

QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2003**

ABN 16 009 661 901

ASX CODE: QAN

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31-Dec-03 \$m	31-Dec-02 \$m	Change \$m	Change %
Revenue from ordinary activities ¹	5,801.8	6,069.6	(267.8)	down 4.4%
Profit from ordinary activities after tax attributable to members	357.8	352.5	5.3	up 1.5%
Net profit for the period attributable to members	357.8	352.5	5.3	up 1.5%
¹ Passenger recoveries are disclosed as part of net passenger revenue. Previously, these were netted against the relevant expenditure category. Comparatives have been adjusted accordingly. The impact of this change for the prior half-year is to increase net passenger revenue by \$186.4 million.				

DIVIDENDS

31 December 2003 interim dividend - to be paid 7 April 2004	
Amount per security (cents)	8.0
Franked amount per security at 30% tax	8.0
Record date for determining entitlements to the dividend	10 March 2004
Date the dividend is payable	7 April 2004
Total dividend declared (\$m)	145.8
Qantas operates a Dividend Reinvestment Plan (DRP) under which shareholders can reinvest the dividends payable on participating shares in newly issued Qantas shares.	
Last date for receipt of election notice for participation in dividend reinvestment plan	10 March 2004

EXPLANATION OF RESULTS

Please refer to the attached Press Release and commentary included in the Directors' Report for an explanation of the results.

OTHER INFORMATION

	31-Dec-03	31-Dec-02
	\$	\$
Net Tangible Assets per ordinary share	2.99	2.97

Entities over which control gained or lost during the period:

QF Dash 8 Leasing Pty Limited was incorporated on 25 November 2003 to facilitate the re-financing of 14 Dash 8 aircraft.

Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	December 2003	December 2002	December 2003 \$m	December 2002 \$m
Equity accounted associates and joint ventures				
Air Pacific Limited	46.32%	46.32%	0.2	3.9
Australian Air Express Pty Limited	50.00%	50.00%	6.2	7.7
Engine Services Company Pty Limited ¹	50.00%	0.00%	0.0	0.0
Hallmark Aviation Services LP	49.00%	49.00%	(0.1)	0.9
Harvey Holidays Pty Limited	50.00%	50.00%	0.3	0.1
Holidays Tours and Travel (Thailand) Limited	36.80%	36.80%	0.0	0.0
Jupiter Air Oceania Limited	47.62%	47.62%	0.0	0.1
Star Track Express Holdings Pty Limited ²	50.00%	0.00%	0.0	0.0
TET Limited	36.80%	36.80%	0.0	0.0
Travel Software Solutions Pty Limited	50.00%	50.00%	(0.3)	(0.1)
Total			6.3	12.6

1 On 26 September 2003, Qantas and Patrick Corporation Limited established a joint venture company, Engine Services Company Pty Limited ("ESCO") to provide jet engine maintenance services.

2 On 23 December 2003, Qantas and Australia Post acquired the share capital of Tubuli Pty Limited, trading as Star Track Express. The acquisition was made via Star Track Express Holdings Pty Limited, which is owned in equal parts by Qantas and Australia Post.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2003 and the independent auditors' review report thereon.

DIRECTORS

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

Name	Period of Directorship
Margaret Jackson <i>Chairman</i>	<i>Director since July 1992 - appointed Chairman August 2000</i>
Geoff Dixon <i>Chief Executive Officer</i>	<i>Director since August 2000</i>
Peter Gregg <i>Chief Financial Officer</i>	<i>Director since September 2000</i>
Paul Anderson	<i>Director since September 2002</i>
Mike Codd	<i>Director since January 1992</i>
Patricia Cross	<i>Appointed 1 January 2004</i>
Trevor Eastwood	<i>Director since October 1995</i>
Jim Kennedy	<i>Director since October 1995</i>
Trevor Kennedy	<i>Director since April 1994 - resigned 17 November 2003</i>
Roger Maynard	<i>Director since March 1993</i>
John Schubert	<i>Director since October 2000</i>
Nick Tait	<i>Director since March 1993</i>

REVIEW OF OPERATIONS

The Qantas Group achieved a net profit after tax for the half-year of \$357.8 million, representing an increase of \$5.3 million or 1.5 percent compared to the comparative half-year.

