to the Group's derivative portfolio.

In assessing this key audit matter, we involved our valuation specialists to supplement our senior team members, who understand methods, inputs and assumptions relevant to the Group's derivative portfolio.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Our procedures included:

- we assessed the appropriateness of the Group's accounting policies against the requirements of the accounting standards.
- understanding the Group's key internal controls. These included the Group's controls associated with:
  - assessment and approval of the details of trades to counterparty confirmations;
  - assessment of hedge accounting designation;
  - assessment of the volume of hedged exposures compared to total exposures.
- we compared financial instrument fair values in the Group's accounting records to the records in the treasury risk management system.
- with the assistance of our valuation specialists, we independently estimated the fair values of the Group's financial instruments as at 30 June 2023 using recognised market valuation methodologies and inputs. We adjusted these fair values for our experience of the range of acceptable market valuation techniques in estimating fair values of instruments not traded in active markets. We compared the Group's valuations recorded in the general ledger to these fair value ranges.
- we tested a sample of cash flow hedge accounting designations against the requirements of the accounting standard. This included a sample of the restructured positions involving multiple derivatives.
- we compared the Group's forecast fuel consumption against the Board approved Forecast and assessed consistency with other key forward looking assumptions.
- we evaluated the appropriateness of the classification and presentation of derivative financial instruments and related financial risk management disclosures against accounting standard requirements.

Independent Auditor’s Report continued

For the year ended 30 June 2023

Other Information

Other Information is financial and non-financial information in Qantas Airways Limited’s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor’s Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor’s Report.

Independent Auditor's Report continued

For the year ended 30 June 2023

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Qantas Airways Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in pages 33 to 60 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG	Julian McPherson	Caoimhe Toouli
	Partner	Partner
	Sydney	Sydney
	20 September 2023	20 September 2023

Shareholder Information

For the year ended 30 June 2023

The shareholder information set out below was applicable as at 18 August 2023.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	596,453,603	34.59
J P Morgan Nominees Australia Pty Limited	258,295,241	14.98
Citicorp Nominees Pty Limited	225,952,276	13.10
National Nominees Limited	69,169,518	4.01
Pacific Custodians Pty Limited (Emp Share Plan Trust)	47,738,487	2.77
BNP Paribas Noms Pty Ltd (DRP)	35,213,637	2.04
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	25,111,899	1.46
HSBC Custody Nominees (Australia) Limited — GSI EDA	18,602,068	1.08
HSBC Custody Nominees (Australia) Limited (NT — Commonwealth Super Corp A/C)	12,505,698	0.73
HSBC Custody Nominees (Australia) Limited — A/C 2	11,355,193	0.66
HSBC Custody Nominees (Australia) Limited — GSCO ECA	8,050,591	0.47
Pacific Custodians Pty Limited (QAN Plans Ctrl)	7,673,413	0.44
HSBC Custody Nominees (Australia) Limited	5,225,549	0.30
BNP Paribas Noms Pty Ltd (Global Markets DRP)	4,449,976	0.26
HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV A/C)	4,348,718	0.25
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	4,285,897	0.25
Netwealth Investments Limited (Wrap Services A/C)	2,975,309	0.17
BNP Paribas Noms (NZ) Ltd	2,606,715	0.15
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,929,499	0.11
Powerwrap Limited (Escala Sma Trading A/C)	1,780,392	0.10
Total	**1,343,723,679**	**77.92**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1-1,000[1]	42,490,600	107,372	2.47
1,001-5,000	137,113,066	57,702	7.95
5,001-10,000	58,855,136	8,279	3.41
10,001-50,000	81,813,697	4,486	4.74
50,001-100,000	16,928,918	243	0.98
100,001 and over	1,387,253,263	161	80.45
Total	**1,724,454,680**	**178,243**	**100.00**

1 2,617 shareholders hold less than a marketable parcel of shares in Qantas, as at 18 August 2023.

ON-MARKET SHARE BUY-BACK

On 24 August 2023, Qantas announced its intention to undertake an on-market share buy-back of up to $500 million.

SUBSTANTIAL SHAREHOLDERS

The following organisations have disclosed a substantial shareholding notice to ASX. Qantas has received no further update in relation to these substantial shareholdings:

Shareholders	Ordinary Shares Held	% of Issued Shares
Blackrock Group[1]	90,549,478	5.25
Perpetual Limited and its related bodies corporate[2]	99,334,816	5.47

1 Substantial shareholding as at 23 June 2023, as per notice dated 27 June 2023.
2 Substantial shareholding as at 2 May 2023, as per notice dated 4 May 2023.

Financial Calendar and Additional Information

For the year ended 30 June 2023

2023		2024	
23 February	Half year results announcement	22 February	Half year results announcement
30 June	Year end	6 March	Record date for interim dividend*
24 August	Preliminary final results announcement	10 April	Interim dividend payable*
3 November	Annual General Meeting	30 June	Year end
		29 August	Preliminary final results announcement
		11 September	Record date for final dividend*
		16 October	Final dividend payable*
		25 October	Annual General Meeting

*Subject to a dividend being authorised by the Board.

2023 ANNUAL GENERAL MEETING

The 2023 AGM of Qantas Airways Limited will be held in a hybrid format at 11am AEDT on Friday 3 November 2023.

Further details are available in the Annual General Meeting section on the Qantas Investor website at: investor.qantas.com/home/

COMPANY PUBLICATIONS

In addition to the Annual Report, the following publications can be accessed from www.qantas.com/au/en/qantas-group/acting-responsibly/our-reporting-approach.html

- Qantas Sustainability Report
- Qantas Group Code of Conduct and Ethics
- Qantas Group Corporate Governance Statement
- Qantas Group Inclusion and Diversity Policy
- Qantas Group Modern Slavery and Human Trafficking Statement
- Qantas Group Human Rights Policy Statement
- Workplace Gender Equality Reports.

REGISTERED OFFICE

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www.qantas.com

QANTAS SHARE REGISTRY

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Facsimile +61 2 9287 0309

Email registry@qantas.com

SECURITIES EXCHANGE

Australian Securities Exchange
Exchange Centre, 20 Bridge Street
Sydney NSW 2000 Australia

ADDITIONAL SHAREHOLDER INFORMATION

Using your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode of your registered address, you are able to view your holding online through Qantas' share registry, Link Market Services. Log on at: www.linkmarketservices.com.au, where you will have the option to:

- View your holding balance
- Retrieve holding statements
- Review your dividend payment history
- Access shareholder forms.

The Investor Centre also allows you to update or add details to your shareholding, including the following:

- Change or amend your address if you are registered with an SRN
- Nominate or amend your direct credit payment instructions
- Set up or amend your DRP instructions
- Sign up for electronic communications
- Add/change TFN/ABN details.

COMPANY SECRETARIES

Andrew Finch

Benjamin Elliott

Benjamin Jones

An electronic copy of this Annual Report is available in the Annual Report section on the Qantas Investor website at: investor.qantas.com/home/

Further information about the Qantas Group can be found on our corporate site at: www.qantas.com/qantas-group

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RECYCLED CONTENT

ECF
ELEMENTAL CHLORINE FREE

ISO 9001
MILL ACCREDITED

ISO 14001
ENVIRONMENTAL MANAGEMENT SYSTEMS

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901