

# Appendix 4E

## Preliminary Final Report

Name of entity

**QANTAS AIRWAYS LIMITED**

ABN or equivalent company  
reference

**16 009 661 901**

Half yearly  
(tick)

Preliminary  
final (tick)

Full year ended

**30 JUNE 2003**

For announcement to the market

*Extracts from this report for announcement to the market*

\$Am

Revenues from ordinary activities ( <i>item 1.1</i> )	up	3.7%	11,374.9
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 1.20</i> )	down	19.7%	343.5
Profit (loss) from extraordinary items after tax attributable to members ( <i>item 2.5(d)</i> )		-	-
Net profit (loss) for the period attributable to members ( <i>item 1.11</i> )	down	19.7%	343.5
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security
Final dividend ( <i>item 15.4</i> )		9.0c	9.0c
Previous corresponding period ( <i>item 15.5</i> )		9.0c	9.0c

## Management Discussion and Analysis

The Qantas Group achieved a profit before tax for the year of \$502.3 million, a decrease of \$128.7 million or 20.4 percent versus the prior year.

Revenue from ordinary activities (item 1.1) rose by \$406.1 million to \$11.4 billion, an increase of 3.7 percent versus the prior year. Excluding the unfavourable impact of exchange, this increase amounted to 5.0 percent. Revenue Passenger Kilometres (RPKs) increased by 2.8 percent on increased capacity of 3.7 percent offset by a deterioration in yield (excluding exchange) of 0.4 percent.

Expenses from ordinary activities (item 1.2), which excludes net interest expense and the share of net profits from associates, increased by \$491.9 million or 4.8 percent to \$10.8 billion. Excluding the favourable impact of movements in foreign exchange rates, this increase amounted to 7.2 percent. Increased expenditure was mainly due to costs associated with the 3.7 percent increase in capacity, higher manpower costs following EBA settlements, redundancy costs arising from the restructuring program announced in April 2003 and higher depreciation due to new aircraft deliveries and the write down of the Boeing 767-200 fleet.

International operations contributed EBIT of \$221.6 million, an increase of \$18.8 million versus the prior year. RPKs reduced by 3.3 percent on reduced capacity of 3.4 percent, leading to an improvement in load factors of 0.1 percentage points. Yield, excluding the impact of adverse movements in foreign exchange, increased by 2.1 percent. After a strong first half performance, international operations were adversely impacted as the demand for international air travel reduced due to the threat of global terrorism, the war in Iraq and the SARS virus.

Domestic performance was adversely impacted by the effects of global events on the inbound market, and increasing competition. Domestic operations contributed \$165.7 million in EBIT, a decrease of 44.4 percent over the prior year. RPKs increased by 11.5 percent while capacity grew by 13.3 percent leading to a reduction in load factors of 1.3 percentage points. Yield, excluding the impact of movements in foreign exchange rates, deteriorated by 5.8 percent.

EBIT for subsidiary businesses improved by \$1.4 million or 0.8 percent due to improved performances by Qantas Holidays, QantasLink and Qantas Flight Catering. Australian Airlines, which commenced operations during the year recorded an EBIT loss \$14.7 million after being severely impacted by the effects of the SARS virus on international air travel in the final quarter.

## Consolidated statement of financial performance

		Current year \$Am	Prior year \$Am
1.1	Revenues from ordinary activities ( <i>see items 1.21 -1.23</i> ) * ^ **	11,374.9	10,968.8
1.2	Expenses from ordinary activities ( <i>see items 1.24 &amp; 1.25</i> ) ^ **	(10,817.5)	(10,325.6)
1.3	Borrowing Costs	(64.7)	(48.3)
1.4	Share of net profits (losses) of associates and joint venture entities ( <i>see item 16.7</i> )	9.6	36.1
<b>1.5</b>	<b>Profit (loss) from ordinary activities before tax</b>	<b>502.3</b>	<b>631.0</b>
1.6	Income tax on ordinary activities	(155.7)	(201.7)
<b>1.7</b>	<b>Profit (loss) from ordinary activities after tax</b>	<b>346.6</b>	<b>429.3</b>
1.8	Profit (loss) from extraordinary items after tax ( <i>see item 2.5</i> )	-	-
<b>1.9</b>	<b>Net profit (loss)</b>	<b>346.6</b>	<b>429.3</b>
1.10	Net profit (loss) attributable to outside equity interests	3.1	1.3
<b>1.11</b>	<b>Net profit (loss) for the year attributable to members</b>	<b>343.5</b>	<b>428.0</b>
<b>Non-owner transaction changes in equity</b>			
1.12	Increase (decrease) in reserves	-	2.9
1.13	Net exchange differences recognised in equity	(2.3)	(0.9)
1.14	Total transactions and adjustments recognised directly in equity ( <i>items 1.12 and 1.13</i> )	(2.3)	2.0
<b>1.15</b>	<b>Total changes in equity not resulting from transactions with owners as owners</b>	<b>341.2</b>	<b>430.0</b>
<b>Earnings per security (EPS)</b>		Current year (cents)	Prior year (cents)
1.16	Basic EPS	20.0	29.1
1.17	Diluted EPS	19.8	28.9

\* Excludes proceeds on sale of non-current assets of \$36.7 million (2002: \$52.0 million), and interest revenue of \$107.7 million (2002: \$69.3 million) which is included in borrowing costs.

