Building a stronger Qantas
The Qantas Group faces a unique range of challenges and opportunities.

We are in a strong position to address the challenges and realise the opportunities – but we must take decisive action, as we have throughout our history.
SAFETY IS ALWAYS THE Qantas Group’s FIRST PRIORITY

WE INVEST $1.5 BILLION IN AIRCRAFT MAINTENANCE EACH YEAR

SAFETY FIRST

From our response to the QF32 incident to the risks posed by volcanic ash disruptions, we never compromise on the highest standards of safety. A safety-first culture across the Group ensures that risks are identified and addressed swiftly and decisively. We invest millions of dollars in training to ensure that when incidents do occur our people react calmly under pressure. Nothing is more important to us than the safety of our customers and our employees.
THE QANTAS GROUP
FACES NEW CHALLENGES AND NEW OPPORTUNITIES

COMPETITIVENESS AND SUSTAINABILITY

The Asia-Pacific is now the world’s fastest-growing region for air travel demand. The low-cost carrier revolution continues at pace. New political and regulatory factors are emerging. In this environment it is vital that the Qantas Group takes the necessary steps to maximise productivity and competitiveness, renew aircraft and technology, meet customer needs, realise growth opportunities and enshrine business resilience.
QANTAS HAS SERVED THE AUSTRALIAN COMMUNITY – AND CONNECTED AUSTRALIA TO THE WORLD – FOR 90 YEARS

QANTAS IN THE AUSTRALIAN COMMUNITY

From regional Queensland and the mining towns of Western Australia to global commerce hubs in Australia, Asia, Europe and the United States, Qantas is integral to the Australian community and economy. We are proud representatives of contemporary Australia overseas but we never forget our history.
AS A GLOBAL INDUSTRY, AVIATION IS MORE EXPOSED THAN ALMOST ANY OTHER SECTOR TO UNPREDICTABLE SHOCKS

BUSINESS RESILIENCE
RESPONDING TO SHOCKS AND CRISIS

Natural disasters, political instability and global economic volatility all have an impact on industry performance and profitability. The Qantas Group builds business resilience and crisis management into strategic planning, enabling us to respond quickly when the unexpected happens.
AUSTRALIA IS LOCATED WITHIN THE FASTEST GROWING ECONOMIC ZONE IN THE WORLD

NEW REALITIES, NEW OPPORTUNITIES – THE GROWTH OF ASIA

If it is to grow and thrive – and continue driving economic activity in Australia – the Qantas Group must capitalise on the opportunities Asia presents. Sitting back while our competitors act is not an option. Our strong portfolio positions us well to represent the best of Australia in Asia.
Qantas – Celebrating
90 Years of Excellence

In November 2010 Qantas celebrated 90 years of continuous service to the Australian and international communities.

It was an opportunity to honour the achievements of Qantas people throughout the airline’s history and recognise the contribution of current employees.

From its earliest days in the inter-war period to the advent of the jet age and the current era of the Airbus A380, Qantas has always been committed to the highest standards of safety, to innovation and new technology, to providing jobs and caring for customers, and to making a positive contribution to Australia. It was that dedication to excellence, and sense of family and community, that we celebrated last November.

At roadshows in Qantas ports across Australia, Qantas employees and their friends and families hosted and enjoyed aircraft displays and entertainment, while Qantas Ambassador-at-Large John Travolta made a visit to Australia in his personal Boeing 707 in historic Qantas livery.

A spectacular gala dinner for VIP guests took place in Qantas’ A380 hangar, with food and drink by Neil Perry, a fashion show featuring Jennifer Hawkins and performances by Megan Washington and Lisa Gerrard.

The backdrop of the world’s most advanced aircraft was a reminder that, in order to continue Qantas’ rich history through to our 100th anniversary and beyond, we must remain focused on forward thinking, on world-class safety, performance and service, and on representing the best of Australia at home and overseas.
Chairman’s Report

In 2010/2011 the Qantas Group performed well despite a complex and challenging global operating environment.

I am pleased to report a strong result for the Qantas Group during 2010/2011, with a 46 per cent improvement in Underlying Profit Before Tax (Underlying PBT) over the prior financial year.

Highlights
- Underlying PBT: $552 million
- Statutory Profit After Tax: $249 million
- Operating cash flow: $1.8 billion
- Cash held: $3.5 billion
- Revenue growth: 8 per cent

Global and Australian context

This result is very pleasing given the complex operating conditions faced by the Group. Escalating fuel prices and broader global uncertainty were mitigated by the strengths of the Australian economy. The result would have been even stronger were it not for a series of natural disasters and major weather events. These included severe flooding and Cyclone Yasi in Queensland, the Christchurch earthquake, and the earthquake and tsunami in Japan. In June 2011 an ash cloud from Chile’s Puyehue-Cordon Caulle volcano caused widespread disruption to Australian airspace, forcing the cancellation of thousands of Qantas and Jetstar flights. These events cost the Group $224 million.

Natural disasters and weather disruptions are unavoidable in aviation, but the frequency and severity of these recent events have been notable. The Qantas Group used its advanced crisis management skills to respond effectively to these events, with customer safety and welfare at the forefront of its efforts.

Airbus A380 Incident

On 4 November 2010 Qantas Flight 32, operated by an Airbus A380, experienced the uncontained failure of a Rolls-Royce Trent 900 engine en route from Singapore to Sydney.

Led calmly by Captain Richard De Crespigny and Customer Service Manager Michael Von Reth, the crew on board responded magnificently, and the aircraft was returned safely to Singapore.

Due to the gravity of the incident, Qantas management elected to ground the entire Qantas A380 fleet until it was fully confident that it was safe to fly. The fleet resumed operations on 27 November 2010.

In June 2011 Qantas announced a $95 million settlement with Rolls-Royce relating to the disruptions caused by the incident. The repair and related costs to return the aircraft to service, estimated at US$145 million, are separately covered by insurance and existing agreements with Rolls-Royce.

With its response to the A380 incident, Qantas once again demonstrated an unwavering commitment to safety and customer welfare was evident in everything from the millions of dollars invested in the training which underpinned the flight crew’s management of the incident, to the emergency response of the organisation, and to the care for customers affected right across the network.

Qantas CEO Alan Joyce was unstinting in his efforts to ensure that all customers and stakeholders remained fully informed throughout the incident and aftermath.

People

This year we witnessed the superb response of Qantas professionals during a crisis situation. But every single day Qantas Group airlines carry thousands of passengers safely to their destinations.

I want to thank all Qantas employees for their tireless efforts during the year. They represent the Australian spirit at its finest.

Outlook

The general operating environment is challenging and extremely volatile. Capacity and yield are expected to grow in the first half of 2011/2012, but fuel costs will also rise. Fuel surcharges, fare increases and hedging are unlikely to fully offset this cost increase.

With considerable uncertainty in global economic conditions, fuel prices, foreign exchange rates and the industrial relations environment, it is vital that the Group continues to manage capital effectively. The Group is embarking on a strategic renewal program that is essential to ongoing growth and success, and must allocate capital to business areas that deliver sustainable returns in order to maintain earnings and profitability.

Dividend

The Board considered it prudent not to pay an interim or final dividend in 2010/2011, and will review the potential for future dividends against the Group’s funding requirements, the need to maintain an investment-grade credit rating and overall operating conditions.

LEIGH CLIFFORD AO
$14.9bn
Revenue

$552m
Underlying Profit Before Tax
This year’s strong financial performance reflects the power of the Qantas Group’s portfolio strategy.
All segments of the Qantas Group were profitable, with the combination of Qantas, Jetstar, Qantas Frequent Flyer and Qantas Freight enabling us to deliver our best performance since the Global Financial Crisis. The flexibility to generate revenue from different parts of the business and different market sectors has proved to be a major asset. We have reported a substantially improved result for Qantas driven by our domestic and regional businesses, continued revenue growth and record results for Jetstar and Qantas Frequent Flyer.

**Fleet**

During the year the Qantas Group fleet expanded by 29 aircraft to a total of 283 at 30 June 2011, driven primarily by significant Jetstar growth and the acquisition of the Network Aviation business.

**Qantas**

Qantas Airlines recorded Underlying Earnings Before Interest and Tax (Underlying EBIT) of $228 million, compared with $67 million in the prior year. During the year Qantas continued to invest on behalf of our customers. We rolled out faster, smarter check-in to all major cities and selected regional airports. We continued to deliver superior on-time performance in the domestic market. We launched direct flights from Sydney to Dallas/Fort Worth, based on a strengthened partnership with American Airlines, creating a new gateway into North America for travelling Australians. We undertook a comprehensive review of loss-making Qantas International, with the objective of turning around the business and positioning it for a strong and viable future. The review was predicated upon Qantas continuing to be Australia’s leading premium international airline, a strengthened focus on alliances, removing capital from non-performing parts of the business, and participation in the Asian market opportunity.

