Introduction
On behalf of the Qantas Board, first of all let me say how delighted we are to convene this year’s Annual General Meeting here in Canberra.

This year is a momentous one for Qantas. We delivered a record financial performance. We won international recognition for our outstanding customer service. And next month we celebrate our 85th birthday.

In 1920, four men - Fergus McMaster, Hudson Fysh, Paul McGinness and Arthur Baird – sat around a small table in Brisbane’s Gresham Hotel to establish Qantas. That table now sits proudly in my office. It is a constant reminder to me that humble beginnings can develop into amazing things.

Today, 85 years later, I would like to warmly welcome everyone here – you, our shareholders; our executives; and our staff. And I’d like to single out one employee in particular: George Roberts. Because no-one represents the Spirit of Australia quite like George.

George, a youthful 95 years old, is our longest serving employee. He was one of the original Qantas engineers. George had been with Qantas two years when the first Qantas flying boat, Cooee, took off from Rose Bay in Sydney on its first long journey to Southampton in England in 1938. The trip took an arduous 70 hours flying time, with 36 stops over nine days.

George is still turning up to work each week, volunteering to help manage the Qantas Heritage Collection. Last year I was delighted to recognise his enormous contribution to Qantas with the Chairman’s Award. I’m sure you will join me in extending an especially warm welcome to George today.

Now I’d like to introduce the Board’s directors to you:
- Managing Director and Chief Executive Officer, Geoff Dixon, and
- Finance Director and Chief Financial Officer, Peter Gregg.
- To my left also is our General Counsel, Brett Johnson.

And our Independent Non Executive Directors:
- Paul Anderson, CEO and Chairman of Duke Energy Corporation and Board member since 2002;
- Mike Codd, Chancellor of the University of Wollongong, Director of the Wealth Management Companies of the National Australia Group and INGEUS and Board member since 1992;
- Patricia Cross, Director of Wesfarmers, the Murdoch Children’s Research Institute and, from December, the National Australia Bank. She has been a Board member since 2004;
• Jim Kennedy, Board member since 1995, is also Deputy Chairman of GWA International, Director of the Australian Stock Exchange and Suncorp-Metway;
• James Packer, Board member since 2004 and Executive Chairman of Publishing and Broadcasting Limited. He is also Joint Chief Executive of Consolidated Press Holdings and a Director of Challenger Financial Services and Hoyts Cinemas;
• And Dr John Schubert, Board member since 2000, is also Chairman of the Commonwealth Bank of Australia, Director of BHP Billiton, and Chairman of G2 Therapies and the Great Barrier Reef Research Foundation.

A number of changes to the Qantas Board occurred during the year.

Two new members were appointed. Garry Hounsell joined the Board in January. He is currently a Director of Orica and Nufarm. He has a depth of accounting and audit experience, including executive management positions in two of the large international accounting firms. General Peter Cosgrove joined the Board in August. He is a much decorated Australian military officer and former Chief of the Australian Defence Force. He has a wealth of public sector experience and leadership skills.

We are delighted to welcome our new Directors to the Qantas Board.

In March this year we farewelled Trevor Eastwood, who had served on the Board since 1995. Trevor made an enormous contribution over his ten years as a director, and we thank him for his excellent contributions.

**Overall performance**
Let me turn to the overall performance by Qantas in the financial year ending 30 June 2005. As our result has been covered in great detail in the press, on our web site and in our Annual Report, I will comment only briefly.

I’m delighted to report to you that Qantas is in very strong shape.

Qantas, for the year ended 30th June 2005, reported a record profit before tax of $1,027.2 million. This was a 6.5 percent increase on the previous year. Net profit after tax was $763.6 million, up 17.8 percent on the previous year.

Last year the company achieved a record annual result. This year the company bettered that result. An outstanding achievement in a challenging time.

