



Media Release

QANTAS RESULTS

FOR THE YEAR ENDED 30 JUNE 2002

HIGHLIGHTS

- Profit before tax of \$631.0 million
- Net profit of \$428.0 million
- Revenue of \$11.3 billion
- Final dividend of nine cents per share
- Earnings per share of 29.1 cents per share

QANTAS REPORTS PROFIT BEFORE TAX OF \$631 MILLION

SYDNEY, 21 August 2002: Qantas today announced a profit before tax of \$631.0 million for the year ended 30 June 2002. Net profit was \$428.0 million.

The Directors declared a fully franked final dividend of 9 cents per share, bringing the total fully franked dividends for the year to 17 cents per share.

Chairman Margaret Jackson said the result was pleasing given that it was achieved in extraordinary circumstances, including:

- the failure of two domestic airlines and the need for Qantas to grow rapidly, virtually overnight, to prevent a chaotic situation in domestic aviation;
- the events of September 11 and the subsequent “meltdown” of international aviation which saw airline losses worldwide grow to over \$US12 billion;
- a major ramp up of capacity by Qantas which saw, in a 12 month period, the addition of 15 new Boeing 737-800s, seven Dash 8s, six Boeing 717s and one Boeing 737-300 to the Qantas fleet plus the short-term lease of another 11 aircraft;
- a growth in Qantas staff numbers by around 1,500 to over 33,000 people;
- continued major review and investment in Qantas security to meet the changed circumstances resulting from September 11.

Ms Jackson said Qantas’ effort in achieving such a good result was a tribute to management and staff.

“I am extremely pleased to confirm that as a result of their efforts and in line with our commitment late last year, staff will receive a special four per cent bonus payment.

“The Board has also decided to allocate \$1,000 worth of Qantas shares to all Australia-based staff under the Qantas Profit Share Scheme.”

Chief Executive Officer Geoff Dixon said highlights of the results included:

- a vast improvement in international operations in the second half of the year despite extremely difficult global conditions;
- the strong performance by domestic operations and subsidiary businesses;
- capital expenditure of \$2.46 billion, marking the beginning of the company’s substantially increased investment program.

“Given the circumstances of the industry in Australia over the past 12 months, all sectors of the business performed credibly,” Mr Dixon said.

“Our domestic and subsidiary operations were particularly strong, offsetting a downturn in international operations that worsened substantially after September 11.

“The international operations improved strongly in the second half of the year as some confidence was restored and load factors improved. This provides a strong base for further improvement.”

Mr Dixon said Qantas had a good portfolio of businesses to continue growth in coming years.

“We are also well placed to continue substantial investment in new aircraft, upgraded inflight products and airport infrastructure in Australia.

“This investment is needed as our competitors, particularly internationally and in this region, are also upgrading aircraft and product and competing aggressively.”

Mr Dixon said Qantas had no option but to continue to change its business and to seek further efficiencies in all areas.

“We can only grow and invest if these efficiencies are realised in coming years. Further efficiencies are the only real pathway for job security and job growth,” he said.

Mr Dixon said Qantas would continue its strategies of:

- segmenting its flying business to align costs and revenues in particular markets;
- investing in and growing its subsidiary businesses;
- seeking mutually beneficial partnerships with other quality airlines.

Qantas will also launch its new low cost, full service, medium-haul leisure airline, Australian Airlines, in late October. Australian Airlines will operate on routes from which Qantas has withdrawn and on routes where Qantas has been unable to extract a satisfactory return.

Mr Dixon said Qantas had demonstrated time and again during the past year its strong commitment and responsibilities to the Australian community.

“We employ over 31,000 people in Australia, we spend billions of dollars with Australian suppliers and we support Australian tourism with tens of millions of dollars. We are also a major supporter of the arts, sports and charitable organisations,” he said.

Core Business Operations

International operations were under pressure at the beginning of the year, due to the slowing of international economies, and were then severely impacted by the events of September 11. A loss of \$15.5 million was reported for the first six months of the year.

