

27 August 2001



Dear Shareholder,

I am writing to inform you of our trading results for the year ended 30 June 2001.

2000/2001 Full Year Results

The year ended 30 June was a challenging year for Qantas, with significant price discounting in the Australian domestic market, a weak Australian dollar, an overall slowing in the Australian and international economies and continued high jet fuel prices.

In this difficult environment, Qantas achieved a profit before tax of \$597.1 million, 21.7 per cent lower than last year's result. Profit after tax was \$415.4 million, down 19.7 per cent.

This significant profit was a considerable achievement at a time when the global aviation industry is experiencing unprecedented change and many airlines around the world are reporting losses or small profits.

Dividends

The Directors declared a fully franked final dividend of 9 cents per share, bringing total fully franked dividends for the year to 20 cents per share. The total ordinary dividend was 2 cents lower than last year, however the payout ratio of 60 per cent was maintained.

Revenue

Revenue for the year totalled almost \$10.2 billion, a record for Qantas and an increase of \$1.1 billion or 11.9 per cent on last year. This growth was driven by a 9.3 per cent increase in flying.

Expenditure

Total expenditure, including interest, rose by 14.9 per cent due mainly to costs associated with capacity increases and higher fuel costs. Total fuel expenditure increased by \$466.6 million.

Business Segments

International operations continued to make a strong contribution to Qantas' performance during the year, with earnings before interest and tax (EBIT) rising 22.4 percent to \$458.7 million.

Domestic operations contributed \$127.4 million in EBIT, down 53.2 per cent, with two new domestic entrants resulting in significant price discounting and pressure on fares across all routes.

Subsidiary operations – which include the regional airlines, Qantas Holidays and Qantas Flight Catering – contributed \$109.7 million to the Group's EBIT, a reduction of 35.2 percent.

Outlook

Qantas faces a very challenging external environment with slow global and domestic economies, intense domestic competition, continuing weakness of the Australian dollar and high fuel prices.

Global pressures are causing airlines around the world, including Qantas, to restructure so they are in a position to participate successfully in this rapidly changing industry.

This year's performance confirms that Qantas is a disciplined and robust airline, ready to meet the myriad challenges that it must face while maintaining a clear focus on safety and reliability, efficiency, productivity and customer service.

Annual General Meeting

The Qantas Annual General Meeting will be held at the Melbourne Concert Hall, Victorian Arts Centre on Thursday 18 October 2001 at 2pm. As shareholders, each of you will receive advance notification along with details of key items to be considered at the meeting. This information will be mailed to you in mid-September with the Annual Report, which will give you a comprehensive outline of the company's financial, operational and commercial performance.

I hope this brief outline of the 2000/2001 year has given you further insight into the activities of Qantas in which you, as one of our valued shareholders, play an essential role.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Margaret Jackson', with a long horizontal flourish extending to the right.

Margaret Jackson
Chairman