**Jetstar**

Jetstar achieved a record Underlying EBIT of $169 million, up 29 per cent on the prior year. Since launching in 2004 as a domestic low-fares subsidiary of the Qantas Group, Jetstar has undergone a major transformation. It is now one of the leading pan-Asian low-cost carriers, flying both short and long-haul services with operations based in Australia, New Zealand, Singapore and Vietnam. Jetstar continued its investment in innovations for customers, including airport self-service technology, and preparations for the introduction of iPads as an inflight entertainment option. More than 50,000 Jetstar MasterCards have now been issued.

**Qantas Frequent Flyer**

Qantas Frequent Flyer increased Underlying EBIT to $342 million, a record result. It is Australia’s leading loyalty program and continued to bring on board new partners and launch new initiatives to enhance the value it delivers to its 8 million members.

The business continued to deliver strong and stable cash earnings, contributing strongly to the Qantas brand portfolio, and positioning Qantas as an aviation leader in loyalty programs.

**Qantas Freight**

Qantas Freight Enterprises also delivered an improved performance, with Underlying EBIT of $62 million up 48 per cent on the prior year, reflecting the continuing recovery in the air cargo market.

**Looking ahead**

No other airline in the world but Qantas can say it has operated continuously for more than 90 years, flying each and every year since 1920. That is something for all Australians to be proud of. And it has a lot to do with being Australian.

Qantas has been part of the great opening of Australia, and in many ways Qantas has made it possible: by building a global reputation for safety, by staying at the leading edge of aviation technology, by assuring Australians they can always count on us for help, and by creating the best network in Australia, linking rural and regional towns to the great cities of the world.

The Qantas Group has always changed and evolved in order to stay successful, and over the coming years it will continue to do so. With our two strong and complementary airline brands we will increasingly be looking to participate in regional and global opportunities. That is how we can strengthen our business, attract and reward our customers, and deliver for shareholders.

But some things about Qantas will never change.

We will always be an Australian company, owned by Australians, with the vast majority of our operations based in Australia.

We will always call Australia home.

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**283**

Aircraft in the Qantas Group fleet

**$249m**

Statutory Profit After Tax
Financial Performance
In 2010/2011 the Qantas Group reported a strong result despite a number of significant challenges, with all segments of the Group profitable.

Underlying PBT was $552 million, up 46 per cent on 2009/2010. The result was achieved through improvements in earnings across all operating segments and despite the $224 million financial impact of natural disasters and over $200 million of ongoing losses in Qantas’ international business.

Both Jetstar and Qantas Frequent Flyer recorded record profits and there were improved results for Qantas and Qantas Freight. At a Group level, revenue was up 8 per cent to $14.9 billion.

Operating cash flow was $1.8 billion, a 32 per cent increase, and cash held was $3.5 billion. Statutory profit after tax grew 115 per cent to $249 million.

A comprehensive review of Qantas International has developed a new strategy to restore the business to competitiveness and profitability based on the following strategic priorities:
- Opening gateways to the world
- Growing with Asia
- Being best for global travellers
- Building a strong, viable business


With a balanced portfolio of business and investments, the Qantas Group remains well-positioned to capitalise on growth opportunities and continue to improve the network, product and service it offers customers.

<table>
<thead>
<tr>
<th>$552m</th>
<th>$14.9bn</th>
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<tr>
<td>Underlying PBT</td>
<td>Revenue</td>
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<tr>
<td>$1.8bn</td>
<td>$3.5bn</td>
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<tr>
<td>Operating Cash Flow</td>
<td>Cash Held</td>
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### Underlying Profit Before Tax* ($m)

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<th>Year</th>
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<td></td>
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*Figures for 2007-2009 are approximations based on Statutory PBT.

### Revenue ($m)

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### Operating Cash Flow ($m)

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<td>1,351</td>
<td>1,782</td>
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### Cash Held ($m)

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<tr>
<th>Year</th>
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<td>2,599</td>
<td>3,617</td>
<td>3,704</td>
<td>3,496</td>
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</table>
Sustainable Operations
Sustainability at the Qantas Group is based on strategic forward thinking, operational and financial resilience, environmental responsibility and engagement with customers, communities and employees. It is embedded in the Group’s overall business strategy.

Managing shocks and disruptions
The Qantas Group never compromises on safety. Safety is overseen at Board level and enshrined in the Qantas Management System. A focus on operational resilience – including a dedicated crisis management centre – ensures we can respond swiftly to, and recover effectively from, unexpected shocks and major disruptions. A security assurance program and threat assessment capabilities address risks such as crime, terrorism, border control issues and fraud.

Forward thinking
The Qantas Group invests in fleet renewal to meet customer demand, reduce operating costs, grow capacity and support new ventures. Next-generation aircraft offer a better flying experience for customers and greater fuel efficiency. Our fleet strategy is based on the allocation of capital to business areas that deliver sustainable returns. We have a history of being a ‘first mover’ in adopting new aircraft models, such as the Airbus A380 and Boeing 787, while maintaining prudent financial management.

Care and loyalty
Caring for customers, on the ground and in the air, is a major priority. We invest strongly in training for our people, and in our airports, aircraft and added-value services. Our aim is to turn our customers into advocates for our brand and to earn their loyalty to the Qantas Group. Delivering on-time performance, looking after passengers during disruptions, bringing new aircraft into service, and rewarding Qantas Frequent Flyers are all part of our responsibility for customer care. We listen closely to what our customers tell us to ensure that we can respond appropriately.
Fuel efficiency and emissions reduction
With increasing regulation of aviation emissions through carbon pricing policies, fuel efficiency and reducing emissions are financial as well as environmental imperatives. The Qantas Group has an active fuel optimisation program, invests heavily in fleet renewal and new technology, is seeking the commercialisation of sustainable aviation fuels in Australia and encourages employees and customers to contribute to environmental goals.

Good corporate citizenship
The Qantas Group is not just a provider of air services, it is a major driver of economic activity in Australia and a responsible member of the Australian community. We engage constructively with the Australian Government and its regulatory authorities on policy issues affecting the Group. Developing human capital is a major priority, with leadership and talent programs for our emerging leaders and a vibrant engineering apprenticeship program. We work with many charities and community organisations to effect positive social and environmental change.

Environment

Engagement

SUSTAINABILITY REPORTING

This page gives an overview of the Group’s approach to sustainability. Key sustainability statistics and notes can be found on pages 110 to 119 of the Annual Report, and comprehensive Environment, Social and Governance (ESG) disclosures can be found in the Qantas Data Book, available from qantas.com.

The Group’s sustainability credentials include:

- Best ESG disclosure by an Australasian Company at the 2010 Australasian Investor Relations Association awards
- One of only four airlines in the Dow Jones Sustainability Index series
- One of only seven airlines in the FTSE4Good Index and the only airline included in the FTSE4Good Australia 30 Index
- Scored 97 out of 100 in the Travel and Leisure sector by the FTSE4Good ESG ratings
- Listed in the 2010 Carbon Disclosure Project Leadership Index for Australia and New Zealand
- The only industrial company included in the Carbon Performance Leaders list
SAFETY IS THE QANTAS GROUP’S FIRST PRIORITY

THE QANTAS GROUP ALWAYS PUTS SAFETY BEFORE SCHEDULE
Overseen by a dedicated Board committee, our shared commitment to safety is underpinned by an integrated Group Management System Standard and robust governance structures. All employees are bound by mandatory safety policies and procedures and Qantas continues to invest heavily in safety to maintain the standards that we expect of ourselves and that our customers demand.

During 2010/2011 the resilience of the Group’s safety management systems was tested by the uncontained failure of a Rolls-Royce engine on our flagship Airbus A380 aircraft and an unprecedented number of natural disasters that impacted the network and our customers. The safety of our customers, employees and aircraft is our most important consideration during such crises. Qantas always prioritises safety over commercial benefit.

Qantas’ maintenance capability is world-class. Each year Qantas spends $1.5 billion on maintenance and invests $55 million in engineering training. Qantas Engineering holds regulatory approval from the Civil Aviation Safety Authority (CASA) and a number of other international regulatory bodies including the United States Federal Aviation Administration and the European Aviation Safety Agency.

Qantas and Jetstar hold the International Air Transport Association (IATA) Operational Safety Audit certification. This certification, among others, requires Qantas to be subject to frequent external audits and assessed against stringent standards. In addition, comprehensive internal audit programs underpin ongoing compliance and oversight of safety performance.