\*\* Passenger and freight revenue is now disclosed net of both sales discount and interline / IATA commission. Previously only sales discount was netted against revenue, with interline / IATA commission being shown as an expense item (refer to item 19.1 for further information). Comparatives have been adjusted accordingly.

^ Passenger recoveries are now disclosed as part of net passenger revenue. Previously passenger recoveries were netted against aircraft operating variable and other costs (refer to item 19.1 for further information). Comparatives have been adjusted accordingly.

## Notes to the consolidated statement of financial performance

### Profit (loss) from ordinary activities attributable to members

		Current year \$Am	Prior year \$Am
1.18	Profit (loss) from ordinary activities after tax ( <i>item 1.7</i> )	346.6	429.3
1.19	Less (plus) outside equity interests	3.1	1.3
<b>1.20</b>	<b>Profit (loss) from ordinary activities after tax, attributable to members</b>	<b>343.5</b>	<b>428.0</b>

### Revenue and expenses from ordinary activities

		Current year \$Am	Prior year \$Am
1.21	Revenue from sales or services		
	Net Passenger Revenue * ^	8,992.8	8,718.5
	Net Freight Revenue *	511.3	518.8
	Tour and Travel Sales	696.3	674.4
	Contract Work Revenue	530.9	479.1
	Other Sources **	643.6	578.0
1.22	Interest revenue	107.7	69.3
	Interest expense	(172.4)	(117.6)
1.23	Other revenue		
	Proceeds from sale of property, plant and equipment	36.7	12.7
	Proceeds from sale of investments	-	39.3
1.24	Details of expenses		
	Manpower and Staff Related	3,017.7	2,689.2
	Selling and Marketing *	546.6	608.2
	Aircraft operating - Variable ^	2,405.0	2,287.4
	Fuel and Oil	1,540.4	1,570.0
	Property	286.5	264.3
	Computer and Communication	412.3	408.4
	Depreciation and Amortisation	891.4	693.5
	Non-cancellable Operating Lease Rentals	283.9	255.7
	Tour and Travel Cost of Sales	564.0	584.4
	Capacity Hire	381.6	499.9
	Other ^	488.1	464.6
	Specific expenses included in item 1.24		
	Cancellable operating lease payments	149.6	140.5

\* Passenger and freight revenue is now disclosed net of both sales discount and interline / IATA commission. Previously only sales discount was netted against revenue, with interline / IATA commission being shown as an expense item (refer to item 19.1 for further information). Comparatives have been adjusted accordingly.

^ Passenger recoveries are now disclosed as part of net passenger revenue. Previously passenger recoveries were netted against aircraft operating variable and other costs (refer to item 19.1 for further information). Comparatives have been adjusted accordingly.

\*\* Revenue from other sources includes revenue from aircraft charters and leases, property income, Qantas Club and Frequent Flyer membership fees, freight terminal and service fees, commission revenue and other miscellaneous income.

**Revenue and expenses from ordinary activities (continued)**

		Current year \$Am	Prior year \$Am
1.25	Depreciation and amortisation excluding amortisation of intangibles ( <i>see item 2.3</i> )	878.7	681.8
<b>Capitalised outlays</b>			
1.26	Interest costs capitalised in asset values	82.7	77.0

**Consolidated retained profits**

		Current year \$Am	Prior year \$Am
1.27	Retained profits (accumulated losses) at the beginning of the financial year	1,239.1	1,078.0
1.28	Net profit (loss) attributable to members ( <i>item 1.11</i> )	343.5	428.0
1.29	Net transfers from (to) reserves	-	-
1.30	Net effect of changes in accounting policies: AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" Revised AASB 1028 "Employee Benefits"	140.7 (3.7)	- -
1.31	Dividends and other equity distributions paid or payable	(283.7)	(266.9)
<b>1.32</b>	<b>Retained profits (accumulated losses) at end of financial year</b>	<b>1,435.9</b>	<b>1,239.1</b>

### Intangible and extraordinary items

		<i>Consolidated - current year</i>			
		Before tax  \$Am (a)	Related tax  \$Am (b)	Related outside equity interests  \$Am (c)	Amount (after tax) attributable to members  \$Am (d)
2.1	Amortisation of goodwill	(12.7)	-	-	(12.7)
2.2	Amortisation of other intangibles	-	-	-	-
<b>2.3</b>	<b>Total amortisation of intangibles</b>	<b>(12.7)</b>	<b>-</b>	<b>-</b>	<b>(12.7)</b>
2.4	Extraordinary items	-	-	-	-
<b>2.5</b>	<b>Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

		<i>Consolidated - prior year</i>			
		Before tax  \$Am (a)	Related tax  \$Am (b)	Related outside equity interests  \$Am (c)	Amount (after tax) attributable to members  \$Am (d)
	Amortisation of goodwill	(11.7)	-	-	(11.7)
	Amortisation of other intangibles	-	-	-	-
	<b>Total amortisation of intangibles</b>	<b>(11.7)</b>	<b>-</b>	<b>-</b>	<b>(11.7)</b>
	Extraordinary items	-	-	-	-
	<b>Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Comparison of half year profits

