



### THE MARKET

The Australian carrier, Qantas, is the world's eleventh largest airline in terms of revenue passenger kilometres.

Qantas is Australia's leading domestic airline, operating an average of 565 flights a day to 60 destinations in all states and mainland territories. Qantas operates around 590 international flights every week from Australia, offering services to 66 destinations in 33 other countries.

The Qantas Group carried more than 20 million passengers in 1999/2000 and serves 125 destinations in Australia, Africa, the Americas, Asia, Europe, the Middle East and the Pacific.

### ACHIEVEMENTS

Qantas has a widely acknowledged history of innovation. As early as 1958, it pioneered a round-the-world service, with two Super Constellations circumnavigating the globe in opposite directions. In 1979 it was the first airline to introduce Business Class. Qantas is also the only airline ever to win twice the prestigious Cumberbatch trophy - awarded by the British Guild of Air Pilots and Air Navigators for safety and reliability.

In February 1996, Qantas was named 'Airline of the Year' by the prestigious US-based aviation management publication, Air Transport World. Qantas received the award for providing outstanding service to the public, developing innovative new markets and services, introducing new technology to the industry and performing in a consistently productive way.

These two Qantas imperatives - innovation and reliability - have helped make it one of Australia's most successful companies. In the year ended 30



June 2000, Qantas increased its net profit before tax by 15 percent on the previous year, up \$A100.3 million to \$A762.8 million.

Operating profit before abnormals and tax rose by 17.2 percent on the prior year, to \$A705 million. Net profit after tax of \$A517.9 million was 23.0 percent higher than last year and included the benefit of \$A82 million from two abnormal

items recorded in the first half of the year. Revenue increased by 8 percent to more than \$A9 billion. The Directors declared a final dividend of 11 cents per share fully franked, and a special dividend of 37 cents per share fully franked.

### HISTORY

Qantas is the world's second oldest airline, and the oldest in the English-speaking world. It was founded in the Queensland outback in 1920 as the Queensland and Northern Territory Aerial Services (Q.A.N.T.A.S.) Limited by pioneer aviators Hudson Fysh, Paul McGinness and Fergus McMaster. The company began its operations with one aircraft providing joyrides and air taxi work. Regular scheduled mail and passenger services commenced in November 1922. In 1931, after expanding its reach in Queensland and the Northern Territory, Q.A.N.T.A.S. made its first link with Britain's Imperial Airways and three years later the two companies formed Qantas Empire Airways to provide a scheduled air service between Australia and the United Kingdom.

Following World War II, Qantas expanded rapidly and in 1947 the Australian Government purchased the shares held by Imperial Airways. After taking delivery of long range pressurised Constellations, Qantas made the first Sydney-to-London flight in its own

right on 1 December 1947. In 1956 Qantas carried the Olympic flame from Athens to Darwin as part of its journey to the Melbourne Olympic Games. Three years later

Qantas entered the jet age when it became the first airline outside the United States to operate the Boeing 707.

With a name change to Qantas Airways Limited in 1967, and a vastly expanded network thanks to its new jets, the airline placed an order for a new generation aircraft - the Boeing 747.

Following the 1990 deregulation of the domestic airline industry, the Government accepted a bid from Qantas for the purchase of Australian Airlines, and in 1992 decided to privatise the Qantas Group. The two airlines merged into a single brand, Qantas, in October 1993. In March 1993, British Airways paid \$665 million for 25 percent of the Australian carrier. On 31 July 1995 Qantas shares were listed on the Australian Stock Exchange to complete the privatisation process.

Today Qantas is regarded as one of the world's leading long distance airlines. As well as operating its own services to a wide range of destinations in Australia and around the world, Qantas has increased the choices it offers customers through a number of codeshare arrangements with other airlines.

### THE PRODUCT

All Qantas aircraft are maintained to the highest standards and are flown by some of the world's most experienced pilots. Qantas also undertakes engineering, pilot and cabin crew training for customer airlines.

The Qantas Frequent Flyer program is the largest Australian-based airline loyalty program. Points are awarded according to the class of travel and miles flown and the member's status level with a minimum points guarantee. Points may also be accumulated through qualifying transactions with more than 4,000 hotels around



the world, Hertz and Thrifty hire cars, Qantas Drive, Qantas Valet Parking and a range of premium Qantas Shopping products including wine, flowers, entertainment tickets, foreign exchange, travel insurance and financial services. Points earned in the credit card loyalty programs of Qantas Telstra Visa and American Express and selected programs of a number of banks (Commonwealth Bank of Australia, National Australia Bank, AMP, Citibank) may be converted to Qantas Frequent Flyer points.

Members who accumulate higher levels of points within a year are granted Silver, Gold or Platinum status. At each status level, members receive extra service benefits, including higher



priority service numbers, check-in, baggage allowances, and for Gold and Platinum members complimentary membership of The Qantas Club. Points can be redeemed for air travel on Qantas and qualifying associated airlines, hotel stays, car hire companies and Qantas Club membership. Eligible Frequent Flyer members also have access to the oneworld airlines' lounges as well as enjoying other oneworld service benefits.