Significant investment in initial and recurrent training for operational personnel, as well as the latest technology, ensures that our processes reflect changes in the aviation industry while maintaining the highest standards of performance, safety and health.

Qantas is represented in a number of industry forums relevant to safety, including the working group developing the International Civil Aviation Organisation’s guidelines on volcanic ash.
The Qantas Group believes in caring for employees and providing safe workplace environments.

**Occupational health and safety**
The Qantas Group is committed to caring for employees and providing a safe workplace environment. Safety and health programs across the business work towards the prevention of workplace injuries and the promotion of health and well-being.

The Qantas Group achieved an 85 per cent reduction in the Lost Time Injury Frequency Rate (LTIFR) between 2001 and 2010. In 2010/2011 the Qantas Group implemented two new measures of injury prevention performance: Total Recordable Injury Frequency Rate (TRIFR) and Lost Work Case Frequency Rate (LWCFR). These new measures have encouraged an even greater focus on injury prevention and improved visibility of workplace incidents. An improvement of 15 per cent in TRIFR and 3 per cent in LWCFR were recorded during the year.

**Security**
The Qantas Group works closely with federal, state and overseas government authorities, airports, partners and suppliers to protect the security of our operations and customers. Our security policies and personnel comply with all relevant government regulations and we take part in a number of peak industry forums focused on security best-practice.

Detailed risk assessments are applied to new ventures and potential operational risks, from route launches to political unrest, while Qantas Group events are safeguarded by carefully planned security operations. Security is also an integral consideration when new technologies are introduced.

**Customer health and safety**
The Qantas Group is committed to customers’ well-being and comfort on board. As well as industry-leading product and service, we offer a number of services to ensure specific passenger needs are met. These include:
- A meet and assist service for passengers with special needs
- Mobility assistance, including services for the vision and hearing impaired
- Provision for service dogs
- Inflight information on safe and healthy travelling
- Medical repatriation, stretchers, medical escorts and special equipment requirements
- Online information on medical conditions and applicable clearances that may be required

Qantas Group crew are trained to provide medical assistance and both Qantas and Jetstar aircraft can access clinical advice via satellite phone if required.
While the uncontained engine failure experienced by the Qantas Airbus A380 operating QF32 on 4 November was a serious incident, it was handled with exemplary skill by the flight crew operating the aircraft. Their calm response in unprecedented circumstances, as well as that of the cabin crew and ground staff in Singapore, earned widespread recognition both within Qantas and internationally.

Qantas’ subsequent actions were decisive: we grounded our A380 fleet, carried out a comprehensive engine inspection and replacement program and did not return the aircraft to service until we, our manufacturers and our regulators were satisfied that it was completely safe to do so. The cause of the incident was determined by the Australian Transport Safety Bureau to be an engine manufacturing fault.

Qantas’ A380 fleet has grown to 10 aircraft during 2011, and customer and employee feedback about the aircraft remains outstanding.

The flight crew – Richard De Crespigny, Matt Hicks, Mark Johnson, David Evans and Harry Wubben – and the cabin crew – led by customer service manager Michael Von Reth – were recognised by Leigh Clifford AO with the annual Chairman’s Award in honour of the skill, composure and commitment to safety and customer care they displayed on 4 November 2010.
STRONG COMPLEMENTARY BRANDS

THE QANTAS GROUP’S BRAND PORTFOLIO
This depth and resilience of the portfolio saw the Group withstand the significant cost effects of escalating fuel prices and a series of natural disasters to report a strong profit.

Qantas is one of the world’s most respected full-service carriers, with an outstanding reputation for safety, customer service and technical innovation. Jetstar has expanded rapidly since its launch in 2004. It is well-established as a major Australian carrier, with domestic businesses in New Zealand and Vietnam, and the pan-Asian airline Jetstar Asia in Singapore.

Qantas Frequent Flyer membership now numbers a third of the Australian population. With a wide and growing range of partners, the program rewards existing customers, attracts new ones and generates significant revenue for the Group. Qantas Freight Enterprises taps into the breadth and depth of the Qantas network and supplements it with wet-lease freighter operations. We maintain a strategic 29 per cent stake in the Australian travel industry following the merger of Stella Travel Services and Jetset Travelworld Group.

The performance of Qantas Frequent Flyer and Jetstar helped to sustain profitability during the Global Financial Crisis, and consistent investment in domestic product and service has secured Qantas’ leadership in the premium domestic market despite new competitive challenges. Jetstar Asia has helped the Qantas Group participate substantively in the massive expansion of leisure travel demand in the world’s fastest-growing region. The QFuture business transformation program is targeting $1.5 billion in cost efficiencies over three years and delivered $470 million in benefits in 2010/2011.

The weak spot in the Qantas Group portfolio is Qantas International, a world-class airline that does not recover its cost of capital and has increasingly been subsidised by Qantas Domestic, Jetstar and Qantas Frequent Flyer. In February 2011, we initiated a full review of Qantas’ international operations to identify and address weaknesses and develop a new strategy to restore growth and profits. This will involve fundamental reform of the way the Qantas Group does business in global markets.

Two brand strategy
The Qantas Group’s strong portfolio of businesses, led by the two flying brands Qantas and Jetstar, gives us a natural hedge against economic downturns and the flexibility to pursue opportunities in Australia and internationally.
During 2010/2011 Qantas consolidated its leading position in the full-service domestic market.

This was achieved through a combination of product and service investment, consistent on-time performance and measured capacity expansion.

A highlight of the year was the introduction of our faster, smarter check-in system across Qantas’ major domestic ports. The technology – including new kiosks, smart-chip Qantas Frequent Flyer cards, permanent bag tags and self-service bag-drop facilities – is now in place at Qantas terminals in Sydney, Melbourne, Brisbane, Adelaide and Canberra.

Western Australia has been an area of focus for the Group during 2010/2011, with the introduction of Boeing 747 services between Sydney and Perth and more internationally-configured Airbus A330s on east-west routes, giving Qantas a strong product and service position in the market. The acquisition in December 2010 of the fly-in fly-out airline Network Aviation was an important strategic transaction that will extend Qantas’ offering for mining communities, complementing the expansion of capacity across our extensive intra-WA network out of Perth. A new QantasLink route in WA, between Perth and Exmouth, opens up the Coral Coast tourism region, including the World Heritage-listed Ningaloo Reef.

In Canberra, Qantas was the first airline to move to the airport’s new multi-user terminal, opening new lounges in the facility and enhancing the service we provide to the federal public service and businesses in the national capital.

QantasLink has continued to expand capacity through the deployment of next-generation, 74-seat Bombardier Q400s in key markets, supporting regional tourism and business, mining centres and leisure travel. In January, QantasLink added over 200 extra flights to help flood-affected communities across Queensland, part of the Qantas Group’s larger humanitarian response. The introduction of faster, smarter check-in technology at over 20 regional ports, plus regional lounges in a number of destinations, has further strengthened QantasLink product and service.

Though fundamentally strong, Australia’s economy is not immune to downside factors and, in June 2011, the Qantas Group responded to slowing demand in the domestic market by scaling back capacity growth and capital investment for 2011/2012. This was a pragmatic decision that will allow for solid capacity growth of 5.5 per cent (compared with the 8 per cent planned previously) while reducing costs for the year by $300 million and reducing aircraft deliveries from 43 to 35.
Qantas International is renowned for its safety performance and its long-haul flying expertise and wins awards for its Australian-led design and product, food and wine. It is a vital element in the overall success of the Group, driving traffic to Qantas’ domestic network and binding customers to Qantas Frequent Flyer.

As a business, however, Qantas International has been underperforming for some time. It has achieved its required return on investment in only three of the past 15 years and its market share of services to and from Australia has dropped to below 20 per cent from a high of 35 per cent. Like many other Australian companies, Qantas faces the inherent disadvantage of competing in global markets on an Australian cost base. Our competitors operate off cost bases around 20 per cent lower than that of Qantas International. While Qantas will always be an Australian airline group – and draw on the many advantages an Australian base and workforce provides – new thinking, a new strategy and new business models are required to restore its competitiveness, market share and profitability.

The Qantas Group has the know-how and experience to thrive in the global economy – but we must become smarter, more agile and more efficient if we are to match our competitors. By extending Qantas International’s reach while containing its costs, we intend to redefine the terms of our engagement with the international aviation market.

We are renewing Qantas International.

Qantas International’s strategic renewal will be based on four pillars:

— Ensuring the best product, service and destination network for our Australian and international customers, including a world-class frequent flyer proposition.

— Operating the right aircraft on the right routes and at the right frequencies is fundamental to competitiveness.