Total revenue for the half-year decreased by \$267.8 million or 4.4% percent to \$5.8 billion. Excluding the unfavourable impact of foreign exchange rate movements, this decrease amounted to 0.7 percent. Revenue Passenger Kilometres (RPKs) decreased by 0.8 percent on decreased capacity of 0.5 percent while yield (excluding exchange) deteriorated by 1.1 percent.

Total expenditure, excluding net interest expense, decreased by \$332.5 million or 6.0 percent to \$5.2 billion. Excluding the favourable impact of foreign exchange rate movements, this decrease amounted to 1.1 percent.

International operations contributed EBIT of \$196.7 million, a decrease of \$67.2 million compared to the comparative half-year. RPKs reduced by 5.8 percent on reduced capacity of 5.2 percent, leading to a decrease in passenger load factor of 0.6 percentage points. Yield, excluding the impact of adverse movements in foreign exchange, increased by 0.1 percent.

DIRECTORS' REPORT (continued)

Domestic operations contributed \$270.9 million in EBIT, an increase of 69.2 percent over the comparative half-year. RPKs increased by 2.2 percent while capacity increased by 0.2 percent leading to an increase in passenger load factor of 1.6 percentage points. Yield, excluding the impact of movements in foreign exchange rates, decreased by 2.2 percent.

EBIT for subsidiary operations increased by \$21.1 million or 18.7 percent to \$133.9 million due to improved performances by Qantas Holidays, QantasLink and Qantas Flight Catering.

ROUNDING

The Company is of a kind referred to in ASIC Class Order No. 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Signed pursuant to a Resolution of the Directors:

MARGARET JACKSON

Chairman

GEOFF DIXON

Chief Executive Officer

Sydney, 18 February 2004

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 31 December 2003

	December 2003 \$m	December 2002 \$m
Sales and operating revenue		
Net passenger revenue ^{1,2}	4,613.1	4,844.7
Net freight revenue ¹	241.0	279.6
Tours and travel revenue	363.6	398.1
Contract work revenue	245.7	274.7
Other sources ^{3,4}	338.4	272.5
	5,801.8	6,069.6
Expenditure		
Manpower and staff related	1,471.7	1,509.1
Selling and marketing ¹	272.6	312.8
Aircraft operating - variable ²	1,113.5	1,255.2
Fuel and oil	644.9	809.5
Property	148.5	140.4
Computer and communication	216.3	212.6
Depreciation and amortisation	536.2	359.0
Non-cancellable operating lease rentals	134.5	140.1
Tours and travel cost of sales	294.7	329.5
Capacity hire	157.5	217.3
Other ^{2,5}	216.2	259.9
Share of net profit of associates	(6.3)	(12.6)
	5,200.3	5,532.8
Earnings before interest and tax	601.5	536.8
Net borrowing costs	(71.2)	(23.7)
Profit from ordinary activities before related income tax expense	530.3	513.1
Income tax expense related to ordinary activities	(171.3)	(159.1)
Net profit	359.0	354.0
Outside equity interests in net profit	(1.2)	(1.5)
Net profit attributable to members of the Company	357.8	352.5
Non-owner Transaction Changes in Equity		
Net exchange differences recognised in equity	(1.1)	0.2
Net increase / (decrease) in retained earnings on initial adoption of:		
AASB 1028 "Employee Benefits"	-	(3.7)
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	140.7
Total transactions and adjustments recognised directly in equity	(1.1)	137.2
Total changes in equity not resulting from transactions with owners as owners	356.7	489.7
Earnings per share (EPS)		
Basic earnings per share (cents)	19.9	21.0
Diluted earnings per share (cents)	19.8	20.9

1 Passenger and freight revenue is disclosed net of both sales discount and interline / IATA commission.

2 Passenger recoveries are disclosed as part of net passenger revenue. Previously, these were netted against the relevant expenditure category. Comparatives have been adjusted accordingly. The impact of this change for the prior half-year is to increase net passenger revenue by \$186.4 million, increase aircraft operating - variable expenditure by \$96.0 million and increase other expenditure by \$90.4 million.

