



**Annual General Meeting – 24 October 2014
CEO's Address**

Thank you Leigh and good morning everyone.

At our full year results announcement in August I said that the Qantas Group had come through the worst.

Today I can reconfirm that statement.

The evidence grows daily that we are on track with our plans.

This morning the traffic statistics for the first three months of the current financial year have been released.

They show that passenger loads are up across the board.

Yields at Qantas International have now been positive for six consecutive months as revenue and network initiatives from the Transformation program take hold.

In the domestic market both passengers loads and yields were higher in September than in the previous year.

Preliminary figures indicate that the Group has made an underlying profit before tax for the first quarter of financial year 2015.

On the back of the hard work of the people of the Qantas Group, we are on track to deliver an underlying profit for the first half of the financial year.

So the Transformation program, coupled with a more benign operating environment, is delivering clear results.

Overall, and over the long term, the Qantas Group benefits from the lower Australian dollar.

It is already helping our business.

International capacity growth in this half is expected to be around 2.4 per cent – that is, below underlying demand growth for the first time in five years.

The weaker currency does mean higher Australian dollar fuel prices, but the falling oil price has more than offset the falling currency over the past six months.

And the Group is well-hedged for both foreign exchange and fuel risk for the remainder of financial year 2015.

In August we said that domestic industry-wide capacity growth was expected to be around one per cent in the first half, well below the long run average of three to four per cent.



Based on the published schedules we now expect growth to be flat – that is, zero market capacity growth for the first half.

We have adjusted our own domestic capacity to reflect the current weak demand environment.

We will continue to manage capacity with a careful eye on demand, and we will always retain the flexibility to ensure that our competitive advantages are never jeopardised.

More importantly, you, our shareholders, will be able to judge the Group's performance for yourselves by how we meet our clearly articulated milestones over the coming months and years:

- By the end of this calendar year, Qantas Domestic will have a simplified fleet with just one narrow body and one wide body type, providing significant cost savings and efficiency gains
- In four months we expect to deliver a first half profit for 2015.
- By the end of June next year we will have completed 80 per cent of our announced job reductions. The full 5000 redundancies will bring an end to the period of major job reductions.
- And by the end of June we also expect to have paid down one billion dollars' worth of debt, significantly deleveraging the balance sheet.

In the short term, all our energy is focused on delivering against these and other clearly outlined targets of the Qantas Transformation program.

I want to thank all the employees of the Qantas Group who have dealt with this period of major change with such good grace.

It has been very hard, particularly seeing a significant number of colleagues depart the company.

But as I go around the business I also see a renewed sense of purpose and pride.

There is a deep resilience within Qantas and a hunger for success.

All the feedback tells me that our customers appreciate the fantastic service provided by our people, and they have never been more satisfied with their experiences with Qantas.

But I must reiterate - we cannot ease off. We will continue to show the rigour and discipline we have shown so far.

Take just one example. Aircraft utilisation in the Qantas International fleet this year will have improved by 12 per cent compared to 2013.

This has allowed us to maintain our international network while retiring the oldest aircraft, just through smarter and more efficient network planning, maintenance and scheduling.



We can never go back to the cost base and inefficient work practices that left us at such a disadvantage against our competitors and put our future at risk.

Instead we will forge ahead and establish a new platform for our ongoing success, and a sustainable premium airline model for our times.

Our transformation affects every part of our business, but it takes place in the context of strategic stability.

Our long term strategy has not changed.

First, we have maintained Qantas and Jetstar's dual-brand strength and competitive advantages in the domestic market. This has enabled us to withstand intense pressure while our domestic airlines have remained profitable.

Second, we continue to reshape Qantas International to secure a competitive future. As we announced in August, the Board has given approval for the creation of a new holding structure and corporate entity for Qantas International. This has no immediate operational impact, but over the long- term it does open up options for Qantas International to pursue global partnership opportunities.

Third, we are pursuing a wide range of profitable growth opportunities with Qantas Loyalty, on the back of a record profit result last financial year.

Fourth, we remain committed to realising the Jetstar Group's potential in Asia – the world's biggest aviation market.

And at the core of everything we do is our focus on the customer experience.

We continue to invest in aircraft, customer service training, the right product enhancements, and smart technologies to keep our brands strong and maintain a yield premium over the competition.

- We are opening new premium lounges in gateway international ports and across Australia.
- We are refreshing our entire A330 and B737 fleets with world-leading product. We've just unveiled our new A330 Business Suite which we think will deliver the best travel experience between Australia and Asia, and the best domestic travel experience anywhere in the world.
- Our Loyalty program goes from strength to strength. We keep on innovating and finding new ways to reward our customers.
- And we continue to grow Jetstar's Dreamliner fleet, setting the standard for low fares travel in this region.

Let me conclude.



We now have the factors in place to deliver on our commitments for the Qantas Group:

- Our lower, and still declining, cost base
- Consistently improving product
- Harder-working assets
- Capitalising on the lower Australian dollar
- A more stable operating environment
- And most of all the fantastic service provided by our Qantas people.

We have the right elements to achieve success.

Our future now depends on executing our strategy with energy and discipline.

And that's what we are going to do. Thank you.