Start of Transcript

Alan Joyce: Thanks very much everybody. Sorry about the slight delay. As we'll talk about in the presentation, it's unusual for Qantas to have a slight delay. We've been the most on-time carrier for nine of the last ten months, so I apologise for that.

What we might do is we have a presentation, and I think it would be worthwhile for us to go through that and just to explain where we see the business at the moment, the industry overall, and give you some of the highlights of the results.

So I'm going to start off by just giving an overview of the highlights, and then we're going to pass over to Colin, who will take you through in detail some of the financial numbers.

I think it's fair to say this was probably one of the most difficult years in the history of aviation. IATA are forecasting that the aviation industry will lose $9 billion overall. Most of our peers and some of our competitors are losing significant amounts of money.

In that environment, having a full year profit before tax of $181 million we believe is a good result given the environment in which we're operating. We've seen a significant improvement in our operating cash flows, grown to $1.1 billion, and an increase in net cash of $1 billion dollars, bringing our cash balance to $3.6 billion at the end of June of this year.

We have taken a number of different corrective actions to be able to cope with the environment as we currently see it, and Colin will take you through a lot of that detail. But we have deferred and cancelled the equivalent of $7.9 billion at list prices of capital expenditure.

That allows us to better match the market demand to the capacity levels that we will be producing over the next few years. And you'll see later on in the presentation that we are seeing an improvement in our seat factor as a consequence of us managing that demand.

Overall, our gearing remains under 50%, again given the corrective actions that we've taken, which we believe is a good result. Operationally, the business has demonstrated this year the power of the portfolio and segmentation, and the power of the two brand strategy in particular.

We'll be talking about how we have leveraged that, and talking about how we see that going forward, because we think there are future even better applications of how that can perform. We had, during this year, the successful introduction of the 380, which has seen massive customer satisfaction, the best we've seen in terms of research; 84% satisfaction ratings for the aircraft.

And the introduction of the Premium Economy continues to roll out across our fleet. And in the current economic environment, our Premium Economy is turning out to be a very good and very sort after product. We probably need more seats compared to where we are at the moment. We also, after the industrial relations action by the engineers last year, we had a task to restore the customer satisfaction levels and get on-time performance back up to the pre-dispute levels.

Again, you will see that we've had a great on-time performance, beaten our competition, nine of the last ten months, in on-time arrivals. As a consequence of that, our customer satisfaction ratings have reached the highest level since 2003, which is a good comeback from where we were at the start of the year.

We've seen strong Jetstar growth in Japan and New Zealand and Asia, and we have further announcements today about continued growth on Jetstar in Singapore, with a significant initiative to grow our operation there by 46% in the next 12 months. Jetstar has turned around our operation in Japan.

While it had teething problems and some bad publicity with its initial launch of its New Zealand services, the performance of that are now exceeding our expectation, and Jetstar produced a profit for its first full month of operation in July.

We also did negotiate a deal with our 330 maintenance engineers to relocate the 330 maintenance back into Australia and Brisbane. Our future heavy maintenance will be taken on that aircraft.

And Qantas Frequent Flyer had a standout performance, with strong growth and diversification, record profitability and very successful launch of an alliance with Woolworths, which we'll take you through in more detail when we get to that segment.

I'll pass over to Colin. He'll take you through the details of the financial results.

Colin Storrie: Thanks, Alan. Qantas did perform well in 2009, given the tough industry conditions. As Alan mentioned before, most airlines generated full year losses, and in particular losses in the second half. We earned a profit of $181 million for the full year. Included in that profit was a number of significant items.

You'll notice that in our ASX appendix 4E we've included those by segment in our segment disclosure as well. But just taking you through those non-recurring items, we had accelerated depreciation and impairment losses of about $170 million. That was largely relating to grounding capacity, particularly 747s.

We had redundancies of $106 million. We had the gain on the sale of Qantas Holidays of $86 million, the reverse acquisition of Jetset. That was $86 million and that was reported in the first half. We also had a benefit from the change in accounting estimate for our Frequent Flyer program.