3 Excludes proceeds on sale including sale and operating leaseback of non-current assets of \$215.6 million (2002: \$30.5 million), and interest revenue of \$57.2 million (2002: \$44.5 million) which is included in net borrowing costs.

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

5 Other expenses include contract work materials, printing, stationery, insurance and other miscellaneous expenses.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2003

	December 2003 \$m	June 2003 \$m
Current assets		
Cash	405.2	121.9
Receivables	2,399.2	2,867.0
Net receivables under hedge/swap contracts	481.3	330.9
Inventories	419.2	430.3
Other	191.4	204.3
Total current assets	3,896.3	3,954.4
Non-current assets		
Receivables	286.4	176.5
Net receivables under hedge/swap contracts	963.0	1,014.9
Investments accounted for using the equity method	320.7	68.3
Other investments	104.8	101.9
Property, plant and equipment	11,806.9	11,432.5
Intangible assets	158.9	119.6
Deferred tax assets	7.8	44.7
Other	72.9	61.0
Total non-current assets	13,721.4	13,019.4
Total assets	17,617.7	16,973.8
Current liabilities		
Payables	2,154.1	2,109.1
Interest bearing liabilities	328.9	971.1
Net payables under hedge/swap contracts	240.2	46.6
Provisions	404.3	435.9
Current tax liabilities/(receivable)	(94.8)	(4.7)
Revenue received in advance	1,428.1	1,158.4
Deferred lease benefits/income	51.9	50.6
Total current liabilities	4,512.7	4,767.0
Non current liabilities		
Interest bearing liabilities	5,679.9	5,391.9
Net payables under hedge/swap contracts	495.3	340.9
Provisions	354.1	354.1
Deferred tax liabilities	737.5	603.0
Deferred lease benefits/income	219.7	254.8
Total non-current liabilities	7,486.5	6,944.7
Total liabilities	11,999.2	11,711.7
Net assets	5,618.5	5,262.1
Equity		
Contributed equity	3,917.6	3,757.9
Reserves	52.9	54.0
Retained profits	1,632.8	1,435.9
Equity attributable to members of the Company	5,603.3	5,247.8
Outside equity interests in controlled entities	15.2	14.3
Total equity	5,618.5	5,262.1

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2003

	December 2003 \$m	December 2002 \$m
Cash flows from operating activities		
Cash receipts in the course of operations	6,246.6	6,662.8
Cash payments in the course of operations	(5,085.6)	(5,604.5)
Interest received	57.2	43.1
Borrowing costs paid	(165.8)	(115.5)
Dividends received	4.3	6.3
Income taxes paid	(90.1)	(83.1)
Net cash provided by operating activities	966.6	909.1
Cash flows from investing activities		
Payments for property, plant and equipment	(1,104.6)	(2,000.5)
Receipts for aircraft security deposits	57.8	124.2
Total payment for purchases of property, plant and equipment and aircraft security deposits	(1,046.8)	(1,876.3)
Proceeds from sale of property, plant and equipment	43.9	30.5
Proceeds from sale and leaseback of non-current assets	171.7	-
Payments for investments, net of cash acquired	(252.9)	(92.8)
Advances of investment loans	(118.5)	-
Payments for other intangibles	(27.2)	-
Net cash used in investing activities	(1,229.8)	(1,938.6)
Cash flows from financing activities		
Repayment of borrowings/swaps	(880.2)	(359.6)
Proceeds from borrowings	780.4	1,811.3
Net proceeds from the issue of shares	90.5	701.4
Dividends paid	(91.6)	(85.0)
Net cash provided by / (used in) financing activities	(100.9)	2,068.1
Net increase / (decrease) in cash held	(364.1)	1,038.6
Cash at the beginning of the financial period	2,015.9	785.2
Cash at the end of the financial period	1,651.8	1,823.8