		Current year \$Am	Previous year \$Am
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report).	352.5	153.5
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half.	(9.0)	274.5

## Consolidated statement of financial position

	At end of current year \$Am	As shown in last annual report \$Am	As in last half yearly report \$Am
<b>Current assets</b>			
4.1	121.9	112.5	213.6
4.2	2,867.0	2,386.6	2,849.2
4.3	330.9	697.7	628.5
4.4	430.3	385.4	416.7
4.5	204.3	173.5	168.7
<b>4.6</b>	<b>3,954.4</b>	<b>3,755.7</b>	<b>4,276.7</b>
<b>Non-current assets</b>			
4.7	176.5	240.0	187.3
4.8	1,014.9	1,398.0	1,264.3
4.9	68.3	58.7	65.0
4.10	101.9	15.6	111.0
4.11	11,432.5	9,109.5	10,733.2
4.12	119.6	161.0	126.8
4.13	44.7	34.7	20.0
4.14	61.0	28.3	57.1
<b>4.15</b>	<b>13,019.4</b>	<b>11,045.8</b>	<b>12,564.7</b>
<b>4.16</b>	<b>16,973.8</b>	<b>14,801.5</b>	<b>16,841.4</b>
<b>Current liabilities</b>			
4.17	2,109.1	2,382.3	2,418.0
4.18	971.1	837.0	1,159.6
4.19	46.6	430.8	319.5
4.20	(4.7)	77.9	96.6
4.21	435.9	525.8	418.5
4.22	1,158.4	1,285.2	1,015.1
4.23	50.6	42.4	45.6
<b>4.24</b>	<b>4,767.0</b>	<b>5,581.4</b>	<b>5,472.9</b>

**Consolidated statement of financial position (continued)**

		At end of current year \$Am	As shown in last annual report \$Am	As in last half yearly report \$Am
<b>Non current liabilities</b>				
4.25	Payables	-	33.7	33.5
4.26	Interest bearing liabilities	5,391.9	3,569.9	4,632.4
4.27	Net payables under hedge/swap contracts	340.9	150.8	135.4
4.28	Deferred tax liability	603.0	524.7	550.7
4.29	Provisions excluding tax liabilities	354.1	351.0	358.2
4.30	Deferred lease benefits/income	254.8	329.0	294.8
4.31	Other non-current liabilities	-	7.5	3.2
<b>4.32</b>	<b>Total non-current liabilities</b>	<b>6,944.7</b>	<b>4,966.6</b>	<b>6,008.2</b>
<b>4.33</b>	<b>Total liabilities</b>	<b>11,711.7</b>	<b>10,548.0</b>	<b>11,481.1</b>
<b>4.34</b>	<b>Net assets</b>	<b>5,262.1</b>	<b>4,253.5</b>	<b>5,360.3</b>
<b>Equity</b>				
4.35	Capital/contributed equity	3,757.9	2,946.6	3,703.8
4.36	Reserves	54.0	56.3	56.5
4.37	Retained profits	1,435.9	1,239.1	1,586.9
<b>4.38</b>	<b>Equity attributable to members of the company</b>	<b>5,247.8</b>	<b>4,242.0</b>	<b>5,347.2</b>
4.39	Outside equity interests in controlled entities	14.3	11.5	13.1
<b>4.40</b>	<b>Total equity</b>	<b>5,262.1</b>	<b>4,253.5</b>	<b>5,360.3</b>



## Consolidated statement of cash flows

		Current year \$Am	Prior year \$Am
<b>Cash flows related to operating activities</b>			
7.1	Receipts from customers	12,567.3	12,043.9
7.2	Payments to suppliers and employees	(10,960.6)	(10,647.7)
7.3	Dividends received from associates	7.0	13.1
7.4	Interest and other items of similar nature received	114.4	69.1
7.5	Interest and other costs of finance paid	(268.1)	(169.2)
7.6	Income taxes paid	(169.2)	(165.9)
<b>7.7</b>	<b>Net operating cash flows</b>	<b>1,290.8</b>	<b>1,143.3</b>
<b>Cash flows related to investing activities</b>			
7.8	Payment for purchases of property, plant and equipment	(3,137.2)	(2,463.4)
	Receipts for aircraft security deposits	197.7	124.6
	Total payment for purchases of property, plant and equipment and aircraft security deposits	(2,939.5)	(2,338.8)
7.9	Proceeds from sale of property, plant and equipment	36.7	12.7
7.10	Payments for investments acquired net of cash	(92.9)	(19.3)
7.11	Proceeds from sale of equity investments	-	39.3
<b>7.15</b>	<b>Net investing cash flows</b>	<b>(2,995.7)</b>	<b>(2,306.1)</b>
<b>Cash flows related to financing activities</b>			
7.16	Proceeds from issues of securities (shares, options, etc)	701.0	652.7
7.17	Proceeds from borrowings	3,205.2	2,269.9
7.18	Repayment of borrowings	(798.3)	(1,109.7)
7.19	Dividends paid	(172.3)	(124.1)
<b>7.21</b>	<b>Net financing cash flows</b>	<b>2,935.6</b>	<b>1,688.8</b>
<b>7.22</b>	<b>Net increase (decrease) in cash held</b>	<b>1,230.7</b>	<b>526.0</b>
7.23	Cash at beginning of year (see <i>Reconciliation of cash</i> )	785.2	259.2
<b>7.24</b>	<b>Cash at end of year</b> (see <i>Reconciliation of cash</i> )	<b>2,015.9</b>	<b>785.2</b>

## Non-cash financing and investing activities

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.*

During the year 31,400,826 (2002: 34,074,200) shares were issued under the Dividend Reinvestment plan. Dividends settled in shares rather than cash during the year totalled \$110.3 million (2002: \$120.9 million).