The result also included some other items that were one-off in nature. That included the industrial action in the first half of the year, and then the A380 introduction, which was also in the first half of the year, and then the impact of H1N1 in the second half of the year.

In terms of segment performance, Qantas Airlines, the main line airline, and our freight businesses found trading conditions difficult throughout the year. Qantas reported an underlying EBIT of $4 million, and freights reported an underlying EBIT of $7 million.

Qantas Frequent Flyer and Jetstar were able to cushion the impact of some of that reduced performance in the other segments, with both Jetstar and Frequent Flyer producing record results.

The profit from Jetset Travelworld Group was announced last week and was $24 million. Just looking at our balance sheet in cash flow, Qantas had a positive operating cash flow, and it was positive in both the first and second half of the financial year. Throughout the year, we had about $1.2 billion worth of invest in cash flows, with about $1.5 billion worth of capital expenditure.

That involved us purchasing 11 aircraft, including three A380s, three 737-800s and five Q400s. We also proactively put in place over $3 billion worth of funding throughout the year. We drew down about $1.5 billion worth of secured funding, and we put in place $1.1 billion worth of undrawn funding for future aircraft delivery. We also paid down $653 million worth of debt.

The closing cash balance is $1 billion higher than the prior year, at $3.6 billion. That places us in a very strong position, particularly compared to other airlines, and is one of the highest cash to revenue ratios in the industry. Total assets moved by $349 million. That was largely due to capital expenditure, offset by depreciation and aircraft write-downs. That also included our higher cash balance as well.

Total liabilities increased by $319 million, with new debt offset by reduced current liabilities. So, overall, the balance sheet was stable, with net assets only moving by around $30 million. Our gearing was up three points to 49%, and that's the gearing including the full capitalised value of operating leases.

Just turning to the operating environment, it was really a year of two contrasting halves. In 2009, we faced our worst conditions since listing. The first half of the year saw record high fuel prices and, for Qantas, the industrial action. The business started to feel the effects of the global financial crisis from September last year.

However, that deterioration accelerated into the second half of the 2008/2009 financial year, with declines in both passenger and freight revenue, and premium traffic reduced by 20% year on year in the second half. At the same time, we had significant growth from many of our competitors, particularly in the international business, causing even more pressure on our revenues. We'll take you through how Qantas's capacity has changed versus that of our competitors in a couple of slides time.

Then, finally, we had the outbreak of the H1N1 influenza pandemic in the later months, so we'll see the effects of that in the later months of 2008/2009 and the beginning months of 2009/2010. But our response was decisive, comprehensive and rapid. So we reacted more quickly to the economic volatility than almost any other airline.

The Group initiated capacity cuts and in April developed plans to ground, defer and cancel up to 56 aircraft. That was eight grounded, two through lower utilisation, 31 aircraft deferred and 15 cancelled. As Alan mentioned before, that was around $7.9 billion at list prices in terms of US dollar capital expenditure.

We also focused on protecting our revenue, reducing the cost base and, as we have been through, locking in our financing and funding activities. I'll take you through each of those in detail.

Qantas had planned to grow capacity by 6% in 2009, and we finished the year reducing capacity by 1.9%. The majority of the capacity reduction was in international markets, which were impacted most by the economic downturn.

Of the Group's capacity reduction of 1.9%, about 2.7% was in the international market and about 0.5% was in the domestic market. The two brand strategy allowed the Group to deploy Jetstar on marginal Qantas leisure routes. Jetstar's capacity increased by 14.4%, and Qantas capacity decreased by 5%.

As I mentioned before, the Group will be grounding eight aircraft and decreasing the utilisation of two aircraft. We also took 15 aircraft out of service, which included: two 737-300s, three 717-200s, six Dash 8 aircraft and four 747-300s. The $7.9 billion deferral or cancellation of capital expenditure included: four A380s; twelve 737-800s; fifteen 787s, which were deferred for around four years; and fifteen 787-9s, which were cancelled.