The company’s focus on improving earnings and controlling capital expenditure resulted in a positive free cash flow of $267.1 million. Gearing, the ratio of debt to equity, continued to improve and at 49 percent is one of the best in the aviation industry globally.
Drivers of this excellent performance included:

- Savings of $545 million from the Sustainable Future Program, which represented a unit cost reduction of more than five percent before the impact of fuel price increases;
- The strong performance of our fuel hedging program, which saved more than $400 million on our fuel bill;
- The successful introduction of Jetstar, our value-based domestic carrier, which delivered a commendable $44 million profit in its first full year of operations;
- Continued investment in product and service that improved overall customer satisfaction levels, particularly among business flyers, to all time highs, and resulted in a two percent increase in yields;
- And an increase in operating profit from Qantas mainline domestic and international operations to $965.1 million.

The Directors are pleased that this strong performance has allowed us to reward Qantas shareholders with a 3 cent increase in the full year dividend to 20 cents a share, the first increase in dividends in four years.

This outcome reflects the sustained effort since Qantas became a public company in 1995. Qantas today flies more than twice as many passengers as ten years ago. It operates nearly 50 per cent more aircraft. And it has increased employment by 10,000 to more than 38,000 people, the vast majority of whom are based in Australia. This is in amazing contrast to the tens of thousands of redundancies in many airlines worldwide.

We have successfully established a multiple airline structure, embarked on an $18 billion 10-year investment program, and continue to improve our product and customer service.

Qantas has a great tradition of innovation. We were the first and only airline to build our own aircraft back in 1926. Qantas pioneered round-the-world services in 1958. And of course, Qantas invented Business Class travel in the Seventies. Now, another innovation. I am pleased to announce that today Qantas becomes the first Australian company to adopt electronic voting. We will introduce this latest innovation to you shortly.

The record result this year is a credit to Qantas staff and management, who have steered the company through extremely challenging times. In the six years since I have been Chairman we have had to deal with the impacts of: terror attacks including September 11, Bali 1, London, and now Bali 2, Ansett's collapse, ongoing war in Afghanistan and Iraq, and the SARS virus in Asia.

The challenges faced by Qantas as we go forward will also be massive. They include fierce competitors who do not have the same financial disciplines as we do; the cost of managing a heightened security environment; and dramatically escalating oil prices.
Let me give you some detail on each of these challenges.

**Competition**
Competition. Qantas faces fierce and unremitting competition from airlines that are propped up by Governments and taxpayers. The inequities are massive. Many airlines are adding capacity at rates well above market demand, pursuing market share or cash flow over profitability. Meanwhile, Australia has one of the most open skies in the world and Qantas stands or falls on its own merits.

That’s why the Board welcomes the Australian Government’s review of its aviation industry policy, the first since 1999. Aviation policy cannot be driven entirely by competition and consumer interests. We hope that the review will result in a balanced, properly sequenced approach to future market liberalisation, that takes into account commercial reality and the important economic contribution made by Australia’s aviation industry. We are also seeking the removal of outdated legislation, specifically the foreign ownership restrictions under the Qantas Sale Act. Qantas looks forward to the outcome of this review later this year.

**Security**
Security. Last year Qantas’ security costs were $260 million. This was a huge increase – more than 400% over our costs in 2001. We now require 1,500 full-time positions to manage the security of the Qantas parts of airports in Australia alone. That’s a bigger headcount than either of the ACT or Tasmanian police forces. In addition, expenditure on security-related insurance premiums has increased by more than $50 million since September 2001.

Security is a core government responsibility. But in Australia at the moment, the aviation industry funds virtually the entire protective security infrastructure at Australian airports. This includes the provision of the majority of counter terrorism response functions at our 11 largest airports.

Airport operators can recover their security costs from airlines in full. But airlines can recover only some of their security costs from passengers, otherwise they risk depressing demand for air travel.

Qantas has welcomed the recent Wheeler Report and the Government’s commitment of $200 million to fund its recommendations. But it will be important to clarify how costs will be apportioned between Government and industry. The current distribution of costs in Australia is both inequitable and frankly unsustainable. It doesn’t take into account the community’s interests in a secure aviation environment. Nor does it serve the interests of a commercially viable Australian aviation industry.