## Reconciliation of cash

Reconciliation of cash at the end of the year (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current year \$Am	Prior year \$Am
8.1 Cash on hand and at bank	88.6	26.0
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	-
8.4 Cash on call	33.3	86.5
Short term money market securities and term deposits	1,894.0	672.7
<b>8.5 Total cash at end of year (item 7.24)</b>	<b>2,015.9</b>	<b>785.2</b>

## Other notes to financial statements

### Ratios

	Current year	Prior year
<b>Profit before tax / revenue</b>		
9.1 Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	4.4%	5.8%
9.2 Profit after tax / equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the year (item 4.38)	6.5%	10.1%

## Earnings per security (EPS)

*Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: Earnings Per Share are as follows.*

The weighted average number of ordinary shares outstanding used in the calculation of Basic EPS and Diluted EPS (which included the effect of 36.4 million Executive Entitlements with a dilutive EPS impact of 12.1 million ordinary shares) was 1,721.2 million and 1,733.3 million respectively (2002: 1,469.4 million and 1,481.9 million).

**NTA backing**

		Current year	Prior year
11.1	Net tangible asset backing per ordinary security	\$2.89	\$2.61

**Dividends**

15.1	Date the dividend is payable	1 October 2003
15.2	Record date to determine entitlements to the dividend (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)	3 September 2003
15.3	If it is a final dividend, has it been declared?	Yes

**Amount per security**

		Amount per security (cents)	Franked amount (cents) per security at 30% tax	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> <b>Final dividend:</b> Current year - Final	9.0	9.0	-
15.5	Previous year - Final	9.0	9.0	-
<b>15.6</b>	<i>(Half yearly and preliminary final report)</i> <b>Interim dividend:</b> Current year	8.0	8.0	-
15.7	Previous year	8.0	8.0	-

**Total dividend per security (interim *plus* final)**

		Current year (cents)	Previous year (cents)
15.8	Ordinary securities	17.0	17.0

**Preliminary final report - final dividend on all securities**

		Current period \$Am	Previous corresponding period \$Am
15.9	Ordinary securities	159.7	140.7
<b>15.10</b>	<b>Total</b>	<b>159.7</b>	<b>140.7</b>

**Details of aggregate share of profits (losses) of associates and joint venture entities**

<b>Group's share of associates' and joint venture entities':</b>		Current period \$Am	Previous corresponding period \$Am
16.1	Profit (loss) from ordinary activities before tax	14.3	27.7
16.2	Income tax on ordinary activities	(4.7)	(9.7)
<b>16.3</b>	<b>Profit (loss) from ordinary activities after tax</b>	<b>9.6</b>	<b>18.0</b>
16.4	Extraordinary items net of tax	-	-
<b>16.5</b>	<b>Net profit (loss)</b>	<b>9.6</b>	<b>18.0</b>
16.6	Adjustments on initial recognition	-	18.1
<b>16.7</b>	<b>Share of net profit (loss) of associates and joint venture entities</b>	<b>9.6</b>	<b>36.1</b>

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of year or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current year	Prior year	Current year \$Am	Prior year \$Am
<b>17.1 Equity accounted associates and joint venture entities:</b>				
- Air Pacific Limited	46.32%	46.32%	5.7	0.5
- Australian Air Express Pty Limited	50.00%	50.00%	2.8	18.7
- Hallmark Aviation Services LP	49.00%	49.00%	1.5	4.6
- Harvey Holidays Pty Limited	50.00%	50.00%	-	-
- Holidays Tours and Travel (Thailand) Limited	36.80%	36.80%	-	0.7
- Jupiter Air Oceania Limited	47.62%	47.62%	0.1	-
- TET Limited	36.80%	36.80%	-	-
- Travel Software Solutions Pty Limited (formerly known as Travel Industries Automated Systems Pty Limited)	50.00%	50.00%	(0.5)	11.6
<b>17.2 Total</b>			<b>9.6</b>	<b>36.1</b>

## Issued and quoted securities at end of current period

(Description includes rate of interest and any redemption or conversion rights together with prices and dates)

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
<b>18.1 Preference securities</b>	-	-	-	-
<b>18.2 Ordinary securities</b>	<b>1,774,112,946</b>	<b>1,774,112,946</b>	<b>n/a</b>	<b>n/a</b>
18.3 Changes during current period				
Increase through issues				
- DRP (2002 Final Dividend)	14,068,609	14,068,609	\$3.9624	\$3.9624
- DRP (2003 Interim Dividend)	17,332,217	17,332,217	\$3.1477	\$3.1477
- Equity Placements	170,849,549	170,849,549	\$4.2000	\$4.2000
- Qantas Profitshare Scheme	8,003,814	8,003,814	Nil	Nil
<b>18.4 Options</b>	<b>See * below</b>	-	<b>Exercise price</b>	<b>Expiry date (if any)</b>
18.5 Issued during current period	See * below	-	See * below	See * below
18.6 Exercised during current period	See * below	-	See * below	See * below
18.7 Expired during current period	See * below	-	See * below	See * below

### **Qantas Long-Term Executive Incentive Plan**

Qantas did not issue any Entitlements under the Qantas Long-Term Executive Incentive Plan during the year.