The total capital expenditure for the financial year ended 2009 was $1.5 billion. That was lower than what we had planned by around $1 billion, so we had $2.5 billion planned. The forecast capital expenditure for the 2009/2010 financial year is around $1.7 billion.

In terms of revenue protection, that was significantly impacted by the tough conditions during the year, particularly in the premium classes. But we reacted very quickly and started sale activity in November 2008, including the kids fly free sales and the two-for-one sales. This was followed by a significantly greater discounting later in the year to match the discounts offered by other international carriers.

However, Qantas retained all key corporate accounts during the year. Given the reduction in demand for premium cabins, we also undertook a dynamic reconfiguration of the Qantas fleet, selling down some premium cabins to improve load factors on some routes. In addition to this, Frequent Flyer redemption initiatives were implemented from 1 July. That included any seat, any time redemption options and also the Frequent Flyer store.

This slide shows how Qantas proactively managed capacity with demand. So you can see there that a lot of carriers did reduce capacity, and a lot of other carriers didn't reduce capacity. Those carriers that did reduce capacity, you can see there that Qantas actually improved its seat factor compared to its peers. So we held very high seat factors, and the variance to last year in the last quarter was positive for Qantas.

In terms of unit costs, the normalised unit cost per ASK increased by 3.9% to 5.73 cents. That excluded the impact of the industrial dispute and the A380 introduction. But while unit costs were up 5% against flat capacity in the first half, the benefits of the cost reduction initiatives came through in the second half, where our cost per ASK increased a modest 2.6% versus a capacity reduction of 4.2%.

Unit costs were also impacted by the mix change, where we did less lower cost international flying versus domestic flying. And our Sustainable Future program delivered benefits of over $550 million during the year, and Alan will talk in his section about our new cost reduction program and business enhancement program called Q Future.

In terms of the overall workforce impact, we did announce in the first half that we were reducing our FTEs by around 1500. You can see there that the impact of our workforce reduction initiatives are coming through, particularly in the later months of 2009. That included also significant reductions to overhead and administrative staff.

We also announced in April that we would be reducing the equivalent of 1250 FTEs and we are minimising the impact of those reductions on our workforce by implementing leave options that include leave without pay, long service leave initiatives and also job sharing and natural attrition. So we are trying to manage that with a minimum impact on our workforce.

Just turning to financial management - so we ended the year as we mentioned before with $3.6 billion worth of cash. That's the highest level Qantas has had. We had undrawn standby facilities of $0.5 billion. We had $1.1 billion worth of future funding facilities for future aircraft. We have no significant debt refinancing requirements until February 2011. We have maintained covenant free debt on all of the funding that we put in place and all of the new facilities that we've put in place.

We also will not be paying a dividend - a final dividend. The board has declared no final dividend for the year. We will continue to assess the requirements for dividends in the context of future profitability and also our capital requirements.

In terms of overall hedging performance, 2009 obviously was a very, very volatile year. Qantas was highly hedged at the beginning of the year when all prices were approaching $150 a barrel but we extensively used options and that allowed us significant participation in falling fuel prices and fuel prices fell by over $100 a barrel at one stage so that move was obviously unprecedented.

The volatile fuel and foreign exchange rates resulted in a net hedging gain to Qantas of $9 a barrel and that was offset by option premium costs. So there was a cost of getting that optionality into our portfolio and that was around $9 a barrel so overall a break even result with FX and fuel.

As far as we can tell, this result actually compared very favourably to other carriers over the same 12 month period, in fact we couldn't find anyone that was in a better position.

Just in terms of the position that we have for 2009/10, we have 80% of our fuel cost hedged at a worth case rate of $89 a barrel and that includes the cost of option premium and we have our current price of 78% participation in falling fuel prices.