— Maximising the benefits of our global alliance relationships (see case study on page 31).

— Realising the enormous potential for air travel to and within Asia. Strong airline brands, supported by robust business models, have a unique opportunity to support the massive growth in consumption and tourism being driven by unprecedented economic change.

— Removing capital from non-performing or unsustainable parts of the business.
It allows members to accumulate points from flights, credit card expenditure and retail expenditure, providing a broad and varied points-earning base.

Members can spend points on award flights with Qantas, Jetstar or 25 partner airlines, on upgrades, in combination with cash, and on over 2,000 vouchers and products in the Qantas Frequent Flyer store.

During 2010/2011 Qantas Frequent Flyer continued to add new partner organisations and features to deliver more choice, convenience and value for members.

A major new partnership with Optus was one of a number of enhancements announced in May 2011 including:
- More scope to earn points and status credits on Jetstar flights
- An increase in the cabin bonus allowing members to earn points at a higher rate when travelling in premium cabins
- SMS advance notification of successful upgrade requests
- A new “Platinum One” category of VIP recognition for Qantas’ most loyal frequent flyers

In June 2011, in an exciting first, Qantas Frequent Flyer announced the establishment of epiGure: a food and wine community for members offering exclusive access to award-winning wine, private dinners with renowned chefs and online forums sharing advice from industry experts.

The Qantas Frequent Flyer iPhone app, launched in 2010, allows members to use their phone to keep track of their points balance, see where they have earned points and explore ways of redeeming them – including by setting and tracking progress against points ‘goals’. 

With 7.9 million members and over 500 partners, Qantas Frequent Flyer is Australia’s premier loyalty program and a major strategic asset for the Qantas Group.
In January 2011 Qantas announced its first new international route since 2008, from Sydney to Dallas/Fort Worth (and back via Brisbane).

The service connects Australia with the best-positioned hub airport in the United States, offering seamless onward travel throughout North America and into Mexico. As the only direct flight between Australia and the central United States, it considerably enhances Qantas’ network in the region and competitive position across the Pacific.

Dallas/Fort Worth also provides a platform for the establishment of an expanded commercial relationship – or Joint Business Agreement (JBA) – between Qantas and longstanding oneworld partner American Airlines. A substantial expansion of codesharing means Qantas customers can now travel beyond Dallas/Fort Worth to 52 destinations in the United States, Canada and Mexico. Under the terms of the JBA – which has received interim approval from the Australian Competition and Consumer Commission – Qantas and American will be able to carry out joint strategic planning, collaborate on route development, scheduling, sales and marketing and deepen frequent flyer ties.

The JBA with American will deliver many of the benefits of the 10-year-old joint services agreement between Qantas and British Airways, a comprehensive partnership underpinning the two airlines’ services between Australia, the United Kingdom and beyond. With true global aviation consolidation not yet possible, this type of added-value alliance is increasingly becoming the aviation industry’s favoured business model.

Qantas’ membership of the oneworld group gives it access to a network of premium carriers and over 900 destinations. Over the next year, we will be looking to maximise the commercial benefits of both our oneworld membership and our bilateral alliance relationships.
In June 2011, Jetstar was named the best low-cost airline in the Australia-Pacific region and third-best low-cost airline in the world by Skytrax.

During 2010/2011 we consolidated Jetstar’s position as the low-fares leader in the Australian domestic market and on short-to-medium haul services beyond Australia, while continuing to deliver its broader pan-Asian strategy through investment in Jetstar brands.

Within Australia, we expanded capacity to core leisure destinations such as Cairns, and growth markets such as Brisbane-Perth and the Gold Coast-Perth. The robust West Australian economy is driving tourism to and from the state, and Jetstar has partnered with Tourism WA to help promote its many attractions.

Internationally, the launch of Darwin-Manila services strengthened Jetstar’s hub position in the Northern Territory, conveniently linking the Philippines capital with Australia’s east coast cities.

New interline relationships with Cathay Pacific, Dragonair and Finnair joined existing partnerships between Jetstar and Qantas, Air France/KLM, American Airlines, Japan Airlines and Air Canada to enhance Jetstar’s commercial links with other global carriers.

In New Zealand, the addition of two new Airbus A320 aircraft in 2010/2011 supported capacity growth in both domestic and trans-Tasman services (including new Auckland-Dunedin, Melbourne-Auckland, Gold Coast-Queenstown and Melbourne-Queenstown routes). Two years after the launch of Jetstar domestic services in New Zealand, the airline is clearly established as the market’s low-cost alternative, with a passenger share of close to 20 per cent. The addition of 39 new weekly services from February 2011 took Jetstar’s total capacity in New Zealand to 116 weekly return flights.

China was a clear priority for Jetstar Asia, with new services launched between Singapore and Guilin and Ningbo, and flights to Beijing commencing in July 2011. Jetstar Asia’s Chinese destinations now include Beijing, Haikou, Shantou, Guilin, Hangzhou and Ningbo on the mainland, as well as Hong Kong, Macau and Taipei in Greater China – reflecting the strong cultural and tourism ties between Singapore and China and the exciting growth of the Chinese air travel market. 2010/2011 also saw the debut of Jetstar Asia long-haul international services, with routes from Singapore to Melbourne and Auckland further integrating Jetstar’s Asian, Australian and New Zealand networks.

With the introduction of SMS check-in for customers in Australia and New Zealand, continued investment in self-serve check-in facilities and the launch of a simplified fare structure, Jetstar underlined its commitment to a no-fuss, high-tech travel experience. Jetstar’s Price Beat and Customer Guarantees safeguard low fares and outstanding customer service for all our passengers – our belief is that the two should go hand in hand.
Qantas Freight Enterprises (QFE) is a global logistics business with a portfolio of international and domestic operations. During the year QFE’s domestic and international operations benefited from a general improvement in global market conditions despite being heavily impacted by Airbus A380 fleet cancellations and natural disasters in several markets. A number of new initiatives were launched. Established in August 2010, Qantas Courier offers a wide range of courier, baggage and forwarding services across a network covered by third-party suppliers, Qantas Group businesses and joint ventures. Less than 12 months on, Qantas Courier is operating from offices in all major Australian gateways as well as Auckland and Christchurch in New Zealand. In January 2011, Qantas Freight won a competitive tender for exclusive rights to manage and market Jetstar Asia’s intra-Asia freight capacity. Asia continues to account for approximately 50 per cent of Qantas Freight’s revenues with much of this derived from Shanghai, the primary regional hub for our fleet of wet-leased Boeing 747-400 freighter aircraft. March 2011 saw the launch of the Group’s first freight aircraft in Qantas livery. The factory-built Boeing 767-300 freighter is operated as part of QFE subsidiary Express Freighters Australia’s fleet and provides daily trans-Tasman freighter services. It has delivered a 40 per cent increase in the Group’s freighter capacity on this high-demand trade lane. In May 2011 QFE and Australia Post announced the reconfiguration of joint ventures Australian air Express and Star Track Express to consolidate common functions and allow each business to focus on its particular strengths. Throughout the year, the main Qantas Freight business has continued the deployment of its multi-million dollar Freight Futures IT and business transformation program, placing a renewed emphasis on customer service delivery. A focus on optimising existing assets, improved customer service and investment in innovation has enabled Qantas Freight to maintain record international customer satisfaction ratings throughout the year.
Qantas Aviation Services provides a range of ground support services to the Qantas Group and third-party customers.

Its largest business area, Qantas Defence Services (QDS), employs around 500 people and is an important supplier to the Australian Government. QDS carries out support and maintenance for the Royal Australian Air Force’s (RAAF) fleet of C130H Hercules transport aircraft and for the Government’s fleet of VIP aircraft.

Demonstrating the breadth and sophistication of engineering expertise within the Qantas Group, QDS is converting four Airbus A330s to tanker transport aircraft for the RAAF on behalf of Airbus Military.

The conversions are taking place at a dedicated conversion centre in Brisbane, where around 200 staff are participating in the program. In May 2011, the Government took delivery of the first aircraft converted by QDS in a ceremony at RAAF Amberley.

The Multi-Role Tanker Transport procurement will deliver the RAAF the latest in air-to-air refuelling capability. QDS will continue its engagement with the program through the provision of a range of support services for the aircraft.
GREAT PEOPLE

35,826 PEOPLE
260 UNIQUE ROLES
55 LANGUAGES
96 NATIONALITIES
155 DIFFERENT COUNTRIES OF ORIGIN
A great place to work
The Qantas Group employs 35,826 people across 260 unique roles, with 92 per cent of them based in Australia. We are a first-class employer and the leading aviation trainer in the country.