Existing Entitlements may vest between three and five years following award date, conditional on the Executives remaining as employees of the Qantas Group and on the achievement of specific performance hurdles set by the Board. To the extent that any Entitlements vest, they may be converted into shares within eight years of award in proportion to the gain in share price from the date the Entitlements are awarded to the date they are converted to shares. Entitlements not converted to shares within eight years of the award will expire.

The total number of outstanding Entitlements at 30 June 2003 is as follows:

Entitlements available for vesting at 30 June 2002	37,601,500
Entitlements issued during the year	-
Entitlements lapsed during the year	(1,055,417)
Entitlements vested during the year	(5,193,595)
Entitlements available for vesting at 30 June 2003	31,352,488
Vested Entitlements at 30 June 2002	-
Entitlements vested during the year	5,193,595
Vested Entitlements lapsed during the year	(125,083)
Vested Entitlements exercised during the year	-
Total vested Entitlements available at 30 June 2003	5,068,512
Total vested and non vested Entitlements available at 30 June 2003	36,421,000

## Segment Reporting

Qantas operates predominantly in three business segments, being Aircraft Operations, Tours and Travel and Catering.

### Analysis by business segments

	Aircraft Operations \$m		Tours and Travel \$m		Catering \$m		Eliminations \$m		Consolidated \$m	
	Jun-03	Jun-02	Jun-03	Jun-02	Jun-03	Jun-02	Jun-03	Jun-02	Jun-03	Jun-02
<b>Revenue</b>										
External Segment Revenue	10,525.9	10,140.3	696.3	674.4	152.7	154.1	-	-	11,374.9	10,968.8
Inter-Segment Revenue	404.4	477.7	337.9	451.7	353.0	335.9	(1,095.3)	(1,265.3)	-	-
<b>Total Segment Revenue</b>	<b>10,930.3</b>	<b>10,618.0</b>	<b>1,034.2</b>	<b>1,126.1</b>	<b>505.7</b>	<b>490.0</b>	<b>(1,095.3)</b>	<b>(1,265.3)</b>	<b>11,374.9</b>	<b>10,968.8</b>
Share of Net Profit of Associates	9.6	35.4	-	0.7	-	-	-	-	9.6	36.1
Earnings before interest and tax	450.1	567.3	43.6	42.4	73.3	69.6	-	-	567.0	679.3
Net interest expense									64.7	48.3
Profit from ordinary activities Before Tax									502.3	631.0
Income Tax Expense									155.7	201.7
<b>Net Profit</b>									<b>346.6</b>	<b>429.3</b>
Depreciation and Amortisation	879.0	680.7	1.7	1.8	10.7	11.0	-	-	891.4	693.5
Non-Cash Expenses / (Income)	(152.7)	(45.8)	(2.6)	(1.6)	0.2	(1.8)	-	-	(155.1)	(49.2)
<b>Assets</b>										
Segment Assets	16,204.9	14,342.9	344.8	307.7	174.6	176.7	181.2	(84.5)	16,905.5	14,742.8
Equity Accounted Investments	67.2	57.6	1.1	1.1	-	-	-	-	68.3	58.7
<b>Consolidated Total Assets</b>	<b>16,272.1</b>	<b>14,400.5</b>	<b>345.9</b>	<b>308.8</b>	<b>174.6</b>	<b>176.7</b>	<b>181.2</b>	<b>(84.5)</b>	<b>16,973.8</b>	<b>14,801.5</b>
<b>Liabilities</b>										
<b>Consolidated Total Liabilities</b>	<b>11,337.9</b>	<b>10,442.0</b>	<b>256.0</b>	<b>254.4</b>	<b>125.1</b>	<b>117.2</b>	<b>(7.3)</b>	<b>(265.6)</b>	<b>11,711.7</b>	<b>10,548.0</b>
Acquisition of Non-current Assets	3,128.4	2,445.8	1.9	2.3	6.9	15.3	-	-	3,137.2	2,463.4



## Segment reporting (continued)

Passenger, freight and other services revenue from domestic services within Australia is attributed to the Australian area. Passenger, freight and other services revenue from inbound and outbound services between Australia and overseas is allocated proportionately to the area in which the sale was made. Other operating revenue is not allocated to a geographic area as it is impractical to do so.

For the year ended 30 June 2003, the principal assets of the business comprised the aircraft fleet, all (except one) of which were registered and domiciled in Australia. These assets are used flexibly across the route network. Accordingly there is no suitable basis of allocating such assets and the related liabilities between geographic areas.

Operating profit resulting from turnover generated in each geographic area according to origin of sale is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on that basis.