In FY2010 we also have around 51% of our foreign exchange hedging in place and that's at a worth case rate of 78 cents including option premiums. On an ongoing basis we're looking more at our combined exposure of the US dollar and also fuel because they are highly correlated.

In terms of our capital expenditure we're about 89% hedged until June 2011 at a worth case rate of 77 cents of the US.

So that completes the financial section and I'll now hand back over to Alan.

Alan Joyce: Thanks Colin. Before we get into the section outlining the performance of the business units, I might introduce a number of the executive team here. Some of the new faces you probably haven't seen before and people will be here to answer questions at the end. So I'll go through them in the top row.

I'll go through them from Rob Kella. Rob Kella is our chief risk officer; Brett Johnson, Brett is the legal counsel for Qantas; David Epstein, he's head of Government affairs and corporate affairs; Jon Scriven, he's our new head of people; Bruce Buchanan, he's the CEO of Jetstar; Rob Gurney who's our new head of commercial. Gareth Evans, who's the CFO for the Qantas Airlines division; Steve Cleary, who's head of our freight division; Simon Hickey, who's head of our Frequent Flyer Program; David Hall, who's head of strategy, IT and corporate services. I won't introduce you Jeff, everybody knows you at the end.

So if there are questions on particular segments or particular businesses at the end we'll be able to allow the people to answer them.

Starting off - well we talked with the importance to identify how we're positioning for the future. We believe that there are a number of great assets within the organisation that give us a unique position to be able to leverage the Group's position going forward.

First of all leveraging the two brands by creating an integrated Qantas airline and segmentation has been great for us. In the Qantas Airline case we are integrating some of the functions back together and we'll talk about that in detail.

We have grown the Jetstar franchise and Jetstar has a record year. Leveraging the pearl of the dual networks and we are now leveraging Jetstar's Asian network in particular to sell 12 additional destinations onto the Qantas network. We think the combination of both brands individually and collectively give us a very strong position going forward.

We are forecasting a capacity growth close to zero and they're at two different levels of capacity increase. Qantas brands will decline by 5% and the Jetstar brands with full consolidation of Jetstar in Asia for a full year will be over 20% in terms of growth.

We are investing in customer service excellence and opening new training centres to invest in delivering on the customer proposition which we think is going to be a key differential going forward while enhancing our complementary portfolio businesses, particularly the strength we're giving to Frequent Flyer, the freight businesses and we'll talk about them in detail and we have the leading focus on safety, the environment and our people which we think are critical investments and critical focus for the organisation in the year ahead.

We are committed to the ongoing segmentation strategy, but we have made some modifications focusing in on five key segments going forward. We believe that these are the appropriate segments. Segmentation has delivered some real benefits for the Group, particularly the achievements that we've attained through Jetstar. Our Frequent Flyers have been exceptional so we are committed to the segmentation strategy and we believe the time is right to modify that and to focus in on a Qantas Airline segment which has all the integrated functions and I'll describe that in a bit more detail.

The two brand strategy has been very successful over the last five years for us and we're aiming to take that to the next level. We want to have the world's best premium airline in Qantas and we want to have the world's best low fares airline in Jetstar. One measure - the Skytrax measure - these carriers are close to that target. Qantas is in the top six for service airlines in the world and Jetstar's in the top five. A couple of years ago Jetstar was the number one low fares airline in that category, so we believe it is achievable and it's an aim for the organisation.

These two brands give us unique diversification. Our international and domestic gives us what most of our peers do not have, premium and low fares that definitely most of our peers don't have. Business and leisure, short and long haul - that's a unique diversification and we can see the strengths in the performance of the business this year.

On our international operation we have seen a competitive environment that is quite intense. Our international competitors have added over 10% capacity despite falling demand. The fall in demand has been in excess of that in the Asia Pacific region. We've had a cohesive response with deploying the optimal brand to each market segment and believe the network we're now operating is the optimal mix of Qantas and Jetstar - Jetstar taking a leading role now in Japan and in New Zealand.