Our approach
Our goal is to deliver a great place to work, provide training and development for our people, and harness their passion and advocacy in support of our brands.

Our workforce is extraordinarily diverse, with roles ranging from pilots to cabin crew, professional and technical engineers to aviation information analysts, fuel hedging specialists and meteorologists, and with areas such as baggage and catering that employ Australians right across the country.

A focus in recent years has been to increase the number of Indigenous Australians in our workforce. By June 2011, we had 338 Indigenous employees within the Qantas Group.

Qantas is the leading aviation trainer in Australia and among the most respected in the world. We provide extensive in-house training and work closely with leading education and training institutions:
- Our 2,239 Qantas mainline pilots do more than 59,676 hours of annual training in our state-of-the-art aircraft simulators
- We have 400 Qantas, Jetstar and QantasLink engineering apprentices
- The Qantas graduate program has taken in 122 recruits over the past four years and their training will provide the next generation of aviation executives

The Qantas Group has developed a People Strategic Plan that aligns to broad Group strategy and is focused on:
- Building a strong culture that engages our employees and is conducive to lasting change
- Developing leadership capability across all levels of the organisation
- Supporting our diverse and ageing workforce
Strengthening engagement with our people remains a focus. A key initiative has been to regularly bring together 100 of the most senior leaders from across the Group to ensure alignment of strategy and purpose. Over the past 12 months, we have continued to stage similar forums involving 500 influential leaders from across the Group.

Developing leadership capability at all levels demands an updated approach to managing performance. We are continuing to invest in the development of leadership, feedback and coaching skills for all our managers. The aims are to give all leaders, managers and front-line supervisors a common approach to managing people at the Qantas Group and to bring out the best in everyone.

A Board committee – the Safety, Health, Environment & Security Committee – oversees Group-wide health programs, reflecting their importance to our customers and people.

For employees key benefits and well-being initiatives include:
- 12 weeks’ paid maternity leave (including adoption) and up to two years’ unpaid parental leave for the primary care-giver, consistent with Australian best practice
- One week’s paid paternity leave (including adoption)
- Up to 15 days’ paid personal/carer’s leave per year
- Access to affordable, award-winning employer-sponsored childcare centres in Melbourne, Sydney and Brisbane
- Salary sacrifice programs (such as superannuation and motor vehicles)
- A health and well-being program that includes Weight Watchers at Work and on-site group exercise classes
- Over 1,020 employees participated in the Global Corporate Challenge walking event in 2011
- Our employee assistance program, a self-referral counselling program
- Opportunities for reduced airfares
- A fully subsidised flu vaccination program for our employees
- Alcohol and other drugs programs including random testing and referral services
- Fatigue management measures, which include comprehensive policies, practices and procedures

Women in the Qantas Group:
- Women comprise 41.1 per cent of our total workforce (up from 40.4 per cent in 2005)
- 29.9 per cent of women employees occupy senior roles
- Retention rate for women returning from maternity leave was 99 per cent (97 per cent after 12 months) and 100 per cent for female pilots

Workplace transformation
Qantas is redeveloping its Sydney office campus to deliver a more enjoyable and productive workplace. The new headquarters will have a community feel, with more shared spaces, and reduce the Group’s property footprint from seven to four buildings. Environmentally-efficient buildings and technology will bring down resource consumption and energy costs, helping achieve the Group’s sustainability goals. Construction on the workplace transformation project will commence in late 2011.

With Australia’s ageing workforce and the intense competition for talent, Qantas recognises the importance of providing our employees with great benefits, a healthy and safe workplace and a diverse work environment.
SUPERIOR INFRASTRUCTURE

NO OTHER AIRLINE GROUP CAN MATCH THE QANTAS GROUP’S INFRASTRUCTURE PRESENCE IN AUSTRALIA
FLEET

As at 30 June 2011, the Qantas Group, including Jetstar Asia and Network Aviation, operated a fleet of 278 passenger aircraft and five dedicated freighter aircraft. In 2010/2011, we continued to grow capacity and modernise product and service for both Qantas and Jetstar through strategic fleet renewal.

- Qantas took delivery of four Airbus A380s, one A330-200, five Boeing 737-800s and one Bombardier Q400
- Jetstar, including Jetstar Asia, took delivery of 10 A320-200s and two A330-200s
- The Group retired one B747-400, one B767-300 and two B737-400s

Qantas’ fleet of A380s grew to 10 during the year. Despite the QF32 incident and subsequent fleet grounding, A380 capacity growth rates are now close to the planned trajectory.

In late 2011, the first B747 in our cabin reconfiguration program will enter service. This program, announced in February 2009, will bring our B747s into line with the award-winning cabin design of the A380.

Qantas medium-haul and short-haul/high-capacity services are operated by a mixture of B767s and A330s. During the year we grew A330 frequencies on core east coast and east-west routes, with a particular focus on services to Perth.

Short-haul domestic and trans-Tasman flights are operated by a mixture of B767s and B737s. The B737-800 offers not just the latest in cabin product but also the best in aircraft technology.

In 2012/2013, the Group will begin to take delivery of Boeing’s 787 Dreamliner, which will introduce new levels of fuel efficiency and on-board amenity. The B787 will facilitate Jetstar’s regional growth – and the transfer of A330s to Qantas – and replace Boeing 767s on Qantas domestic and international services. With 50 B787s on order, the Qantas Group is one of the lead customers for this game-changing aircraft.

Jetstar’s domestic and international growth is supported by the A320 and A330 – modern aircraft that reflect the Jetstar brand and allow for operational efficiencies.

The cornerstone of QantasLink’s fleet renewal is the 74-seat Q400, with QantasLink now operating 22 Q400s. We are assessing requirements for additional Q400 aircraft while continuing to monitor emerging regional jet technologies.
No other airline can match Qantas’ engineering skill base in Australia. With engineering hubs in Sydney, Melbourne, Avalon, Adelaide and Brisbane, Qantas performs around 90 per cent of its heavy maintenance in Australia. Qantas Engineering holds accreditation from the CASA and all relevant overseas regulators. It is certified under the international standard for quality assurance. Customers and regulators subject Qantas Engineering to regular audits (totalling over 50 in 2010). The Qantas Group is compliant with all regulatory requirements for engineering and maintenance and aims to complete Airworthiness Directives in advance of formal deadlines.

Where heavy maintenance is carried out overseas, it is conducted by world-class, fully-accredited providers and overseen by Qantas engineers against specifications established by Qantas Engineering – in line with industry best-practice. The use of overseas providers is an appropriate means of managing in-house workload peaks and drawing on specialist capabilities.

The Qantas Group believes in providing opportunities for engineers in Australia. In early 2010, we commenced Airbus A330 heavy maintenance at our Brisbane engineering facility. We invested $55 million in engineering training during 2010/2011, and we have a vibrant apprentice program which includes time spent at our Avalon maintenance facility. At present, over 300 apprentices are being trained by Qantas. The skill and knowledge these apprentices gain during the training process, and on the job, will give Qantas an important competitive advantage as we develop a 21st century maintenance capability.

During 2010/2011, we have made significant strides with Project Marlin, a comprehensive technology development initiative in Qantas Engineering. Using a sophisticated database, Qantas engineers can now access instant updates on the maintenance status of Qantas aircraft anywhere in the world. The system also enables engineers to use mobile devices like laptops and iPads to obtain maintenance instructions, locate and order spare parts, and certify their work. Beginning with the A380, Project Marlin will be rolled out across the Qantas fleet during 2011/2012.

The project represents the most significant improvement in Qantas’ engineering management systems since record-keeping began, and equips us to comply fully with new, more safety-focused aviation regulations in Australia.
The Qantas Catering Group serves Qantas Group airlines and third-party customers. It comprises Q Catering, Qantas’ premium catering business, and the dynamic Snap Fresh business.

With 2,800 employees at eight centres across six cities – Sydney, Melbourne, Brisbane, Perth, Adelaide and Cairns – Qantas Catering Group is the engine of the Qantas Group’s full-service food and drink offering, as well as a supplier to other airlines operating in Australia.

Launched in 2008, Q Catering brings a national approach and rigorous attention to food quality and business efficiency. Working with key partners, it manages the full catering supply chain, from sourcing produce to storage, food preparation and logistics. Its scope and expertise enable it to meet the requirements for quality and innovation established by Qantas consulting chef Neil Perry on a commercial scale, as well as to source and provide specialised meals as necessary. During 2010/2011, it prepared 37 million meals and spent over $240 million on catering supplies.

In 2010, Q Catering announced a $72 million investment in a new catering centre in Brisbane. This facility will house the latest in food production technology and greatly enhance the service Q Catering offers the Qantas Group and third-party customers in Brisbane, increasing production capacity by 25 per cent to almost 11 million meals.

