



18 August 2000



Dear Shareholder

I am writing to each of you individually to give some details of the successful trading results of Qantas for the 1999/2000 financial year and of our plans for the current year.

### **1999/2000 Full Year Results**

Yesterday the Directors of Qantas were pleased to announce that Qantas had made another record profit before tax of AUD\$762.8 million for the year ended 30 June 2000. This was an increase of 15.1 percent over the previous year.

The net profit after tax expense was AUD\$517.9 million, 23 percent higher than last year. It included the benefit of AUD\$82 million from two abnormal items.

Importantly, operating profit before tax and abnormal items increased on last year by AUD\$103.3 million to AUD\$705 million.

### **Dividends**

I am pleased to report that you will share in this latest success achieved by Qantas through the following dividends declared by the Directors:

- a final ordinary fully franked dividend of 11 cents per share payable on 4 October 2000, with a record date (books close) of 6 September 2000; and
- a special fully franked dividend of 37 cents per share payable on 13 December 2000, with a record date (books close) of 15 November 2000.

This means your total, fully franked dividends for the year amounted to 59 cents per share, 26.5 cents per share higher than last year.

The Board declared the fully franked special dividend to maximise your returns by distributing accumulated franking credits in a year when they have more value to you. The fully franked special dividend will be paid following the reintroduction of the Dividend Reinvestment Plan (DRP). The DRP will give you the option of receiving the fully franked special dividend in cash or reinvesting in Qantas shares.

### **Outlook For 2000/2001**

As a Director of Qantas for the past eight years, I am aware of the significant improvements the company has made to its overall financial position, its route structure, its products and services and its levels of efficiency and productivity.

You hold shares in a disciplined and robust airline that is ready to meet the challenges that will combine to put pressure on profitability in the 2000/2001 financial year. These include the combined effects of additional domestic competition and known cost increases such as fuel price increases and higher

aviation charges at Sydney Airport. Further increases in depreciation, aircraft leasing and funding costs will need to be offset with higher revenue and new efficiency measures.

I am sure you are aware of the current level of intense competition and apparent price discounting in the domestic market. Qantas will continue to follow its policy of responding in a controlled manner to these fare initiatives to limit the overall effect on the average yield the airline receives from the sale of seats.

We can do this because we have flexible and capable yield management and inventory systems and because of the breadth of our network. Qantas has always had a significant level of discount fares in the market and we will continue to offer a range of fares to remain competitive.

In summary, you can be assured we will meet any new challenges as we have in the past – with a clear focus on safety and reliability, efficiency, productivity and customer service, while managing carefully new investments.

### **e-Commerce**

Our recently announced e-commerce business strategy is our blueprint to become one of Australia's leading on-line companies and will provide significant benefits to our customers. This strategy is a significant step in building on the strength of the Qantas brand and the success of our loyalty programs. Over the next nine months we will launch Internet-based offerings for retail and corporate customers and travel partners, new consumer on-line businesses and purchasing partnerships.

These initiatives will enhance the on-line distribution of our travel products and improve our service and range of offerings to our customers. The alliance with Telstra to provide co-branded mobile phones and Internet access which attract Qantas Frequent Flyer points is a key element of these plans.

### **Product Improvements**

We are excited about the investment of AUD\$400 million over the next two years in further product and service improvements.

This will include a new inflight entertainment and communication system on our long-haul fleet of Boeing 747-400 aircraft. Customers will benefit from individual seat-back videos in Economy Class, and new larger individual video screens and in-seat power points for laptop computers in First and Business Class. In addition, all passengers will have access to selected inflight web-sites, games on demand and telephones.

### **Annual General Meeting**

The Qantas Annual General Meeting will be held at Sydney's Darling Harbour on 16 November 2000, the same day as the airline's 80th birthday. As shareholders, each of you will receive advance notification along with details of key items to be considered by the meeting. This information will be mailed to you in mid October with the Annual Report, which will give a comprehensive outline of the company's financial, operational and commercial performance.

While this letter includes only a brief outline of the successful 1999/2000 year, I hope it has given you some further insight into the activities of Qantas in which you play an essential role – as one of our valued shareholders.

Yours sincerely



Margaret Jackson  
Chairman