We have taken the decisive actions and decisive actions have positioned the Group strongly in these key markets and it's allowed us to contest more effectively against our competition and to close off any gap we believe that could have been created.

We continue to invest in fleets with 160 aircraft on order, with the second largest order of the 380s and 737s, 330s, 320s and 787s on order which we believe is important to renew our product to keep our average fleet aged to an acceptable level and to leverage new technology to generate savings for the organisation.

We have significant growth plans for Jetstar in Asia, particularly Jetstar Asia and today we announced that Jetstar Asia would be growing its operation by 46% including services into mainland China. There are a large amount of profitable markets in Singapore that we are not operating on and we believe it's now the time for us to focus in on taking advantage of those markets going forward.

We are also enhancing our business proposition for Qantas, investment in new lounges - our first class lounges in Australia - and last year we had world's best lounges and we think that proposition with the network that we're offering is key to the Qantas international business.

In domestic we are deploying Jetstar to capture the price sensitive leisure segment. We have seen in the research we're doing in the domestic market very clear segmentation between Qantas and Jetstar. They appeal to very different segments of the market. Qantas is going to focus on maintaining its high frequency business purpose schedule. It's targeting the SME segment going forwards. As Colin said earlier, what was an amazingly good result for us over the last year despite the industrial relations issues that did damage the brand, that did damage our on time performance last year, we didn't lose a single major corporate account. I know with the fundamentals of our business back to normal we think it's the opportunity for us to strengthen our position and target the SME market which is a market traditionally we haven't done as well in as the corporate segment. That gives us an opportunity to build on our strong position domestically with Qantas and we believe we have the right product, the right communication and the right brand to target that market.

We're also going to leverage Qantas and Jetstar to enhance the Group's market position on a number of key markets and in particular on the Melbourne Sydney routes. Today we announced that Jetstar would be launching five daily Sydney-Melbourne services from the end of October. Jetstar is scaling back its Avalon operations from seven to four services a day and we believe this is the right decision for the Group. We see Melbourne-Sydney as one of the largest city pairs in the world. We think it's the third largest city pair in the world. It's very much a business and leisure market. We want to utilise both brands, both products, to maximise the Group's profitable position on that route. We don't want to leave an opportunity for any of our competitors to take advantage of the fact that Jetstar wasn't flying directly on the service.

We have had experience over the last five years of operating both brands on a number of markets. Today we have 24 routes that both Qantas and Jetstar operate on simultaneously and from the research and the information we have we see very, very little cannibalisation with a very small proportion of the corporate market using Jetstar's services on those routes.

We think that this will allow us to successfully focus Jetstar on the price sensitive market on Melbourne-Sydney while continuing to operate 32 services a day with Qantas to appeal to the business segment.

In addition, we believe it was important to put Jetstar on the route because the market research clearly shows that Jetstar has a significant lead over its competitors as price perceptions as the lowest fares offered on the domestic market. Qantas doesn't appear in that research as having penetration or ownership of that segment.

So to utilise our best asset at a price sensitive segment we thought was critical at this stage of the competitive environment in this market.

Qantas had an underlying EBIT of $4 million. It reported an EBIT after non-recurring items of $77 million negative. The results did include the impact of a significant number of items including the industrial action that cost us in direct attributable revenue loss and costs of $130 million. It was probably additional - it was additional - brand damage that was not included in that number. It included the introduction of the eight 380s which cost the organisation close to $40 million and was a very successful introduction, better than the introduction of the 747s 20 years ago. Also an impact that H1N1 in the last quarter which amounted to $25 million impact on the bottom line for the Qantas brands.

We see a continued profitable growth on QantasLink, the Dash 8s are performing exceptionally well and QantasLink is still a profit generator within the Qantas brands.

The economic downturn did significantly impact the business and premium traffic and we've seen a consistent impact on that since Lehman Brothers collapsed at the end of last year. The position there has stabilised and hasn't gotten any worse from when we reported the outcome at the April downgrade.