Reconciliation of cash

Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	December 2003 \$m	December 2002 \$m
Cash on hand and at bank	168.4	90.6
Cash at call	236.8	123.0
Short term money market securities and term deposits	1,246.6	1,610.2
Cash at the end of the financial period	1,651.8	1,823.8

Non-cash financing and investing activities

During the period 21,151,352 (2002: 14,068,609) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the period totalled \$69.3 million (2002: \$55.7 million).

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2003

Note 1. Basis of Preparation of Half-Year Financial Report

This half-year consolidated financial report is a general purpose financial report prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

This report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets.

The accounting policies adopted in this report are the same as those applied in the annual financial report for the year ended 30 June 2003.

This financial report does not include notes of the type normally included in an annual financial report. It is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Qantas Airways Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange.

The current reporting period in the financial report is the half-year ended 31 December 2003 while the corresponding prior period is the half-year ended 31 December 2002.

Note 2. Retained Profits

	December 2003 \$m	December 2002 \$m
Retained profits at the beginning of the financial period	1,435.9	1,239.1
Net profit attributable to members of the Company	357.8	352.5
Net effect of changes in accounting policies:		
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	140.7
AASB 1028 "Employee Benefits"	-	(3.7)
Dividends and other equity distributions paid or payable	(160.9)	(141.7)
Retained profits at the end of the financial period	1,632.8	1,586.9

Note 3. Dividends

A fully franked final dividend of 9 cents per ordinary share was paid on 1 October 2003 in relation to the financial year ended 30 June 2003. The total amount of the dividend declared was \$159.7 million.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2003

Note 4. Contingent Liabilities

Two matters subject to litigation totalling \$48.7 million reported in the 30 June 2003 annual report as contingent liabilities have been resolved during the financial period with no financial impact on the Qantas Group. One new claim has arisen during the reporting period which is still subject to clarification by the plaintiff.

Qantas, and other airlines, are subject to an Application for Leave to Appeal to the High Court of Australia and House of Lords in the UK concerning actions brought by passengers alleging damage as a result of Deep Vein Thrombosis. Qantas remain confident that the matter will be resolved in its favour. The financial effect of an adverse finding cannot be quantified and is included here only for information.

Note 5. Post Balance Date Events

There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Qantas Group, the results of those operations, or the state of affairs of the Qantas Group, in this financial period or in future financial periods.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2003

Note 6. 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	
	Dec-03	Dec-02	Dec-03	Dec-02	Dec-03	Dec-02	Dec-03	Dec-02	Dec-03	Dec-02
Revenue										
External segment revenue	5,354.0	5,593.0	363.6	398.1	84.2	78.5	-	-	5,801.8	6,069.6
Inter-segment revenue	195.5	188.6	158.5	199.3	181.6	180.9	(535.6)	(568.8)	-	-
Total segment revenue	5,549.5	5,781.6	522.1	597.4	265.8	259.4	(535.6)	(568.8)	5,801.8	6,069.6
Share of net profit of associates	6.3	12.6	-	-	-	-	-	-	6.3	12.6
Earnings before interest and tax	532.7	506.4	24.0	19.3	46.6	36.6	(1.8)	(25.5)	601.5	536.8
Net interest expense									(71.2)	(23.7)
Profit from ordinary activities before tax									530.3	513.1
Income tax expense relating to ordinary activities									(171.3)	(159.1)
Net profit									359.0	354.0
Depreciation and amortisation	530.3	352.8	0.8	0.9	5.1	5.3	-	-	536.2	359.0
Non-cash expenses / (income)	(37.7)	22.9	(1.2)	(0.1)	-	0.1	-	-	(38.9)	22.9
Assets										
Segment assets	16,728.8	16,521.1	451.7	344.8	232.1	174.6	(115.6)	(135.0)	17,297.0	16,905.5
Equity accounted investments	319.5	67.2	1.2	1.1	-	-	-	-	320.7	68.3
Consolidated total assets	17,048.3	16,588.3	452.9	345.9	232.1	174.6	(115.6)	(135.0)	17,617.7	16,973.8
Consolidated total liabilities	11,752.0	11,550.3	343.7	256.0	152.4	125.1	(248.9)	(219.7)	11,999.2	11,711.7
Acquisition of non-current assets	1,103.3	1,995.2	0.3	1.1	1.0	4.2	-	-	1,104.6	2,000.5