**Fuel**
Fuel. This is a major issue for us, and will be the key factor in the year ahead. Fuel expenditure in the year to June 2004 was 15 percent of Qantas total operating costs. In the year to June 2005 that figure went up to 19 percent.
This financial year, we estimate that fuel expenditure will be a massive 30 percent of our total operating costs. This financial year, we will face a rise in fuel costs of around $1.1 billion, if you take the price effect alone. We have been able to offset some of this through hedging and surcharges. However, at today’s prices, we still face a shortfall of between $400 million and $500 million this financial year compared to last. However, these numbers are constantly changing as fuel prices remain volatile. This is going to have a profound impact as we go forward.

**Strategies**
So, let me turn now to the strategies that Qantas has put in place in order to achieve our profit targets, to continue to employ many thousands of Australians in rewarding jobs and to improve returns for our shareholders.

One of Qantas’ great advantages is our business spread. Over the past two years we have reorganised to establish ten entities under three main groupings: flying, flying services and non-flying businesses. This has given more clarity about each entity’s true financial performance and cost structure. And the links between each business can generate enormous value by diversifying our earnings and strengthening the total, or network, value of the Group. Our strategy going forward is to accelerate our Sustainable Future program, grow each flying business, and capitalise on opportunities within and between our non-flying ventures.

Let me provide a little more detail on each of these.

**Sustainable Future**
Qantas’s Sustainable Future Program was established in 2003 to find savings of $1.5 billion over three years. Under the difficult new conditions we face, we need to drive our business harder to compete effectively and to achieve our profit targets. So we have doubled the target for Sustainable Future to $3 billion of savings and efficiencies over the five years to 2008.

We know there is scope to simplify our activities. For example:
- The London crew base established in February for around 400 staff will deliver a $22 million annual saving.
- We are expanding fourfold the number of popular QuickCheck self service kiosks at domestic airports.
- We have developed a centre of excellence in Sydney to achieve a competitive cost structure for the maintenance of Rolls Royce engines instead of relocating this work overseas.
- And we are lowering corporate overheads. Over the past few months, we reduced our management headcount by around 15 percent.

We are confident that accelerating the efficiency process will deliver the savings to help offset the dramatic rise in fuel costs.
Flying Businesses
We are also focusing, very importantly, on investment and growth. We cannot shrink to profitability. We must invest to meet the evolving needs of our customers, flying to the destinations they choose with the product they demand.

Since 2000, Qantas has been involved in a major commitment to new fleet, including orders for 12 Airbus A380s, six Boeing 747s, 14 A330s, 33 B737 next generation aircraft, 23 A320s and 23 Dash-8s. We will consider proposals for further new aircraft purchases, including next generation widebody aircraft for medium haul flights overseas and in Australia and, potentially, ultra long-range aircraft, in the next two months. Flexibility in our fleet will allow us to meet different customer needs while reducing operating costs.

Our investment will underpin our strategy to pursue profitable growth opportunities. During the past twelve months, we undertook a significant expansion of our international network. We added three weekly services to London via Hong Kong. We successfully introduced new services to Shanghai and Mumbai. And over the next 12 months we plan to add additional flights to London via Hong Kong, to Shanghai and to Johannesburg; new services to Beijing and San Francisco and seasonal flights to Seoul.

It has been one of the biggest ever expansions of our international operations.

Our domestic position has been strengthened by flying under our two major brands - Qantas and Jetstar. This strategy has allowed us to successfully defend our overall Group market share of 65 percent. Jetstar will build on its introduction and continue to expand in the future. The addition of another eleven A320 aircraft for Jetstar by the middle of next year will give it an all-Airbus fleet and improve its cost position. We are also evaluating opportunities for the further expansion of Jetstar internationally.

Customer service is also being upgraded and, again, innovation continues. The Business Class Skybed was launched in September 2003 and Skybed has now been fitted on all 22 of our three-class B747-400 aircraft. The rollout of Skybed on seven of our two-class B747-400 aircraft is nearing completion.

Our new QuickCheck Kiosks have been immensely popular with customers. A new domestic meal service for Business and Economy Class was launched in August last year with terrific feedback from customers. Qantas has also trialed the use of SMS check-in and is reviewing the feasibility of a wider rollout of the product.