The operational improvement for Qantas has been quite significant and spectacular. We're proving on time performance to pre-dispute levels in very rapid time after the dispute was resolved and as I mentioned earlier, we've had strong recovering customer satisfactions - the best rating - since 2003.

We have made a decision to integrate the Qantas Airline functions back together to form one airline group that covers a catering airport's engineering product, crew and commercial divisions together. These were some separate segments that were performing a vast majority of their business for Qantas Airlines. This allows us to simplify the structure, allows us to make faster decisions, renews duplicate corporate functions and was one of the reasons why we were able to reduce our management manpower by 20%. It allows us to focus in on costs and not recharging between divisions and allows for an integrated management that's responsible for one [unclear] now that has the biggest benefit for the Group on that focus.

We're also launching, for Qantas, primarily focused at the Qantas Airlines operation, a three year transformational program called Q Future which is aiming to target $500 million in cost reductions this year and $1.5 billion over the next three years. This is a wide ranging program that covers a lot of initiatives from the management restructure to IT transformation, sales and distribution, fuel conservation and ancillary revenue. To give you one example on IT transformation, Qantas spends around 3.8% of its revenue on IT each year. Jetstar spends less than 1% on IT. It probably has better design systems for the requirement of that model.

Now while there are legacy issues and process and procedural differences we do believe that there's a huge opportunity in transforming our spend on IT and we've targeted over $100 million this year alone on IT spending, savings that we think can benefit the organisation.

I'm sure there'll be questions on this later and we can come back to when we get there.

We believe that Qantas is best for business. It has had a very good relationship with its corporate accounts. We keep on emphasising that we did not lose a major corporate account in the last year. We have very strong market share in this segment. We have very good focus on this segment and we think it's one of the core strengths of the Group and that will continue going forward.

We are focusing in on the opportunity with SMEs. We have the best schedule offering, both domestic, regionally and internationally, and now leveraging to Jetstar's schedule in places like Singapore to even enhance that proposition going forward, rolling out code share agreements and interline agreements with carriers like Etihad that does enhance a core network overall.

We have the leading loyalty program with now over six million members generating the best satisfaction that it's had in a large number of years. We are investing in the premium business facilities. We're upgrading airport lounges and the meetings rooms which have been a great success in all of the airports in which they've operated.

In terms of on-time performance, we do have to focus in on the perceptions that Qantas hasn't performed as well as the competition. The facts are clear though. If you look at our long time performance in terms of each of the dimensions, the best for departures. We have been seven out of the last eight months we've been number one. In terms of arrival, nine out of the last 10 months we've been number one.

You can clearly see that industrial relations dispute last year did have an impact on the reliability between July and October in particular. We did reach a low last year of on-time performance at 65 per cent, one of the lowest we've had for, probably in our history, but the organisation has made great inroads to turn that around, and the fact that in April the performance was marginally worse, less than one per cent, than Virgin in that month indicates that it's been a very good run and the focus for the organisation has been, has achieved good results.

So for the future, we continue to invest in award winning products. The lounges, new seats, continue to focus in on the roll out of the 380s. We're taking a delivery of a fourth aircraft in the next week. We'll have six aircraft by the end of the year which will allow us to have a daily product on to LA and to London. We are getting amazing customer satisfaction of 84 per cent customer satisfaction for that aircraft. It's the best we've seen on any fleet type. We're continuing to roll out a Premium Economy which is a good product in the current environment performing a very high seat factors and performing very well.

We're investing in customer service training with a new centre of service excellence, already having trained over 6000 of the staff members. All of [ex co] have attended the training program. It is an investment in our people, an investment in customer service and an investment in our customer and we think it's an important investment for us going forward in this competitive environment.

We are strengthening the brand value. This weekend we've, you've seen the advertising campaigns when you came in. This weekend we launch a new version of I still call Australia home. It's a special version of the advertising campaign and we believe can continue to build Qantas' iconic status in this market.