Performance improved significantly in the second half of the year. Full year earnings before interest and tax (EBIT) totalled \$202.8 million, less than half last year's contribution of \$458.7 million.

International traffic, measured in Revenue Passenger Kilometres (RPKs), fell by 2.0 per cent. Capacity fell by 5.6 per cent. Seat factor improved by 2.9 percentage points to 78.2 per cent. Yield (excluding the impact of favourable movements in foreign exchange) fell by 0.2 per cent.

Domestic operations performed strongly, with EBIT increasing by \$170.8 million to \$298.2 million. RPKs increased by 36.4 per cent while capacity grew by 35.7 per cent, leading to an increase in seat factor of 0.4 percentage points to 79.5 per cent. Yield (after excluding the favourable impact of movements in foreign exchange) increased by 6.7 per cent.

Subsidiary operations grew significantly, with EBIT increasing 62.5 per cent to \$178.3 million.

QantasLink EBIT rose \$36.1 million to \$42.5 million, primarily due to improved loads and yields following difficulties experienced by other regional airlines. Overall, QantasLink capacity increased 11.1 per cent while seat factor rose 1.8 percentage points. Expenditure also rose, due to higher capacity and passenger volumes and increased fuel and maintenance costs.

Qantas Holidays increased EBIT by \$8.9 million, or 26.6 per cent, to \$42.4 million due to strong growth in domestic business and efficiency benefits. The performance was also boosted by the devaluation of the Australian Dollar against major trading currencies, making Australia a relatively cheap holiday destination, and the perception of Australia as a 'safe-destination' for tourists.

Qantas Flight Catering lifted EBIT by \$15.3 million, or 28.2 per cent, to \$69.6 million. Meals produced grew by 6.7 per cent. The full integration of Caterair contributed to the improved performance.

Revenue

Revenue for the year totalled \$11.3 billion, an increase of \$1.1 billion or 11.1 per cent. Excluding the impacts of foreign exchange rate movements, total revenue increased by 10.8 per cent.

Passenger revenue increased by 13.7 per cent, with RPKs growing 6.5 per cent and yield improving 6.7 per cent. The yield improvement was partly due to a substantial increase in the proportion of flying that operated on the shorter sector and higher

yielding domestic network. This benefit was offset somewhat by higher costs of domestic flying.

Expenditure

Total expenditure, excluding net interest, rose by 12.1 per cent to \$10.6 billion. This was due to a 3.2 per cent increase in overall capacity, a higher proportion of more expensive domestic flying, the cost of wet-leased aircraft, higher fuel costs (hedging benefits were no longer available) and higher engineering costs.

Excluding the impacts of foreign exchange rate movements, total expenditure increased by 11.3 per cent.

The impact of unfavourable foreign exchange movements was a cost increase of \$51.0 million.

Cost per Available Seat Kilometre increased by 10.7 per cent.

Fuel costs increased by 18.1 per cent, or \$240.2 million. The underlying fuel cost was lower than last year by \$255.4 million. However, the prior year included fuel hedging benefits of \$406.0 million. The cost of increased flying added a further \$52.5 million, while the weakness of the Australian Dollar relative to the US Dollar, accounted for the remaining cost increase of \$37.1 million.

Individually Significant Items

The current year includes two individually significant items with a net negative impact of \$10.3 million pre-tax (\$6.2 million post tax):

- a pre-tax profit of \$31.2 million (\$22.9 million post tax) from the sale of the Group's remaining investment in EQUANT NV; and
- a pre-tax expense of \$41.5 million (\$29.1 million post tax) to cover redundancy costs.

Last year's result included a number of individually significant items with a net positive impact of \$127.3 million pre-tax (\$124.5 million post-tax).

Balance Sheet and Cash Flow

Cash flow from operations totalled \$1,143.3 million, an increase of \$42.6 million or 3.9 per cent. This was due mainly to increased profitability.