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2003

Note 6. 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 period ended 31 December 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.

	December 2003 \$m	December 2002 \$m
Passenger, freight and other services revenue		
Australia	3,448.2	3,408.4
United Kingdom and Europe	435.5	459.3
Japan	219.9	359.7
South East Asia/North East Asia	170.2	301.5
The Americas and the Pacific	407.8	409.0
New Zealand	191.0	240.5
Other regions	128.9	70.4
	5,001.5	5,248.8
Other operating revenue		
Tours and Travel	363.6	398.1
Contract work revenue	245.7	274.7
Other unallocated revenue	191.0	148.0
Total sales and operating revenue	5,801.8	6,069.6
Other revenue		
Interest Revenue	57.2	44.5
Proceeds from sale of property, plant and equipment	43.9	30.5
Proceeds on sale and leaseback	171.7	-
Total other revenue	272.8	75.0
Total revenue	6,074.6	6,144.6

In the opinion of the Directors of Qantas Airways Limited:

- (a) the financial statements and notes set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:

MARGARET JACKSON
Chairman

GEOFF DIXON
Chief Executive Officer

Sydney, 18 February 2004

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF QANTAS AIRWAYS LIMITED

Scope

We have reviewed the financial report of Qantas Airways Limited (the "Company") for the half-year ended 31 December 2003, consisting of the condensed consolidated statement of financial performance, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, accompanying notes 1 to 6 and the directors' declaration set out on pages 5 to 12. The financial report includes the condensed consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Qantas Airways Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

OPERATIONAL STATISTICS

for the half-year ended 31 December 2003

(Unaudited)		Half-Year Ended 31 Dec 2003	Half-Year Ended 31 Dec 2002	Percentage Increase/ (Decrease)
DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	9,005	8,785	2.5
Revenue passenger kilometres (RPK)	m	12,111	11,854	2.2
Available seat kilometres (ASK)	m	14,885	14,858	0.2
Revenue seat factor	%	81.4	79.8	1.6 pts
INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	4,180	4,466	(6.4)
Revenue passenger kilometres (RPK)	m	25,597	27,180	(5.8)
Available seat kilometres (ASK)	m	31,990	33,735	(5.2)
Revenue seat factor	%	80.0	80.6	(0.6) pts
Revenue freight tonne kilometres (RFTK)	m	764	838	(8.8)
CORE AIRLINE - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	13,185	13,251	(0.5)
Revenue passenger kilometres (RPK)	m	37,708	39,034	(3.4)
Available seat kilometres (ASK)	m	46,875	48,593	(3.5)
Revenue seat factor	%	80.4	80.3	0.1 pts
Average passenger journey length	km	2,860	2,946	(2.9)
Available tonne kilometres (ATK)	m	6,094	6,551	(7.0)
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	c	10.53	10.98	(4.1)
<u>PRODUCTIVITY</u>				
Average full-time employee strength	#	27,078	27,883	(2.9)
RPK per employee	000	2,762	2,777	(0.5)
ASK per employee	000	3,434	3,457	(0.7)
Aircraft utilisation (average per day)	Hrs	10.3	11.0	(0.7) hrs
QANTASLINK - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	1,588	1,827	(13.1)
Revenue passenger kilometres (RPK)	m	1,059	1,237	(14.4)
Available seat kilometres (ASK)	m	1,427	1,675	(14.8)
Revenue seat factor	%	74.2	73.9	0.3 pts
AUSTRALIAN AIRLINES - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	334	83	302.4
Revenue passenger kilometres (RPK)	m	1,652	472	250.0
Available seat kilometres (ASK)	m	2,383	680	250.4
Revenue seat factor	%	69.3	69.4	(0.1) pts
TOTAL GROUP OPERATIONS				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	15,107	15,161	(0.4)
Revenue passenger kilometres (RPK)	m	40,419	40,743	(0.8)
Available seat kilometres (ASK)	m	50,685	50,948	(0.5)
Revenue seat factor	%	79.7	80.0	(0.3) pts
Aircraft in service at period end	#	192	187	5 units
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	c	10.83	11.42	(5.2)
<u>PRODUCTIVITY</u>				
Average full-time equivalent employees	#	33,552	34,770	(3.5)
RPK per employee	000	2,390	2,324	2.8
ASK per employee	000	2,997	2,907	3.1