We have seen since the industrial dispute last year a rapid recovery in people's perceptions about Qantas' safety reputation and its iconic status. This advertising campaign will enhance that even further. And of course, we have the investment in fleet, the 330s the 737s, 380s and 787s going forward.

On Jetstar, we've seen Jetstar have record performance this year. The low cost model is certainly working very effectively in this market environment.

The underlying EBIT of 107 million was an increase of 4.9%. A record PBT of 137 million, an increase of 18%. It had an impact on its profitability by H1N1. Because Jetstar is our largest operator into Japan, it had a $20 million impact, mainly due to the Japanese market switching off during the H1N1, a significant impact on the profitability in the last quarter. Without that it would be an even more exceptional result. Continued strong quota in capacity with 14.4% increase in capacity during the year.

In terms of revenue, Jetstar is now the largest low cost carrier in Asia with revenue bigger than Air Asia, and because Virgin are calling themselves a new age, or a new world carrier, whatever that is, they exceed Virgin in terms of - in the low cost category.

Jetstar is building on its low fares leadership. Its new advertising campaign, its low fares guarantee, its promotional activity has generated a leadership in this segment. It's something that we're not going to give up lightly and Tiger's entry hasn't damaged that in any way.

Jetstar is the clear low fares leader. It's building its product and service offering. Last week we announced the launch of a new SMS boarding pass initiative which has got a great reaction and the use of that type of technology is something that we need to use across the Group to give us more efficiency, savings and good customer service.

Its successful transition of Japan and New Zealand services which we'll talk about in a bit more detail. On the Japan route, Jetstar has generated a significant TBT turnaround.

Some people will say, well a large element of that is due to currency change which it is, but if we hadn't had Jetstar last year, Qantas would have walked away from Narita slots, would have handed back those slots and wouldn't be in the position to take advantage of that currency change and the lower cost base that Jetstar has.

Jetstar is now the largest airline between Japan and Australia. It's protecting the group slots in Tokyo which has a large waiting list of I think over 30 airlines to get additional slots going forward, and amazingly Jetstar is already rated in the top 100 brands in Japan. With other brands like Google and Apple, it was a great outcome in terms of the penetration of the brand already in that market.

In New Zealand, we did have teething problems with the launch of Jetstar with significantly bad publicity. On-time performance was impacted. Jetstar has shown good on-time performance improvement since then. It has focused in on resolving all of those teething issues and in the first full month of operation it has reported a profit with load factors and forward intake significantly ahead of our business gate, and now we are actually pursuing our growth opportunities, and Bruce will be talking to a number of New Zealand airports for future opportunities going forward because we think this can be a good growth market for the Jetstar brand.

Jetstar Pan Asia strategy is an important part of what we need to do going forward. There's increased alignment between Jetstar and Jetstar Asia. We have changed the ownership within Jetstar Asia which has allowed for that alignment. We believe that is a foundation for future Pan Asian growth. There are planned operational synergies of over $20 million. They are being achieved, and Jetstar Asia's performance is significantly improving as a consequence of that. It is a good operation for us and we think that over the next year we can leverage significant growth in that business.

There are already now 12 destinations added to the Group offer with an interline agreement now between Qantas and Jetstar Asia which is promoting travel from London and Europe and Australia into a range of destinations we didn't service before that Jetstar Asia are providing. Jetstar Pacific has made good inroads in the commercial, operational and regulatory advances over the year.

Our investment has increased to 27 per cent. This continues to be a very good potential growth opportunity with 90 million people and a rapidly growing aviation market which has grown by over 30% in the last year. So it has huge future potential for us and it's something we continue to work with our Vietnamese colleagues on.

We have a commitment after yesterday's board meeting for continued growth in Asia, planning a 46% growth in Singapore including the operation into mainland China. Phit Lian, the CEO of Jetstar Asia, will be making announcements over the next couple of days to what those routes will be, the fares levels and the star updates of those operations. We're pretty excited about this. We have missed out on profitable opportunities in Singapore in the past. We believe there's an opportunity for us to go after those opportunities and to develop our network even further there.