## Analysis of total revenue by geographic region

This analysis is by geographic sales region and does not represent revenue by route group.

	Current year \$Am	Previous year \$Am
<b>Passenger, freight and other services revenue</b>		
Australia	6,449.0	5,987.8
United Kingdom and Europe	904.6	913.1
Japan	574.0	712.3
South East Asia/North East Asia	481.4	713.9
The Americas and the Pacific	813.2	872.9
New Zealand	404.0	357.8
Other Regions (Africa, South America)	221.4	140.2
	<b>9,847.6</b>	<b>9,698.0</b>
<b>Other operating revenue</b>		
Tours and Travel	696.3	674.4
Other unallocated revenue	831.0	596.4
<b>Total sales and operating revenue</b>	<b>11,374.9</b>	<b>10,968.8</b>
<b>Other revenue</b>		
Interest revenue	107.7	69.3
Proceeds from sale of property, plant and equipment	36.7	12.7
Proceeds from sale of investments	-	39.3
<b>Total other revenue</b>	<b>144.4</b>	<b>121.3</b>
<b>Total revenue</b>	<b>11,519.3</b>	<b>11,090.1</b>

## Comments by directors

### 19.1 Reclassification of financial information

From 1 July 2002, Qantas changed the definition of passenger and freight revenue. Revenue is now disclosed net of both sales discount and interline / IATA commission. Previously only sales discount was netted against revenue, with interline / IATA commission being shown as an expense item. The impact of this definitional change for the prior year is to decrease both revenue and sales and marketing expenditure by \$550.5m. Comparatives have been adjusted accordingly.

From 1 July 2003, Qantas changed the disclosure of passenger recoveries. Passenger recoveries are now disclosed as part of net passenger revenue. Previously passenger recoveries were netted against aircraft operating variable and other costs. The impact of this change for the prior year is to increase both net passenger revenue and aircraft operating variable and other costs by \$196.7m. Comparatives have been adjusted accordingly.

### 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period

Refer to the Management Discussion and Analysis.

### 19.3 A description of each event since the end of the current period which has had a material effect and is not related to matters already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible)

None.

## Comments by directors (continued)

- 19.4 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows:  
*(Disclose changes in half yearly report in accordance with AASB 1029: Interim Financial Reporting. Disclose changes in accounting policies in the Preliminary Final report in accordance with AASB 1001: Accounting Policies-Disclosure).*

### **Provisions, contingent liabilities and contingent assets**

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the consolidated financial report as at 1 July 2002 as a result of this change are:

\$140.7m increase in opening retained profits

\$140.7m decrease in provision for dividends.

There was no impact on profit or loss for the reporting period to 30 June 2003.

### **Employee benefits**

The consolidated entity has applied the revised AASB 1028 "Employee Benefits" (issued in June 2001) for the first time from 1 July 2002.

The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates Qantas expects to pay as at each reporting date, not wages and salary rates current at reporting date.

The initial adjustments to the consolidated financial report as at 1 July 2002 as a result of this change are:

\$5.3m increase in provision for employee benefits

\$3.7m decrease in opening retained profits

\$1.6m increase in future income tax benefit.

There was no material impact on profit or loss for the reporting period to 30 June 2003.

- 19.5 Revision in estimates of amount reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year.

None.

- 19.6 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

None.

## Annual Meeting

The annual meeting will be held as follows:

Place

Adelaide

Date

Thursday 16 October 2003

Time

2:00 PM

Approximate date the annual report will be available

Week commencing 15 September 2003

## Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Groups Consensus Views or other standards applicable to ASX.
- 2 This report is based on accounts which are in the process of being audited.
- 3 The entity has a formally constituted Audit Committee.

Sign here: \_\_\_\_\_ Date: \_\_\_\_\_  
(General Counsel & Company Secretary)

