



Annual General Meeting – 29 October 2010 Chairman's Address

Introduction

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

Good Aviation Performance

Back in 2008/2009 the Qantas Group stood out in the global aviation sector by recording a profit, due to its effective response to the global financial crisis.

In 2009/2010, that Qantas Group trebled that result and delivered an underlying profit before tax of \$377 million.

Not enough I agree, but a good performance – and it lays the groundwork for continuing and sustainable success.

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

Seated with me are:

- Chief Executive Officer Alan Joyce;
- 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;
- James Strong, Chairman of the Remuneration Committee; and
- Barbara Ward.

Unfortunately John Schubert, Chairman of the Safety, Health, Environment and Security Committee, is unwell so was unable to travel from Sydney to be with us today.

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

James Strong will be speaking to you separately on remuneration.

Highlights of the Year

I'd like to take you through some of the highlights of the 2009/2010 year.

The Qantas domestic performance was robust.

The Qantas international business improved significantly, despite global economic uncertainty, and the financial impact of the volcanic ash disruptions.

Jetstar achieved a record profit, growing passenger revenue by 21 per cent. It continued to expand rapidly, increasing international capacity by 50 per cent.

Qantas Frequent Flyer made an important contribution, benefiting from its strengthened relationships, most notably with the Woolworths Group. It reached a loyalty membership of 7.2 million people, or a third of the total Australian population.

Significant progress was made with the QFuture initiative, which is the Qantas business transformation program. During the year \$533 million in savings were achieved, an above-target performance.

The Qantas Group is financially strong, with cash holdings of \$3.7 billion on 30 June, increased operating cash flow, and the highest credit rating of any airline in the world.

Punctuality

A major highlight of the year was Qantas achieving its best punctuality in 15 years for both domestic departures and arrivals. And Qantas achieved its best international punctuality for nine years.

This is an industry-leading result. It is very important because of the positive impact that timeliness has on customer satisfaction, particularly among business passengers.

Volcanic Ash Crisis

Aviation often throws up the unexpected. But no-one was expecting a volcanic ash-cloud, emanating from Iceland, that drifted across northern European skies, halting aviation and stifling economic activity.

For Qantas, it shut down European services for six days and affected 15,000 customers.

I want to acknowledge the outstanding performance by Qantas people who converted a difficult situation into an opportunity to demonstrate the best of Qantas.

As always, Qantas put safety first. Qantas experts monitored the situation carefully, and flights were not resumed until there was full confidence it was safe to do so.

In the meantime, customer care was of the highest quality, with Qantas providing over 15,000 room nights in more than 50 hotels, across six countries.

Feedback from Qantas customers was that we exceeded their expectations, giving a tangible demonstration of our priority commitment to safety and customer care. Well done to all.

Fleet Renewal

Central to aviation success is fleet renewal.

Last year the Qantas Group operated a fleet of 250 aircraft plus four dedicated freighters, with a combined average age of less than ten years.

The Group has a major program of fleet renewal underway.

A younger fleet, composed of the world's most high-tech aircraft, will drive improvements in safety, passenger comfort, cost, fuel-efficiency, noise, emissions and range capability.

The Group has 158 aircraft on order, that's an average of more than one delivery per month planned for the next eight years.

Our flagship A380 fleet will grow to 20 over the next five years, with 10 in service by the beginning of 2011.

And the Group is the second largest airline customer for the B787, with the first of these next generation aircraft due to arrive in mid-2012, to be deployed on Jetstar international operations.

Operating Context

Let me now turn to the operating context.

Globally we are seeing a recovery and that is flowing through to our international business. But it is early days and it is patchy. There remain challenges for two of our biggest markets, the US and the UK.

Domestically Qantas has an unrivalled network connecting the major cities and regional and rural Australia. Here too the recovery is underway. The business market is certainly returning, while the leisure market has been affected by significant capacity increases.

While the Australian dollar's strength has a positive impact on the Group's US dollar costs, this has been partially offset by a fall in the value of foreign currency revenues and the increases in fuel prices of late. A strong Australian dollar also has an impact on inbound and outbound travel patterns.

Dividend

I'd like to say a few words about the Board's approach to a dividend.

The Board believes in paying a dividend to shareholders whenever possible. This year careful consideration was given to this matter.

Over the coming period the Qantas Group will need to service its very high capital requirements, including in fleet renewal, and retaining a high credit rating remains a priority.

With this in mind, the Board decided not to pay an interim or final dividend in 2009/2010 and future dividends will need to be assessed against ongoing earnings performance and capital requirements.

90 Years of Qantas People

On 16 November Qantas will celebrate 90 years as a great Australian enterprise. It's a wonderful milestone.

And on behalf of all the Board members, I want thank all Qantas Group people for their efforts through the year – and indeed, every year.

I travel a lot, and I see their skill and dedication at first hand. They can take pride in all their achievements.

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