



Annual General Meeting – 21 October 2009 Chairman's Address

Introduction

On behalf of the Board of Qantas, a warm welcome to you all. Welcome also to those following proceedings online.

Solid Aviation Performance

We all know that operating conditions have been very difficult.

Therefore, I'm pleased to tell you that your Qantas Group remains profitable, financially strong, and well-positioned to seize opportunities when conditions improve.

In 2008/09 the Qantas Group delivered a profit before tax of \$181 million.

This was a drop of 87 per cent compared to the prior record year, but still a standout performance among world airlines.

Total revenue for the year was \$14.6 billion and operating cash flow was \$1.1 billion.

Before I go further I would like to introduce your Board of Directors.

Seated with me are:

- Chief Executive Officer Alan Joyce;
- Chief Financial Officer Colin Storrie; and
- Company Secretary Cassandra Hamlin.

Seated in front of you, from your right are:

- General Peter Cosgrove;
- Patricia Cross;
- Richard Goodmanson;
- Garry Hounsell, Chairman of the Audit Committee;
- Paul Rayner;
- John Schubert, Chairman of the Safety Environment and Security Committee;
- James Strong, Chairman of the Remuneration Committee; and
- Barbara Ward.

You will find biographies of each Director in our Annual Report and online at qantas.com.

Because of the importance of this matter, and the understandable interest, James Strong will be speaking to you separately on remuneration.

Also, James will be seeking your support for re-election today, along with Peter Cosgrove and Garry Hounsell.

Unprecedented Global Context

2008/2009 was more than just a challenging year: it was a dreadful year for the global economy.

During the second half of the year, the impact of the downturn caused a sudden and ongoing contraction in global aviation demand, yields and capacity.

The impact in Asia, particularly for us in Japan, was compounded by the 'flu virus.

Industrial action by Qantas engineers cost us around \$130 million, and created a maintenance backlog that damaged punctuality and hurt our reputation.

Our Reputation Restored

But I am pleased to say that, due to the hard work of Qantas people, on-time performance is back to industry leading standards.

In fact, Qantas achieved a new all-time high for customer satisfaction this August, an outstanding result.

Decisive Qantas Group Response

In response to the downturn, the Qantas Group reacted promptly and decisively.

A robust operating cashflow was maintained with vigorous sales promotions, consolidating flights, and switching capacity on some routes to Jetstar.

Group liquidity was increased with \$3.4 billion of new funding and future debt facilities, including a \$514 million capital raising. At the end of the year cash held by the Group was \$3.6 billion compared to \$2.6 billion in the prior year.

The capital expenditure pipeline was restructured, with aircraft valued at US\$7.9 billion deferred or cancelled over the next four years.

The cost base was adjusted with capacity reductions; grounding or reducing the utilisation of aircraft; and working with suppliers to identify savings.

In addition to these measures, 590 management positions were removed, and executive pay frozen. The equivalent of a further 1,250 full time positions are being removed in line with capacity reductions.

Frequent Flyer Grows

A highlight of the year was the strong result produced by the Frequent Flyer business.

With the successful launch of the new Woolworths alliance, Qantas Frequent Flyer has now passed 6 million members and more than 400 partners.

The Qantas Frequent Flyer program is of significant strategic benefit to the Group, and there will be no public offering.

With the interim dividend of 6 cents per share, Qantas paid out 100 per cent of profit after tax.

Under present circumstances the Board considers it prudent not to pay a final dividend this year.

But we do recognise the importance of dividends to you, our shareholders. We will be making every effort to resume dividend payments. The timing of this will be assessed against ongoing earnings performance and our capital requirements.

Safety is Number One

A few words on safety. I want to assure you that no matter what adjustments we have made in response to the downturn, there will never be any compromise on safety. Safety is number one for the Qantas Group.

There has been a lot of misrepresentation about our maintenance practices. This has sometimes led to an implication that our standards have slipped.

But the fact remains that over 80 per cent of all Qantas aircraft heavy maintenance is carried out here in Australia, as has been the case for many years.

When we use overseas facilities, they are first class, and subject to supervision by our own people and in accordance with Australian regulations.

Next year, we expect that over 90 per cent of aircraft heavy maintenance will be conducted in Australia.

After some sensible discussions with our employees we will now be conducting heavy maintenance work on the A330 fleet in Brisbane thereby securing more than 500 jobs.

A Qantas centre of engineering excellence has also been established at Tamworth, where the new generation Q400 regional fleet will be maintained, together with the Q200s and Q300s

In 2008/09 no fewer than 66 engineering apprentices graduated from their four year training program. One hundred more apprentices will be recruited next year, bringing the total to 386.

Great People

Over the year the Group has executed significant change in its senior management.

Our new CEO Alan Joyce has built around him a first rate leadership team.

The team has shown great resolve and judgement in addressing the current difficult circumstances.

I would also like to acknowledge the hard work of all Qantas Group employees throughout the year.

And I want to thank you, our owners, for your continuing support.

Uncertain Outlook

The global economic outlook remains uncertain.

We are seeing some encouraging signs and certainly no further deterioration.

The Qantas Group is well-positioned to withstand this period of downturn with the strengths of its two flying brands, strong management, and dedicated people.

And the Group will be ready to emerge strongly, and seize the opportunities when conditions improve.