The debt to debt plus equity ratio, (including operating leases on a hedged basis) moved from 53:47 at 30 June 2001 to 49:51 at 30 June 2002, the improvement driven by operating cashflow and the raising of \$663.8 million in equity during the year, offset by progress payments made for the fleet upgrade.

Air New Zealand

Qantas is in discussions with Air New Zealand about the possibility of a strategic alliance between the two companies and an acquisition by Qantas of a minority equity interest in Air New Zealand.

While both Qantas and Air New Zealand believe that such an alliance would be of value to both airlines, discussions are ongoing. However, no agreement or commitment has been reached or entered into at this time and no assurances can be given as to what, if any, agreement will be reached. Any agreement reached would be conditional on a number of approvals, including regulatory and Air New Zealand shareholder approval. If any agreement is reached, part of the proceeds for the entitlement offer may be used to fund the acquisition of shares in Air New Zealand.

Outlook

Qantas will continue to seek cost efficiencies, structural changes and actively manage its operations with a view to improving profitability. Strategies aimed at achieving these ends include a focus on market segmentation in both the domestic and international markets, investment in a new and more cost efficient fleet, a focus on improving the profitability of subsidiary businesses and continued investment in technology.

The recovery from unsustainable domestic discounting and the events of 11 September 2001 has continued in the first month of the year ending 30 June 2003. Qantas expects the recovery trend to continue, however there are a number of factors which could impact future results.

The fully franked final ordinary dividend of 9 cents per share is payable on 2 October 2002, with a record date (books close) of 4 September 2002

Issued by Qantas Public Affairs (Q2757)
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QANTAS GROUP
YEAR ENDED 30 JUNE 2002

	First Half			Second Half			Year Ended			
	2002	2001		2002	2001		2002	2001		
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%	
Sales and Operating Revenue	5,664.6	5,098.9	11.1	5,658.0	5,089.3	11.2	11,322.6	10,188.2	11.1	
EBIT	270.5	470.5	(42.5)	408.8	225.3	81.4	679.3	695.8	(2.4)	
Profit Before Tax	231.3	416.4	(44.5)	399.7	180.7	121.2	631.0	597.1	5.7	
Net Profit	153.5	262.9	(41.6)	274.5	152.5	80.0	428.0	415.4	3.0	
<u>EBIT Contribution</u>										
Core Airline										
- International	(15.5)	285.9	(105.4)	218.3	172.8	26.3	202.8	458.7	(55.8)	
- Domestic	180.1	118.1	52.5	118.1	9.3	1169.9	298.2	127.4	134.1	
Subsidiaries	105.9	66.5	59.2	72.4	43.2	67.6	178.3	109.7	62.5	
Group EBIT	270.5	470.5	(42.5)	408.8	225.3	81.4	679.3	695.8	(2.4)	
<u>Traffic and Capacity - Domestic</u>										
Passengers Carried +	000's	7,099	5,675	25.1	7,964	5,543	43.7	15,063	11,218	34.3
RPK	m	9,522	7,477	27.4	10,646	7,313	45.6	20,168	14,790	36.4
ASK	m	11,894	9,247	28.6	13,479	9,448	42.7	25,373	18,695	35.7
Seat Factor *	%	80.1	80.9	(0.8)	79.0	77.4	1.6	79.5	79.1	0.4
<u>Traffic and Capacity - International</u>										
Passengers Carried +	000's	4,338	3,878	11.9	4,086	3,885	5.2	8,424	7,763	8.5
RPK	m	26,510	26,889	(1.4)	26,099	26,793	(2.6)	52,609	53,682	(2.0)
ASK	m	34,896	35,292	(1.1)	32,341	35,955	(10.1)	67,237	71,247	(5.6)
Seat Factor *	%	76.0	76.2	(0.2)	80.7	74.5	6.2	78.2	75.3	2.9

+ Passengers carried on Origin and Destination basis.

* Variance expressed as an absolute value