Annual General Meeting – 23 October 2015
Chairman's Address

Welcome to the 2015 Qantas Annual General Meeting, and thank you for making the effort to be here.

On behalf of the Board I'd first like to acknowledge the traditional owners of the land on which we meet, the Noongar people and pay my respects to elders past and present.

It's good to be holding this year's meeting in Perth. Western Australia has a big role in our economy and it's a vital part of the Qantas Group's network. We're absolutely committed to doing what we can to make sure WA continues to be a standout economy for years to come, while responding to changes in market demand.

Before we begin, let me introduce your Board of Directors. From the far right:

- Bill Meaney;
- Barbara Ward, Chair of the Audit Committee;
- Todd Sampson, appointed to the Board in February this year;
- Jacqueline Hey;
- Chief Executive Officer, Alan Joyce;
- Company Secretary, Andrew Finch;
- Richard Goodmanson, Chair of the Safety, Health, Environment and Security Committee;
- Maxine Brenner; and
- Paul Rayner, Chair of the Remuneration Committee.

I would especially like to welcome Todd Sampson to his first Qantas AGM. Todd is one of Australia's foremost brand and marketing experts, and brings great value and expertise to the Board.

It's also appropriate to acknowledge the contribution of Garry Hounsell, who retired from the Board in February, after 10 years as a Director. Garry provided invaluable counsel through a significant period of change in Qantas' recent history.

I'd like to begin with a brief overview of the Group's performance and priorities. I will then hand over to Alan, who will add some comments.

After Alan has spoken, we will move on to the formal business of the meeting.

At the conclusion of the meeting I invite you to join us for light refreshments.

A Strong Performance

The Qantas Group performed strongly in financial year 2015 - achieving its best result since before the 2008 Global Financial Crisis and its best second half result on record. The key components of the result were:

- an underlying profit before tax of $975 million;
- a statutory profit after tax of $560 million;
- return on invested capital of 16 per cent; and
- earnings per share of 25.4 cents.

Rapid progress with the Qantas Transformation program drove a $1.6 billion turnaround in underlying profit compared with financial year 2014. This was made up of significant profit contributions from all segments of the Group.

Prudent financial management enabled the Group to maximise the benefits of improved operating conditions and strengthen its financial position significantly.

By hedging the Group's fuel exposure effectively, we received greater benefits from a lower oil price than many of our competitors.

At the same time, management took steps to pay down debt, diversify sources of liquidity and lower the Group's cost of capital.

Not only is Qantas today a more efficient, productive and focused business – it is earning record customer satisfaction in the domestic and international markets.

That is a remarkable achievement for a business pursuing change on such a large scale. It reflects management's commitment to putting customers first throughout this ongoing transformation program.

A Credit to Qantas Employees

It also reflects the hard work of our people – and I'd like to take this opportunity to pay special tribute to the Group's 30,000 employees.

They have worked hard, made sacrifices and shown tremendous commitment to building a strong future for a great company.

Their effort was rightly recognised with a one-off bonus payment for employee groups that agreed to an 18-month pay freeze as part of their EBA. These payments are worth a total of $90 million.

Eligible employees also shared in a further $10 million in Qantas Group travel vouchers – totalling $400 for each employee – to recognise their contribution to our strong FY15 result.

Capital Management

I would also like to thank you, our shareholders. You have been patient and supportive through a period of necessary transformation and tough external conditions.

We are delighted that the Group's performance has enabled us to propose a shareholder distribution in the form of a $505 million capital return.

If resolutions 5 and 6 are passed today, all shareholders will receive 23 cents per share they hold as recorded on the register on October 29th. The cash payment will be made on November 6th.

In evaluating various options for returning surplus capital to shareholders, given the low level of available franking credits, the Board considered the merits of a capital return versus a share buyback.

On balance, given the highly tax efficient treatment, the Board decided to proceed with a capital return to provide an immediate cash return to all shareholders.

Given a buyback would have been EPS accretive, a related share consolidation was employed to provide a similar outcome.

The share consolidation does not affect the value of the company nor your proportionate share in the company. It is expected to provide the same level of EPS accretion as an equivalent sized share buyback.

We will come back to this matter later in the meeting.

But let me take a few moments to explain the three-pillars that the Board uses to guide its capital management decisions.

Pillar one is maintaining an optimal capital structure to minimise the Group's cost of capital. We returned to this optimal structure in financial year 2015, having paid down $1.1 billion in debt as part of the Qantas transformation program.

Pillar two is achieving a return on invested capital, or ROIC, above the Group's weighted average cost of capital, through the cycle. To ensure this, we target ROIC above 10 per cent. Again, we met this target in financial year 2015, with ROIC of 16 per cent.

Pillar three is the disciplined allocation of capital. The Group has set out plans for disciplined growth in invested capital through to financial year 2019. With the current operating environment and performance of the business – and barring any significant unforeseen event - it is anticipated there will be surplus capital available to return to shareholders.

Going forward, the Board will continue to assess shareholder distributions alongside the need to remain within the Group's optimal capital structure and invest in the future. As always, our decisions will have regard to the Group's performance, growth opportunities and the market outlook.

I should reiterate that Board decisions on capital distributions are made at balance sheet events – namely, half and full year results. So, I have no 'new news' for you today in that regard.

There is positive momentum at the moment, and while Qantas operates in a tough and highly competitive market, our portfolio strategy, transformation program, and disciplined hedging approach are all designed to deal with volatility and make Qantas sustainably profitable.

Let me say again how pleased we are that the Group's Transformation program and the momentum of earnings have enabled us to make the shareholder distribution through the proposed capital return that you will vote on today.

95 years of innovation

The turnaround of Qantas coincides with an important milestone.

Next month marks 95 years since the company was founded in outback Queensland.

Those first flights carried one pilot, two passengers and some mail.

We now carry around 50 million people to more than 200 destinations around the world.

This anniversary is a remarkable milestone for a remarkable company – made possible by our people, our customers and, of course, our shareholders.

It's also been made possible through a long history of innovation, reinvention and transformation.

These same principles still guide us – and continue to create a platform for us to deliver long term shareholder value.

I'll now invite Alan to make some comments.