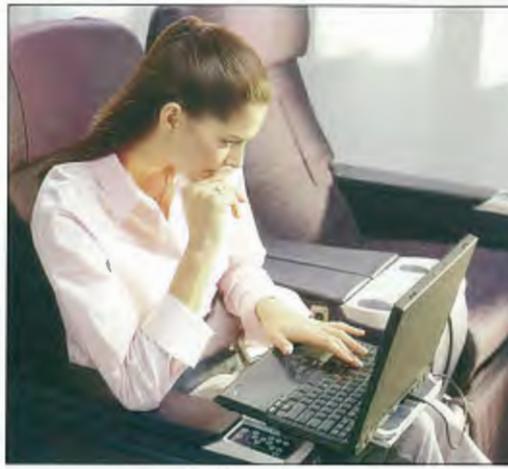
The Qantas Club program provides members with access to a network of over 250 Qantas Club and associated lounges in Australia and around the world. The lounges provide a quality environment for passengers to relax or do business before flying. Access to the lounges is by subscription, which can be taken annually or for life. Access to the lounges is provided to Qantas Club members and Gold and Platinum Frequent Flyers on the domestic network. On the international network, First and Business Class passengers are also offered entry.

While Qantas is primarily a passenger airline there are other facets to its business. Air freight is in integral part of the airline's core business, carrying freight since its first scheduled service in November 1922 between Charleville and Cloncurry. In addition, Qantas Flight Catering Limited is a wholly owned subsidiary with catering centres around Australia. Qantas Holidays, named 1998 Wholesaler of the Year in Australia's prestigious annual AFTA National Travel Awards, is the largest travel wholesaler in Australia, with more than 23 years' experience.

#### RECENT DEVELOPMENTS

In November 2000, Qantas announced its decision to purchase 31 new aircraft as part of its long-term fleet plan to provide for market growth and for replacement of existing aircraft. The plan includes: 13 Airbus A330-200 and A330-300 aircraft for delivery between 2002 and 2005 to provide for growth on domestic routes with flexibility for regional international operations; six Boeing Longer-Range 747-400 aircraft with enhanced performance capability for delivery between 2002 and 2006 to handle growth on international long haul routes; and 12 Airbus A380 aircraft for delivery between 2006 and 2011 to meet passenger growth on selected longhaul routes.

Qantas is progressively installing a new \$A300 million Total Entertainment inflight system on its international fleet of 747-400 aircraft. The system features individual seat back video screens in Economy Class and larger screens with



touch control in Business and First Class. Inseat personal telephones in all classes and inseat PC power in First and Business Class.

Qantas Total Entertainment offers 12 entertainment channels in Economy Class screening first release movies and television programs, and including a range of video games as well as 16 audio channels offering CD quality sound. First and Business Class customers will have access to six additional movie channels, with First Class customers also being offered new, improved quality individual video players for use with the Qantas First Class video library.

Qantas has introduced its new Australian Domestic Economy meals focusing on fresher, more contemporary and satisfying food and a more personalised service.

Other recent Qantas Domestic initiatives have



included the new Qantas CityFlyer service between Sydney and Melbourne, offering flights every half-hour; a new chauffeur service, Qantas Drive; and an enhanced Qantas Valet product giving valet customers access to a range of services aimed at saving time.

The oneworld alliance, meanwhile, has established itself as the most global of the world's airline alliances in just three years. Now comprising eight of the world's leading airlines - Qantas, Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia and LanChile - oneworld provides services to 566 destinations in 133 countries. Customers continue to benefit from closer linking of the member

airlines' frequent flyer programs; appropriate recognition and privileges no matter on which of the airlines they are flying; access to over 340 lounges for eligible members; smoother transfers for passengers travelling across the global networks of the oneworld carriers and greater support from more than 274,000 airline employees who are equipped to assist and care for customers travelling with any of the oneworld airlines.



oneworld has been at the forefront of introducing new services and benefits for customers, including the oneworld Explorer fare and the first alliance "Visit Pass" of its kind.

#### PROMOTION

Qantas launched a television advertising campaign in September 2000, one of the largest advertising projects ever undertaken by the airline. Using some of the world's most spectacular landmarks as the backdrop, the campaign features more than 200 members of the Australian Girls Choir and the National Boys Choir. The children, aged from eight to 15 years, were filmed singing the airline's signature song, I Still Call Australia Home, in Australia and around the world.

#### BRAND VALUES

The Qantas kangaroo logo represents a proud history focused on reliability, engineering excellence and customer service. The brand elicits a strong emotional response from millions of Australians, including those who do not fly. Qantas is committed to maintaining the airline's strong brand and focus on customer service while preserving its international reputation for technical expertise and reliability. Qantas prides itself on developing innovative new markets and services, introducing new technology to the industry and performing in a consistently profitable way.



#### THINGS YOU DIDN'T KNOW ABOUT QANTAS

- Qantas introduced the world's first Business Class in 1979.
- Qantas operates a domestic and international fleet with 100 aircraft in the core jet fleet and another 67 flown by QantasLink serving all Australian states and mainland territories.
- Qantas Flight Catering Limited, a wholly owned subsidiary with catering centres around Australia, produced more than 31 million meals in the year to 30 June 2000 for Qantas and other airlines as well as railway and hospital clients.
- Qantas has been awarded the prestigious Cumberbatch Trophy for safety and reliability twice - in 1974 and 1990 - by the British Guild of Air Pilots and Air Navigators.