Snap Fresh is a state-of-the-art food production enterprise based in Brisbane which produces over 13 million meals annually. Qantas Group airlines and other customers benefit from its advanced technology, high quality standards, economies of scale and logistical flexibility. This year Snap Fresh has continued to diversify, attracting new customers in non-aviation sectors – again demonstrating the strength and breadth of the Qantas Group’s operational capabilities.
The Qantas Group’s airport infrastructure is the backbone of our operations and customer service.

We maintain our own, Qantas-branded terminals in the major capitals and, during 2010/2011, moved into a new multi-user terminal in Canberra. These airports all now feature our signature faster, smarter check-in technology, making the airport experience simpler and more enjoyable for Qantas Frequent Flyers and other customers. Next Generation Check-in features have been introduced at airports across the Qantas network, with 216 new kiosks in 10 ports, 80 bag drops in six ports and 57 Q Card Readers in 27 ports.

A network of domestic and international lounges in Australia and at key overseas ports allows us to deliver the premium service our customers expect of us, complementing our world-class inflight product, food and wine. No other airline offers the range of multi-tiered lounges than Qantas does, with Chairmans, Business and Qantas Club lounges domestically and First and Business lounges internationally. Our expert consultants – Marc Newson in design and Neil Perry in food – set stringent standards for the best in Australian furnishings, materials and cuisine.

Regional Australia has been an increasing priority for lounge investment, reflecting QantasLink’s capacity growth and expansion of next-generation Q400 operations. Regional lounges are now available in nine ports: Broome, Coffs Harbour, Devonport, Kalgoorlie, Karratha, Launceston, Mackay, Port Hedland and Rockhampton.

Our market-leading check-in facilities land side and lounges air side are complemented by features such as the Qantas Valet transfers/parking service and Qantas Meeting Rooms for business appointments – and we are constantly looking for new ways to add value to the travel experience.

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<tr>
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<td>Adelaide, Brisbane, Canberra, Perth, Melbourne, Sydney</td>
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<tr>
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<tr>
<td>Qantas Club</td>
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<td>Adelaide, Cairns, Brisbane, Alice Springs, Canberra, Darwin, Hobart, Perth, Melbourne, Sydney T3, Sydney T2, Townsville</td>
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<tr>
<td>Regional</td>
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<td>Broome, Coffs Harbour, Devonport, Kalgoorlie, Karratha, Launceston, Mackay, Port Hedland, Rockhampton</td>
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<tr>
<th>Lounge Type</th>
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<tr>
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<td>Brisbane, Perth, Melbourne, Sydney</td>
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<td>Auckland, Hong Kong, Bangkok, Singapore, London, Los Angeles (joint or shared lounges)</td>
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<tr>
<td>— Business</td>
<td>9</td>
<td>Auckland, Hong Kong, Honolulu, Tokyo, Wellington, Bangkok, Singapore, London, Los Angeles (joint or shared lounges)</td>
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CARING FOR CUSTOMERS

THE QANTAS GROUP CONSTANTLY STRIVES TO IMPROVE THE CUSTOMER EXPERIENCE ON THE GROUND AND IN THE AIR
Customer care

Customer care is fundamental to the Qantas brand. We aim to deliver customer satisfaction through a seamless end-to-end process based on operational excellence, airport and aircraft investment and world-class catering.

We make a priority of listening to what our customers are telling us and responding to their needs. Ultimately, we want our customers to become advocates for the Qantas Group – but we know it is not possible unless we are delivering the highest standards of care and service.

Our Closed Loop Feedback Program enables us to hear directly from over 11,000 of our valued Frequent Flyers about their Qantas experience right after they have flown with us. Not only does the feedback support continuous improvement, it provides a direct communication link between our customers and front-line managers. Part of our wider customer strategy program, it was launched in December 2010 and continues to expand, with over 20,000 surveys completed to date.

Despite a number of operational challenges – the Airbus A380 incident and fleet grounding, severe weather events and ash cloud disruptions – the Qantas Group’s customer satisfaction performance was strong in 2010/2011.

The A380 product and service remains a major selling point for Qantas’ long-haul operations, while the introduction of faster, smarter check-in technology at domestic airports was met with outstanding customer feedback – resulting in less time spent in queues for customers, and more time for our employees to help customers face-to-face. We now plan to introduce the technology for trans-Tasman services. On our longest domestic sectors, between the east coast and Perth, the deployment of internationally configured Boeing 747 and A330 aircraft was favourably received.
We launched a new domestic-international transfer centre at Sydney Airport, smoothing connections for customers at our biggest hub, and we are working with our one world partner airlines on an exciting initiative in Sydney that will allow us to identify and address connection issues before passengers have even landed.

A full range of special needs services are available to customers, from medical assistance and service dog provision to mobility assistance and reduced fares for carers.

In the era of social media, the Qantas Group recognises the importance of maximising the benefits of new communication channels to inform and assist our customers. In 2010/2011, social media became a valuable customer information tool and during 2011/2012 we will enhance our customer care presence on Twitter and Facebook.
The eruption of Chile’s Puyehue Cordón Caulle volcano in June 2011 rapidly became a problem for Qantas and Jetstar. The resulting ash cloud drifted over Australian and New Zealand airspace, circumnavigating the globe twice and shutting down major ports for days at a time. Thousands of Qantas and Jetstar flights and tens of thousands of passengers were disrupted, leading to unfortunate but unavoidable congestion on phone lines to our call centres.

It was an immense customer service task, with customers across Australia, New Zealand, Central and South America being provided with food, transport and accommodation. Getting the balance right between resuming scheduled services and clearing the backlog of passengers affected by cancelled flights was vital. Social media channels like Twitter, Facebook and YouTube proved crucial in helping us get timely, accurate information to customers.

We posted the latest operational updates on Twitter and Facebook and provided links to the major disruptions and flight status pages on the Qantas and Jetstar websites. We were also able to help individual customers find out about specific flights.

Qantas Group policy is not to fly through areas of volcanic ash where the density of the ash is unknown – as was the case with the Chilean volcano. With many customers asking for more detail about our approach, we filmed and posted a video on YouTube featuring Qantas Chief Pilot Peter Wilson and Head of Integrated Operations Alan Milne discussing the risks of volcanic ash and how the Qantas Group was responding.

The feedback on Qantas’ use of social media during the disruption was excellent, and the Group plans to bolster its resources further with the employment of dedicated social media employees in the customer care department. Social media can only complement, never replace, the essential customer service work done by airport and call centre staff, but it is a powerful new customer communication tool.
ENVIRONMENTAL RESPONSIBILITY

SUSTAINABILITY IS INTEGRAL TO THE QANTAS GROUP’S BUSINESS STRATEGY
Reducing emissions

The aviation industry is committed to reducing its greenhouse gas emissions and the Qantas Group is at the forefront of efforts to do so in the Asia-Pacific region.

The escalating cost of fuel and the introduction of new regulatory schemes for carbon emissions have only underlined the imperative for the industry to develop new technologies. While the global approach to pricing aviation emissions remains fragmented, the Qantas Group is preparing for compliance across three jurisdictions and bringing forward the technology required to minimise its environmental footprint.

During 2010/2011, with the European Union and Australian carbon pricing schemes moving closer, the Qantas Group launched collaborations with two leading US companies involved in developing sustainable aviation fuel technology – while continuing our work in fuel optimisation and technology development, reducing resource consumption, and engaging with employees and community groups on environmental goals.

Carbon compliance

Carbon pricing schemes are now a reality for the aviation industry. Since July 2010, the Qantas Group has been covered by the New Zealand emissions trading scheme (which applies to Jetstar’s domestic operations in New Zealand). In January 2012, aviation will be included in the European Union emissions trading scheme and the Qantas Group expects to pay a carbon price on an estimated 15 per cent of the emissions it generates from services to and from the EU.

At home, the Australian Government confirmed its intention to put a price on carbon following the 2010 federal election. A fixed carbon price of $23 per tonne will be introduced from July 2012, gradually increasing until 2015 when the program transitions into an emissions trading scheme, and apply to Qantas Group domestic operations. Unlike in New Zealand or the EU, airlines will not have access to any transitional measures or benefit from a phasing-in period. We estimate that the carbon price will cost the Qantas Group $110–115 million in 2012/2013 and, as a tax increase, will be passed through to customers in full, adding an expected average of $3.50 to the cost of a single domestic flight sector.

While the absence of transitional measures is disappointing, the Qantas Group is prepared for the commencement of the scheme. By mid-2012, we will have to account for a carbon price in three jurisdictions. A carbon readiness taskforce drawing on experts from around the business has been established to ensure that the Group’s finance functions are ready to manage compliance costs.