Qantas continues to develop its network of Qantas Club lounges. A new, expanded Qantas-British Airways Business lounge was opened in Singapore in December 2004. The Auckland domestic lounge has been refurbished and enlarged. New Qantas Club and Chairman’s Lounges will be completed in Adelaide by February next year. And plans are underway for a
new joint Qantas-British Airways-Cathay Pacific First and Business Class lounge in Los Angeles.

So we are really pushing hard to deliver the kind of quality, service and consistent standards our customers demand in our flying and associated businesses.

**Non-flying businesses**

Our non-flying businesses are increasingly important to Qantas.

Freight is an example. Over the past few years, we have significantly strengthened our presence in the domestic time-definite freight market. Together with Australia Post, we jointly established Australian Air Express some years ago. Two years ago, we acquired Star Track Express, a major time-definite logistics operator. Last year, Qantas Freight carried more than 12 million articles.

**Other stakeholders**

And now….let me turn to the other stakeholders who are so vital to Qantas – our customers, our employees and the broader community.

**Customers**

I am delighted to report that Qantas has made very significant strides in recent years in raising the level of customer satisfaction.

This year Qantas performed superbly in the Annual Airline Survey conducted by the London-based research group Skytrax. This is the world’s largest airline passenger survey, with more than 12.3 million nominations from more than 90 nationalities for more than 150 airlines. It’s detailed, independent and comprehensive. Qantas was ranked Best Airline in the Australasia and the trans-Pacific categories.

And Qantas was further recognised when placed second in the overall World Airline Awards. That means that passengers all over the world rank Qantas as one of the top two global airlines. This is a great credit to Qantas, which moved up from fourth place last year.

This Skytrax recognition mirrors our own research findings. In June, Qantas’ international customer satisfaction reached the highest level since the launch of inflight surveys in February 2003. The result reflects improved overall satisfaction in both Premium and Economy cabins. Inflight surveys from aircraft fitted with Skybed consistently rank overall service as excellent. Domestic customer satisfaction is also tracking at very good levels, with significant improvements in satisfaction among our business flyers. Customer expectations of Qantas have increased, yet Qantas has met or exceeded these expectations.

Qantas was also named the world’s number one airline for Inflight Entertainment from the World Airline Entertainment Association. Qantas has received the award for Best Overall Inflight Entertainment in three of the last
four years and has also been awarded Best Inflight Magazine for two years running.

An outstanding result.

**Qantas Staff**

Which brings me to Qantas people. I want to say once again how much the Board appreciates the hard work and efforts of all Qantas staff. In an era of tremendous change they have coped superbly. The Board was delighted to sign off on a cash bonus of $1000 to each of our employees, for the second year running, in recognition of their efforts.

While confrontations and disagreements tend to garner media attention, the fact is that Qantas has a harmonious working environment. As an employer, Qantas, I believe, rates quite simply as excellent – so much so that Qantas has lower attrition rates than most other Australian companies. People join Qantas and – like George - some of them simply never want to leave. More than this, they stay in touch even when they retire. Ex-Qantas staff form part of a big, nostalgic and extended Qantas family. They regularly get together, often stay involved in the company’s charitable works and they take a passionate interest in Qantas’s progress. We welcome this.

At Qantas we have gone to great lengths to bring our staff along with us as we evolve. As I said, during the year we opened a cabin crew base in London for nearly 400 Flight Attendants. There was some strong opposition and quite a lot of publicity until the base was established. Half the staff relocated from Australia, taking advantage of an opportunity to live and work from London; the other half were recruited locally; and not one Flight Attendant in Australia lost their job as a result. Customer feedback has also been fantastic.

The Board is also very grateful to CEO Geoff Dixon and his hard working executive team. In our annual report and on our web site, we fully disclose our philosophy regarding executive remuneration. The reward amounts and contract details are also disclosed for six of our executives. Some shareholders actually wonder if we disclose too much information on remuneration – I recently received a letter from a shareholder wondering why he is subjected to so much information in the Annual Report, and remarked despairingly on the level of jargon.