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

DETAILED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 31 December 2003

(Unaudited)	Half-Year Ended 31 Dec 2003 \$m	Half-Year Ended 31 Dec 2002 \$m	Percentage Fav/ (Unfav) %
Sales and Operating Revenue			
Net Passenger Revenue ^{1,2}	4,613.1	4,844.7	(4.8)
Net Freight Revenue ¹	241.0	279.6	(13.8)
Tour and Travel Sales	363.6	398.1	(8.7)
Contract Work Revenue	245.7	274.7	(10.6)
Other Sources ^{3,4}	338.4	272.5	24.2
Sales and Operating Revenue	5,801.8	6,069.6	(4.4)
Expenditure			
Manpower and Staff Related	1,471.7	1,509.1	2.5
Selling and Marketing ¹	272.6	312.8	12.9
Aircraft Operating - Variable ²	1,113.5	1,255.2	11.3
Fuel and Oil	644.9	809.5	20.3
Property	148.5	140.4	(5.8)
Computer and Communication	216.3	212.6	(1.7)
Depreciation and Amortisation	536.2	359.0	(49.4)
Non-Cancellable Operating Lease Rentals	134.5	140.1	4.0
Tour and Travel Cost Of Sales	294.7	329.5	10.6
Capacity Hire	157.5	217.3	27.5
Other ^{2,5}	216.2	259.9	16.8
Share of Net Profit of Associates	(6.3)	(12.6)	(50.0)
Expenditure	5,200.3	5,532.8	6.0
Earnings Before Interest and Tax (EBIT)	601.5	536.8	12.1
Net Borrowing Costs	(71.2)	(23.7)	(200.4)
Profit from Operating Activities Before Related Income Tax Expense	530.3	513.1	3.4
Income Tax Expense Relating to Ordinary Activities	(171.3)	(159.1)	(7.7)
Net Profit	359.0	354.0	1.4
Outside Equity Interest in Net Profit	(1.2)	(1.5)	20.0
Net Profit Attributable to Members of the Company	357.8	352.5	1.5
Earnings Per Share (cents)	19.9	21.0	(5.2)

1 Passenger and freight revenue is disclosed net of both sales discount and interline / IATA commission.

2 Passenger recoveries are disclosed as part of net passenger revenue. Previously these were netted against the relevant expenditure category. Comparatives have been adjusted accordingly. The impact of this change for the prior half-year is to increase net passenger revenue by \$186.4 million, increase aircraft operating variable expenditure by \$96.0 million and increase other expenditure by \$90.4 million.

3 Excludes proceeds on sale and sale and operating leaseback of non-current assets of \$215.6 million (2002: \$30.5 million), and interest revenue of \$57.2 million (2002: \$44.5 million) which is included in net borrowing costs.