Strategically, we are well-placed to minimise or mitigate our carbon exposure, through greater fuel efficiency and fleet renewal (in the short term), sustainable aviation fuel development (in the long term) and expertise in carbon markets gained through our successful carbon offset program.
Fuel efficiency and new technology
Led by the International Air Transport Association (IATA), the global aviation industry has set ambitious targets for improving fuel efficiency and lowering emissions: an average 1.5 per cent annual improvement in fuel efficiency through to 2020, carbon-neutral growth from 2020, and a 50 per cent reduction in emissions against 2005 levels by 2050.

The Qantas Group is working towards the 2020 target through an extensive fuel optimisation program that has saved over 1.7 million tonnes of carbon since 2004/2005. A wide range of activities underpin the program – from aircraft weight reduction through to aircraft washing – but at its heart are the more efficient flight operations and new technology that the Qantas Group has pioneered in the Australia/New Zealand region.

The Qantas Group’s Required Navigation Performance (RNP) program – essentially more direct, fully optimised flight paths that reduce fuel burn and aircraft noise on take-off and descent – has demonstrated the benefits of technology development. To date, more than 22 million Qantas Group passengers have flown on 130,000 RNP flights in Australia and New Zealand.

While the short-haul Boeing 737-800, equipped with the most advanced flight-deck technology, has been in the vanguard of the RNP program, the majority of Qantas aircraft are fitted with fuel-optimising technology such as ADS-B. The Airbus A380, Qantas’ flagship long-haul aircraft, is significantly more fuel-efficient than its predecessors, and the Boeing 787 will deliver another technological leap forward.

The Qantas Group will continue to engage the Australian Government in seeking to accelerate the adoption of new technologies, whether in airspace management or alternatives to traditional jet kerosene (see case study).

Employee, customer and community engagement
The Qantas Group recognises the value of engaging employees and customers in our environmental activities and partnering with community organisations on projects that make a difference.

A set of Group-wide targets for electricity use, water use and waste reduction bring together a wide range of activities across all business areas, from corporate offices to ground operations. Through our ZooX initiative, in partnership with the Great Barrier Reef Foundation, employees are given the opportunity to travel to the Great Barrier Reef to gain hands-on experience in sustainability management and develop proposals for action that can be applied in the workplace. The grassroots employee ‘Green Team’, numbering over 1,000 members, encourages environmentally sustainable behaviour on a day-to-day basis.

The Qantas and Jetstar carbon offset programs continue to give customers the opportunity to voluntarily offset their share of the emissions generated by their flight for a relatively small contribution. In 2010, in line with the Group’s certification under the Australian Government’s National Carbon Offset Standard, we brought in a new supplier for the program, Climate Friendly. All customer contributions to the program currently go to international carbon abatement projects that are certified under the global Verified Carbon Standard on the basis of their benefits for emissions reduction, sustainability and economic development. With the advent of an Australian carbon price compliance system, the Group continues to monitor developments in domestic offset markets and is keenly interested in working with local abatement providers when domestic supply becomes available.

Under the banner of the Qantas Foundation, the Group’s charitable organisation, we support a wide range of environmentally-focused NGOs through donations and in-kind assistance, including Landcare, Flora and Fauna International Australia, Clean Up Australia, the Centre for Sustainability Leadership and the Great Barrier Reef Foundation.
The development of low-carbon alternatives to traditional jet fuel could produce a step-change in aviation’s emission profile.

While technology development and more efficient flight operations can deliver substantial short-to-medium term gains, only the development of low-carbon alternatives to traditional jet fuel at commercial scale will truly produce a step-change in aviation’s emissions profile.

The industry has been involved in the development of sustainable aviation fuels (SAF) for a number of years, but the growing global consensus for action on climate change and the emergence of carbon pricing policies have increased the urgency of these efforts.

With a wide range of promising technologies available, the task for industry is to establish which is the most viable and make the business case for private sector and government support. The criteria for a true “SAF” are strict: it must meet our safety, performance and sustainability criteria, must be capable of being ‘dropped in’ to the aviation fuel supply chain and must be price competitive with current jet kerosene. The Group is a signatory to the Sustainable Aviation Fuel Users Group pledge.

In early 2011 the Qantas Group entered into collaborations with two leading US companies, Solazyme and Solena, to investigate the potential for their signature technologies in the Australian market. These collaborations are focused on developing feasibility studies and business cases for each technology that can be taken to the Qantas Executive Committee and, ultimately, public and private stakeholders externally.

San Francisco–based Solazyme has developed a process based on the fermentation of algae in combination with certain feedstocks – such as sugar cane – to produce algal oils, which can then be refined into jet fuel. It has entered trial agreements with the US Navy and also works with major global corporations such as Unilever. Given Queensland’s abundant sugar cane supplies, there is considerable potential for, and interest in, the technology in Australia.

Solena Fuels, which is already working with British Airways on the construction of a biofuel plant in London, specialises in the gasification of municipal waste to produce fuel. Its business model draws on the ample production of various types of waste in major cities – such as London or Sydney – and has clear benefits in terms of scale, proximity to supply infrastructure and avoidance of landfill.

As the industry-backed CSIRO report Flight Path to Sustainable Aviation made clear in early 2011, the commercial viability of such fuels in Australia will depend on a range of conditions being met, and in particular the adequate availability of government funding support and private capital. However, with Australia’s growing economy, natural resources and human capital, the possibilities are exciting.
WORKING WITH COMMUNITIES AND SUPPORTING CHARITY IS PART OF OUR RESPONSIBILITY AS THE NATIONAL CARRIER
The Qantas Group has a strong commitment to strengthen and build partnerships with the community in which we serve, work and live, and to improve community engagement. It is a major contributor to community initiatives, environmental initiatives, sponsorships, Indigenous partnerships, charitable fundraising and staff volunteering.

Qantas and the community
During 2010/2011 the Qantas Group’s total community investment exceeded $21 million.
The Qantas Group supports a wide range of community organisations, cultural institutions and sporting teams.

Qantas Foundation partnerships
Through the Qantas Foundation’s partnership with the Australian Business and Community Network (ABCN), 68 Qantas employees mentored 34 primary school students and contributed 500 volunteer hours in the SPARK Reading Program in 2010/2011. Through one-on-one mentoring, the SPARK Reading Program offers development opportunities to primary school students who have lower literacy skills and/or less opportunities for reading outside of school.

In 2011 the Qantas Foundation also supported Clean Up Australia Day through the provision of flights and site support. Over 250 Qantas employees participated in the event across seven national sites, cleaning up 2 tonnes of waste destined for landfill.

The annual Qantas Foundation Encouragement of Australian Contemporary Art Award provides eight Australian contemporary artists from each state and territory with $14,000 in cash and airfares.

Sporting, art and local sponsorships
In 2010/2011, Qantas continued its partnership with Formula 1TM in Australia as Premier Partner of the 2011 Formula 1TM Qantas Australian Grand Prix.

Qantas is a supporter of the Australian Rugby Union and is the official airline of the Qantas Wallabies. It is also the official partner and airline of the Qantas Socceroos, the Football Federation Australia and the Hyundai A-League.

Qantas proudly sponsors the Yiribana Gallery at the Art Gallery of NSW, the National Gallery of Victoria, the Melbourne Prize Trust, the Australian Ballet and Opera Australia.

Local fundraising
Pathfinders is a committee comprised of Qantas employees that raises funds for the Royal Institute for Deaf and Blind Children. Since its formation in 1967, $5.9 million has been raised.

In partnership with UNICEF, the Change for Good program at Qantas raised $1.8 million in 2010/2011. The initiative allows passengers to donate loose change and foreign currency.

Starkids is a partnership between Jetstar and World Vision which raises funds for projects in Australia and South-East Asia that positively impact the lives of children living in poverty.

Humanitarian support
The Qantas Group provides humanitarian support during times of crisis and in the event of a natural disaster, contributing over $1.8 million in 2010/2011. This contribution included a donation of over $947,000 to the Premier’s Disaster Relief appeal to assist those affected by the 2011 Queensland floods, and a donation of $500,000 to the 2011 Red Cross Victorian Floods Appeal. Qantas also provided in-kind support such as blankets, flights, meals and the resources of Qantas employees and equipment.