I can only sympathise with the information overload, but I stress that we seek to embrace the spirit as well as the letter of good corporate governance. We are mindful of fully complying with the new requirements of disclosure – the ASX corporate governance guidelines, the requirements of ASIC, CLERP 9 and all relevant accounting standards, including AASB 1046.

**Community**

Finally, I want to talk about Qantas in the Australian community, because Qantas has been a golden thread in the fabric of Australian life for 85 years.
In good times and in bad, Qantas has always been there. In good times, we contribute an enormous amount in donations to charities, through our extensive sponsorship of Australian culture and sport, and in promoting Australia as a destination. In crises, our staff are always among the first people to offer assistance. This willingness to step up in emergencies, to hurry to the aid of Australians, is in our DNA. And it has never been more evident than in recent years, in situations including the September 11 attacks in the USA in 2001; the collapse of Ansett at around the same time which left 110,000 stranded travellers; the Bali bombings in 2002; the Boxing Day tsunami in 2004; and the recent London bombings.

What isn’t perhaps well understood is the uniqueness of each emergency event. While Qantas has outstanding crisis planning and management skills – each emergency has its own specific demands and requirements.

Last week there was another terrorist attack in Bali. Qantas was quickly there helping more than 700 Australians return to Australia. We flew in Qantas people from Sydney, Jakarta and Singapore to support our hardworking Bali staff, some of whom were directly affected by the bombings. We also flew in medical and security personnel, consular officials, aid workers and members of the Australian Federal Police. A large team of Qantas people worked behind the scenes to make sure everything worked as smoothly as possible. Once again the efficiency and compassion of Qantas staff eased the way for Australians suffering injury and trauma.

Then there was the massive tsunami that suddenly swamped South-East Asia on Boxing Day last year. Qantas immediately despatched support staff from Bangkok and Singapore to Phuket. We mounted several relief flights, the first to Phuket on 29 December, when a Boeing 767 carrying Government, private and Qantas medical teams, emergency workers, media crews and support staff took off from Sydney. Perhaps the most difficult was a B747-400 relief flight to the Maldives and Sri-Lanka on 30 December. The aircraft carried medical staff, emergency personnel, media, Qantas staff and 6 pallets of medical equipment. Qantas doctors and staff travelled the entire round trip of over 30 hours. There were immense challenges involved.

- Authorities at Male and Colombo airports would accept cash only.
- Fuel quality in both places was tainted so we had to carry enough fuel for the entire trip.
- Landing approval was denied until we sought and received the help of the Department of Foreign Affairs and Trade.
- We had to arrive in Male during daylight, because the runway lighting had been knocked out.

As you can imagine, these kinds of relief and rescue efforts require all the talent, imagination, ingenuity and persistence of Qantas people. Their capacity to respond effectively in crisis situations is truly a remarkable benefit to the whole of Australia.
And of course, Qantas doesn’t just help in crisis situations alone.

February 2005 marked the first anniversary of Qantas’ Sharing the Spirit community program. More than 80 events were held around Australia in the first year, benefitting important charities such as the Starlight Children’s Foundation, UNICEF, CARE Australia and Mission Australia.

This year Qantas made charitable cash donations totalling nearly $1.5 million. Qantas provided well in excess of $5 million of in-kind support for charitable and community concerns – donating the use of aircraft for charity flights, offering free and discounted airfares, carrying freight free of charge and assisting fundraising efforts at regional, State, national and international level.

In October last year the Qantas Cabin Crew Team celebrated its 25th anniversary of offering practical assistance to communities around the world.

Now – I’d like to introduce your Chief Executive Officer, Geoff Dixon, to say a few words.

[CEO’S ADDRESS]

Thank you Geoff.

Conclusion
Let me conclude my formal report on the performance of Qantas this year by saying that Qantas is in great shape and ready to face up to the very challenging environment ahead. We believe we have the right business structures in place; outstanding, talented and committed people; a strong financial base; and a sound and winning strategy. And we are working hard to protect and promote the interests of all our stakeholders – you our shareholders, our customers, and our staff, as well as the broader community.