4 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.

5 Other expenses include contract work materials, printing, stationery, insurance and other miscellaneous expenses.

QANTAS AIRWAYS LIMITED**ABN 16 009 661 901****CONSOLIDATED EARNINGS BEFORE INTEREST AND TAX**

for the half-year ended 31 December 2003

(Unaudited)	Half-Year Ended 31 Dec 2003 \$m	% of Group Total \$m	Half-Year Ended 31 Dec 2002 \$m	% of Group Total \$m
International Airline Operations	196.7	32.7	263.9	49.2
Domestic Airline Operations	270.9	45.0	160.1	29.8
Subsidiary Operations: ¹				
Qantas Holidays Group	24.0	4.0	19.3	3.6
QantasLink Group	53.0	8.8	37.8	7.0
Qantas Flight Catering Group	46.6	7.7	36.6	6.8
Australian Airlines	3.4	0.6	(2.5)	(0.5)
Qantas Defence Services	3.2	0.5	4.1	0.8
Equity Accounting	6.3	1.0	12.6	2.3
Other Subsidiaries	(2.6)	(0.3)	4.9	1.0
Total Subsidiary Operations	133.9	22.3	112.8	21.0
Group Earnings Before Interest and Tax	601.5	100.0	536.8	100.0

¹ 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

**CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF
NON-CANCELLABLE OPERATING LEASES**

as at 31 December 2003

(Unaudited)	As at 31 December 2003 \$m	As at 31 December 2002 \$m	Percentage Change %
Statement of Financial Position Equity	5,618.5	5,360.2	4.8
On Balance Sheet Debt ¹			
Current Debt	328.9	1,159.6	(71.6)
Non-current Debt ²	5,679.9	4,632.4	22.6
Swap Offset ³	(892.2)	(1,262.4)	(29.3)
Cash and Cash Equivalents ⁴	(1,785.2)	(2,110.9)	(15.4)
Net Debt	3,331.4	2,418.7	37.7
Off Balance Sheet Debt			
Present Value of Non-Cancellable Operating Leases	2,084.7	2,356.6	(11.5)
Net Debt including Off Balance Sheet Debt	5,416.1	4,775.3	13.4
Revenue Hedge Receivables ⁵	183.3	(175.5)	204.4
Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivables	5,599.4	4,599.8	21.7
Statement of Financial Position including Off Balance Sheet Debt			
Total Assets	19,595.5	18,811.9	4.2
Total Liabilities	14,007.9	13,676.0	2.4
Total Equity	5,587.6	5,135.9	8.8
Net Debt to Net Debt and Equity	37 : 63	31 : 69	n/a
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt)	49 : 51	48 : 52	n/a
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and Revenue Hedge Receivables)	50 : 50	47 : 53	n/a
Working Capital Ratio	47 : 53	44 : 56	n/a

Notes

1. On balance sheet debt includes bank and other loans and lease liabilities.
2. Non-current debt excludes debt available to be set-off against non-current assets.
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.
4. Cash and cash equivalents (included in the statement of financial position categories of cash and current receivables) includes 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.
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.

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

**CONSOLIDATED NET INTEREST AS A PERCENTAGE OF
AVERAGE NET DEBT**

as at 31 December 2003

(Unaudited)	Half-Year Ended 31 December 2003 \$m	Half-Year Ended 31 December 2002 \$m
Borrowing Costs		
Net Borrowing Costs	71.2	23.7
Capitalised Interest	24.2	49.3
Interest on Non-cancellable Operating Leases	62.7	46.5
Adjusted Net Interest Expense	158.1	119.5
Average Net Debt *		
Average Net Debt Including Off Balance Sheet Debt	5,095.7	4,239.0
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	5,099.6	4,027.8
Adjusted Net Borrowing Costs as a Percentage of:		
Average Net Debt Including Off Balance Sheet Debt	6.2	5.6
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	6.1	5.9

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