2010/2011 Qantas Group Community Contributions

- Sport sponsorship: 61%
- Art sponsorship: 7%
- Environment: 4%
- Health and education: 2%
- Humanitarian: 9%
- Indigenous: 2%
- Local fundraising: 10%
- Dedicated overhead: 5%
Qantas and reconciliation – engaging the Indigenous community

Through the Qantas Reconciliation Action Plan (RAP) we continue to develop our strong relationship with the Indigenous Australian community. The Qantas RAP outlines our strategy to strengthen relationships, build respect and provide opportunities for Indigenous Australians through direct employment, community partnerships and economic development initiatives. Some of the year’s highlights included:

— Developing new multi-year partnerships with organisations that offer programs and initiatives aimed at increasing school attendance and year 12 completion rates for Indigenous students. Through these partnerships, we will continue to build the pipeline of Indigenous employees for our business through exposure to Qantas career opportunities such as school-based traineeships, university cadetships, the Qantas Graduate Program, and mainstream recruitment through our dedicated Indigenous Careers @ Qantas unit
— Encouraging economic participation through engagement of Indigenous owned enterprises via our founding membership of the Australian Indigenous Minority Supplier Council
— Supporting Indigenous culture and art through our partnerships with Bangarra Dance Theatre, the Gondwana Indigenous Choir, the 2011 Garma Festival with Yothu Yindi Foundation, the National Gallery of Victoria’s Indigenous Galleries, the Yiribana Gallery at the Art Gallery of NSW and promotion through our various communication channels
— Engaging our own staff through cultural awareness workshops, exploring new partnership opportunities to allow for better staff engagement with the Indigenous community, and hosting events such as our Reconciliation Week BBQ and NAIDOC Event in Sydney for all Qantas Indigenous staff
Leigh Clifford, AO
BEng, MEngSci
Chairman
Independent Non-Executive Director
Leigh Clifford was appointed to the Qantas Board in August 2007 and as Chairman in November 2007. He is Chairman of the Qantas Nominations Committee. Mr Clifford is a Director of Bechtel Group Inc. He is Chairman of Bechtel Australia Pty Ltd and the Murdoch Childrens Research Institute, a Senior Advisor to Kohlberg Kravis Roberts & Co and a Board Member of the National Gallery of Victoria Foundation. Mr Clifford was previously a Director of Barclays Bank plc. Mr Clifford was Chief Executive of Rio Tinto from 2000 to 2007. He retired from the Board of Rio Tinto in 2007 after serving as a Director of Rio Tinto plc and Rio Tinto Limited for 13 and 12 years respectively. His executive and board career with Rio Tinto spanned some 37 years, in Australia and overseas. Age: 63

Alan Joyce
BApplSc(Phy)(Math)(Hons), MSc(MgtSc), FRAeS
Chief Executive Officer
Alan Joyce was appointed Chief Executive Officer and Managing Director of Qantas in November 2008. He is a Member of the Safety, Health, Environment & Security Committee. Mr Joyce is a Director of a number of controlled and associated entities of the Qantas Group and also a former Director of Jetstar Pacific Airlines Aviation Joint Stock Company. He was the CEO of Jetstar from 2003 to 2008. Before that, Mr Joyce spent over 15 years in leadership positions for Qantas, Ansett and Aer Lingus. At both Qantas and Ansett, he led the network planning, schedules planning and network strategy functions. Prior to that, Mr Joyce spent eight years at Aer Lingus where he held roles in sales, marketing, IT, network planning and operations research, revenue management and fleet planning. Age: 45

Paul Rayner
BEC, MAdmin, FAICD
Independent Non-Executive Director
Paul Rayner was appointed to the Qantas Board in July 2008. He is a Member of the Audit Committee and Safety, Health, Environment & Security Committee. Mr Rayner is a Director of Boral Limited, Centrica plc and Treasury Wine Estates Limited. He is also the Chairman of each of their Audit Committees. From 2002 to 2008, Mr Rayner was Finance Director of British American Tobacco plc, based in London. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held other senior executive positions within the Group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001. Previously Mr Rayner worked for 17 years in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group. Age: 57

Corinne Namblard
MPolSc
Independent Non-Executive Director
Corinne Namblard was appointed to the Qantas Board in June 2011. Ms Namblard has more than 30 years' international experience in finance, infrastructure and related industries. Most recently, Ms Namblard spent 10 years as CEO of Luxembourg-based Galaxy Fund, a transport equity fund. Prior to that, she held an executive committee level business development role with French engineering firm, Egis Group. Earlier, Ms Namblard spent 19 years with Banque Nationale de Paris, holding roles in foreign exchange, debt and equity capital markets, mergers and acquisitions, and project finance. Ms Namblard has held numerous board positions in investee companies, including South Australian-based Flinders Ports. Ms Namblard was also Chair of the Geneva-based United Nations PPP Alliance and a transport expert for the European Commission. Ms Namblard holds French and Canadian citizenships, but now resides in South Australia. Age: 55

General Peter Cosgrove, AC, MC
FAICD
Independent Non-Executive Director
Peter Cosgrove was appointed to the Qantas Board in July 2005. He is a Member of the Audit Committee and Safety, Health, Environment & Security Committee and a Director of Qantas Superannuation Limited. General Cosgrove is a Director of the Australian Rugby Union and Cardno Limited. He is Chairman of the South Australian Defence Industry Advisory Board, the Australian War Memorial Council and is Chancellor of the Australian Catholic University. General Cosgrove served in the Australian Army from 1965 including command of the international forces in East Timor from 1999 until the force was withdrawn in February 2000. He was the Chief of the Australian Defence Force from July 2002 until his retirement in July 2005. General Cosgrove was Australian of the Year in 2001. Age: 64
Dr John Schubert, AO  
BEng(Civil), BCom, BEc, MBA  
Independent Non-Executive Director

John Schubert was appointed to the Qantas Board in October 2000. He is Chairman of the Safety, Health, Environment & Security Committee and a Member of the Nominations Committee. Dr Schubert is a Director of BHP Billiton Limited and BHP Billiton plc. He is also Chairman of G2 Therapies Limited and the Great Barrier Reef Foundation. He was most recently Chairman of the Commonwealth Bank of Australia and was also previously Chairman of WorleyParsons Limited and President of the Business Council of Australia. Dr Schubert was also Managing Director and CEO of Pioneer International Limited from 1993 until 2000. Dr Schubert held various roles with Esso in Australia and overseas. In 1983, he was appointed to the Board of Esso Australia. In 1985, Dr Schubert became Esso’s Deputy Managing Director and in 1988 he became Esso’s Chairman and Managing Director. Age: 68

Richard Goodmanson  
BEng(Civil), BCom, BEc, MBA  
Independent Non-Executive Director

Richard Goodmanson was appointed to the Qantas Board in June 2008. He is a Member of the Remuneration Committee and a Member of the Nominations Committee. Mr Goodmanson is a Director of Rio Tinto plc and Rio Tinto Limited. From 1999 to 2009 he was Executive Vice President and Chief Operating Officer of E.I. du Pont de Nemours and Company. Previous to this role, he was President and Chief Executive Officer of America West Airlines. Mr Goodmanson was also previously Senior Vice President of Operations for Frito-Lay Inc. and was a principal at McKinsey & Company Inc. He spent 10 years in heavy civil engineering project management, principally in South East Asia. Mr Goodmanson was born in Australia and is a citizen of both Australia and the United States. Age: 64

Barbara Ward, AM  
BEC, MPolEc  
Independent Non-Executive Director

Barbara Ward was appointed to the Qantas Board in June 2008. She is a Member of the Safety, Health, Environment & Security Committee and the Audit Committee. Ms Ward is a Senior Manager at YouGov, a Director of a number of Brookfield Multiplex Group companies and O’Connell Street Associates Pty Ltd and is on the Advisory Board of LEK Consulting. She was formerly a Director of the Commonwealth Bank of Australia, Lion-Nathan Limited, Brookfield Multiplex Limited, Alco Finance Group Limited, Rail Infrastructure Corporation and Delta Electricity. She was Chairman of NorthPower and a Board Member of Allens Arthur Robinson. Ms Ward was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Before that, Ms Ward held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Adviser to The Hon PJ Keating. Age: 57
FINANCIAL CALENDAR

2011
17 February     Half year result announcement
30 June         Year end
24 August       Preliminary final result announcement
28 October      Annual General Meeting

2012
16 February     Half year result announcement
7 March         Record date for interim dividend* 
5 April         Interim dividend payable* 
30 June         Year end
23 August       Preliminary final result announcement
11 September    Record date for final dividend* 
11 October      Final dividend payable* 
2 November      Annual General Meeting

* Subject to a dividend being declared by the Board.

2011 ANNUAL GENERAL MEETING
The 2011 AGM of Qantas Airways Limited will be held at 11:00am on Friday 28 October in Sydney.
Further details are available in the Corporate Governance section on the Qantas website (at www.qantas.com)

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Company Secretary Cassandra Hamlin

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