Print name: Brett Stuart Johnson

<b>OPERATIONAL STATISTICS FOR THE YEAR ENDED 30 JUNE 2003</b>		<b>Year Ended 30 Jun 2003</b>	<b>Year Ended 30 Jun 2002</b>	<b>Percentage Increase/ (Decrease)</b>
<b>(Unaudited)</b>				
<b>DOMESTIC - SCHEDULED SERVICES</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	16,789	15,063	11.5
Revenue passenger kilometres (RPK)	m	22,496	20,168	11.5
Available seat kilometres (ASK)	m	28,754	25,373	13.3
Revenue seat factor	%	78.2	79.5	(1.3) pts
<b>INTERNATIONAL - SCHEDULED SERVICES</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	8,296	8,424	(1.5)
Revenue passenger kilometres (RPK)	m	50,859	52,609	(3.3)
Available seat kilometres (ASK)	m	64,920	67,237	(3.4)
Revenue seat factor	%	78.3	78.2	0.1 pts
Revenue freight tonne kilometres (RFTK)	m	1,530	1,598	(4.3)
<b>CORE AIRLINE - SCHEDULED SERVICES</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	25,085	23,487	6.8
Revenue passenger kilometres (RPK)	m	73,355	72,777	0.8
Available seat kilometres (ASK)	m	93,674	92,610	1.1
Revenue seat factor	%	78.3	78.6	(0.3) pts
Average passenger journey length	km	2,924	3,099	(5.6)
Available tonne kilometres (ATK)	m	12,506	12,317	1.5
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	c	10.74	10.84	(0.9)
<u>PRODUCTIVITY</u>				
Average full-time employee strength	#	27,966	26,768	4.5
RPK per employee	000	2,623	2,719	(3.5)
ASK per employee	000	3,350	3,460	(3.2)
Aircraft utilisation (average per day)	Hrs	10.7	11.3	(0.6) hrs
<b>QANTASLINK - SCHEDULED SERVICES</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	3,527	3,641	(3.1)
Revenue passenger kilometres (RPK)	m	2,332	2,357	(1.1)
Available seat kilometres (ASK)	m	3,233	3,334	(3.0)
Revenue seat factor	%	72.1	70.7	1.4 pts
<b>AUSTRALIAN AIRLINES - SCHEDULED SERVICES</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	272	0	n/a
Revenue passenger kilometres (RPK)	m	1,538	0	n/a
Available seat kilometres (ASK)	m	2,602	0	n/a
Revenue seat factor	%	59.1	n/a	n/a
<b>TOTAL GROUP OPERATIONS</b>				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	28,884	27,128	6.5
Revenue passenger kilometres (RPK)	m	77,225	75,134	2.8
Available seat kilometres (ASK)	m	99,509	95,944	3.7
Revenue seat factor	%	77.6	78.3	(0.7) pts
Aircraft in service at period end	#	196	193	3 units
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	c	11.15	11.34	(1.7)
<u>PRODUCTIVITY</u>				
Average full-time equivalent employees	#	34,872	33,044	5.5
RPK per employee	000	2,215	2,274	(2.6)
ASK per employee	000	2,854	2,904	(1.7)

**QANTAS AIRWAYS LIMITED**  
**ABN 16 009 661 901**

<b>DETAILED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>Year Ended 30 Jun 2003</b>	<b>Year Ended 30 Jun 2002</b>	<b>Percentage Increase/ (Decrease)</b>
<b>(Unaudited)</b>	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Sales and Operating Revenue</b>			
Net Passenger Revenue *#	8,992.8	8,718.5	3.1
Net Freight Revenue *	511.3	518.8	(1.4)
Tour and Travel Sales	696.3	674.4	3.2
Contract Work Revenue	530.9	479.1	10.8
Other Sources ^ **	643.6	578.0	11.3
<b>Sales and Operating Revenue</b>	<b>11,374.9</b>	<b>10,968.8</b>	<b>3.7</b>
<b>Expenditure</b>			
Manpower and Staff Related	3,017.7	2,689.2	12.2
Selling and Marketing *	546.6	608.2	(10.1)
Aircraft Operating - Variable #	2,405.0	2,287.4	5.1
Fuel and Oil	1,540.4	1,570.0	(1.9)
Property	286.5	264.3	8.4
Computer and Communication	412.3	408.4	1.0
Depreciation and Amortisation	891.4	693.5	28.5
Non-Cancellable Operating Lease Rentals	283.9	255.7	11.0
Tour and Travel Cost Of Sales	564.0	584.4	(3.5)
Capacity Hire	381.6	499.9	(23.7)
Other #	488.1	464.6	5.1
Share of Net Profit of Associates	(9.6)	(36.1)	73.4
<b>Expenditure</b>	<b>10,807.9</b>	<b>10,289.5</b>	<b>5.0</b>
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>567.0</b>	<b>679.3</b>	<b>(16.5)</b>
Net Borrowing Costs	64.7	48.3	34.0
<b>Profit from Operating Activities Before Related Income Tax Expense</b>	<b>502.3</b>	<b>631.0</b>	<b>(20.4)</b>
Income Tax Expense Relating to Ordinary Activities	155.7	201.7	(22.8)
<b>Net Profit</b>	<b>346.6</b>	<b>429.3</b>	<b>(19.3)</b>
Outside Equity Interest in Net Profit	(3.1)	(1.3)	(138.5)
<b>Net Profit Attributable to Members of the Company</b>	<b>343.5</b>	<b>428.0</b>	<b>(19.7)</b>
<b>Earnings Per Share (cents)</b>	<b>20.0</b>	<b>29.1</b>	<b>(31.3)</b>

\* Passenger and freight revenue is now disclosed net of both sales discount and interline / IATA commission. Previously only sales discount was netted against revenue, with interline / IATA commission being shown as an expense item. Comparatives have been adjusted accordingly.

# Passenger recoveries are now disclosed as part of net passenger revenue. Previously passenger recoveries were netted against aircraft operating variable and other costs. Comparatives have been adjusted accordingly.

\*\* Excludes proceeds on sale of non-current assets of \$36.7 million (2002: \$52.0 million), and interest revenue of \$107.7 million (2002: \$69.3 million) which is included in borrowing costs.

^ Revenue from "Other Sources" includes revenue from aircraft charters and leases, property income, Qantas Club and Frequent Flyer membership fees, freight terminal and service fees, commission revenue, and other miscellaneous income.

**QANTAS AIRWAYS LIMITED**  
**ABN 16 009 661 901**

<b>CONSOLIDATED EARNINGS BEFORE INTEREST AND TAX</b>	<b>Year Ended 30 Jun 2003</b>	<b>% of Group Total</b>	<b>Year Ended 30 Jun 2002</b>	<b>% of Group Total</b>
<b>(Unaudited)</b>	<b>\$m</b>		<b>\$m</b>	
International Airline Operations	221.6	39.1	202.8	29.9
Domestic Airline Operations	165.7	29.2	298.2	43.9
Subsidiary Operations: <sup>+</sup>				
Qantas Holidays Group	43.6	7.7	42.4	6.2
QantasLink Group	57.3	10.1	42.5	6.3
Qantas Flight Catering Group	73.3	12.9	69.6	10.2
Australian Airlines	(14.7)	(2.6)	0.0	0.0
Qantas Defence Services	4.5	0.8	(9.1)	(1.3)
Equity Accounting	9.6	1.7	36.1	5.3
Other Subsidiaries	6.1	1.1	(3.2)	(0.5)
<b>Total Subsidiary Operations</b>	<b>179.7</b>	<b>31.7</b>	<b>178.3</b>	<b>26.2</b>
<b>Group Earnings Before Interest and Tax</b>	<b>567.0</b>	<b>100.0</b>	<b>679.3</b>	<b>100.0</b>

+ Subsidiary Operations Earnings Before Interest and Tax includes profit earned on services provided to Qantas Airways Limited

**QANTAS AIRWAYS LIMITED**  
**ABN 16 009 661 901**

<b>CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF NON-CANCELLABLE OPERATING LEASES (Unaudited)</b>	<b>As at 30 June 2003 \$m</b>	<b>As at 30 June 2002 \$m</b>	<b>Percentage Change %</b>
<b>Statement of Financial Position Equity</b>	5,262.1	4,253.5	23.7
<b>On Balance Sheet Debt<sup>1</sup></b>			
Current Debt	971.1	837.0	16.0
Non-current Debt <sup>2</sup>	5,391.9	3,569.9	51.0
Swap Offset <sup>3</sup>	(1,076.1)	(1,307.9)	(17.7)
Cash and Cash Equivalents <sup>4</sup>	(2,211.0)	(1,194.4)	85.1
Net Debt	3,075.9	1,904.6	61.5
<b>Off Balance Sheet Debt</b>			
Present Value of Non-Cancellable Operating Leases	2,105.6	2,205.4	(4.5)
Net Debt including Off Balance Sheet Debt	5,181.5	4,110.0	26.1
<b>Revenue Hedge Receivables<sup>5</sup></b>	117.7	(206.2)	(157.1)
Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivables	5,299.2	3,903.8	35.7
<b>Statement of Financial Position including Off Balance Sheet Debt</b>			
Total Assets	18,885.4	16,613.4	13.7
Total Liabilities	13,719.6	12,574.5	9.1
Total Equity	5,165.8	4,038.9	27.9
<b>Net Debt to Net Debt and Equity</b>	37 : 63	31 : 69	n/a
<b>Net Debt to Net Debt and Equity (including Off Balance Sheet Debt)</b>	50 : 50	50 : 50	n/a
<b>Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and Revenue Hedge Receivables)</b>	51 : 49	49 : 51	n/a
<b>Working Capital Ratio</b>	45 : 55	40 : 60	n/a
<b>Notes</b>			
<p>1. On balance sheet debt includes bank and other loans and lease liabilities.</p> <p>2. Non current debt excludes debt available to be set-off against non-current assets.</p> <p>3. Swap offset is the net swap receivable calculated by aggregating the swap component of net receivables under hedge/swap contracts and net payables under hedge/swap contracts.</p> <p>4. Cash and cash equivalents (included in the statement of financial position categories of cash and current receivables) include bills of exchange and promissory notes, negotiable securities and security and term deposits. The non-current bills of exchange and aircraft security deposits have been pledged as security to providers of aircraft finance.</p> <p>5. Revenue Hedge Receivables are included in the statement of financial position until the revenue to which they relate is realised. Debt to equity shown in this table is inclusive of foreign exchange movements which are effectively hedged by the balance deferred in the balance sheet. The debt to equity calculation has therefore been shown on both a hedged and unhedged debt position</p>			



**QANTAS AIRWAYS LIMITED**  
**ABN 16 009 661 901**

<b>CONSOLIDATED NET INTEREST AS A PERCENTAGE OF AVERAGE NET DEBT</b>	<b>Year Ended 30 June 2003 \$m</b>	<b>Year Ended 30 June 2002 \$m</b>
<b>(Unaudited)</b>		
<b>Borrowing Costs</b>		
Net Borrowing Costs	64.7	48.3
Capitalised Interest	82.7	77.0
Interest on Non-cancellable Operating Leases	113.2	119.4
<b>Adjusted Net Interest Expense</b>	<b>260.6</b>	<b>244.7</b>
<b>Average Net Debt *</b>		
Average Net Debt Including Off Balance Sheet Debt	4,645.8	3,952.0
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	4,601.5	3,684.1
<b>Adjusted Net Borrowing Costs as a Percentage of:</b>		
Average Net Debt Including Off Balance Sheet Debt	5.6	6.2
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	5.7	6.6

\* Average Net Debt balances are calculated on a weighted average basis.