So we are investing in Jetstar's growth. As I mentioned, we have significant growth plans for the operation. Given the performance of the business, we think that is sensible. Jetstar's A320 family deliveries have been advanced to allow for that growth. We have three incremental aircraft with the Singapore business, four incremental aircraft to grow the Australian and New Zealand business which is performing very well, and two new aircraft we've replaced existing older aircraft.

Jetstar's delivery stream of A320s over the next few years has been aligned with least terminations to give us maximum flexibility and growth opportunities, but also if the environment doesn't warrant it, to slow down significantly and actually flat line Jetstar's growth if need be. We have maximum flexibility with a free plan to leverage Jetstar going forwards.

We are targeting also four to five additional A330s. We have secured leases on four A330s for six year leases to provide for Jetstar's international growth. Again we see the Japanese market as an important market, but also the Asian operations that can't be served with the 320s are prime growth opportunities for this business, and we are investing to build strong foundations with our new reservations' systems, operation and engineering systems in Jetstar. We are investing in the airport experience with kiosks, tagging and a boarding process which we thing can bring this brand from strength to strength.

Qantas Frequent Flyer was a standout performer with underlying EBIT of 77% at $226 million. The reported EBIT including Direct Air and [Rush] up 142% to $310 million, a record PBT of 64%, $384 million. Record billings up 35% at $1.25 billion. Membership now over 6 million.

The alliance with Woolworths has generated a big increase in membership and it is in line with where we expected it to be on track to achieve the over 7 million membership that we're planning, representing 50% of all Australian households.

It is achieving satisfaction levels at record highs and it is the fastest growing and leading frequent flyer programme in the Australia market.

We have seen the launch of the Qantas Frequent Flyer store during this year and the [unclear] launches which were major initiatives in their own right. The Direct Earn strategy has been very successful for us converting a large number of customers directly into the Qantas scheme and generating good cash returns for us during the year.

We have now contracts with over 200 restaurants and 400 partners overall and an alliance with Woolworths that I can only see going from strength to strength and Woolworths are extremely happy with the performance of the Frequent Flyer programme. They believe it's making a real difference to their business and that will continue.

In Freight Enterprises we had an underlying EBIT of $7 million this is a business that is obviously most affected by the international downturn. Freight businesses around the world are affected more by the reduction in demand. We have diversification within the Freight portfolio, did reduce our impact at the downturn with a

	strong position in the Express business, which has proven to be more resilient.
	The freighter network has been optimised to better match demand and revenue generation and cost reduction initiatives have been implemented to improve the overall performance.
	Jetset Travel World Group as Colin mentioned earlier we own 58% of Jetset Travel World Group. The underlying EBIT was up $16 million, it has no debt. It has cash balances of $130.7 million and it's a growing out network. The cost base has been right sized for the economical turnaround and the synergies of the merger of QBT, Qantas Holidays and the rest of the Jetset division are on track to achieve the benefits that we've outlined.
	Safety for the Qantas Group is our first priority and our top priority. The safety practice systems and procedures reflect this commitment. We have reduced workplace injury rates significantly over the last five years and there is a focus on injury prevention. We have significant challenges through the year to our operations and the challenging year had a number of incidents - two major incidents that caused the press group and an intense review of Qantas during this period.
	The Qantas QF 30, the 747400 operation to Manila, the Qantas QF72 the A330 issue in Learmount. Initial investigations clearly indicate that there's no suggestion that the incidents were caused by Qantas in anyway. I might just get you to cover this out.
Colin Storrie:	Yes, he pre-warned me that his voice was going, so at some stage when he started coughing excessively I have to take over. So I'll try and do my best Irish accent, so I just hope there's a lot of threes in there today "tree tirty".
Alan Joyce:	I've got to stop you now before you ... I'll come back in. CASA conducted a maintenance review over the year post the engineering industrial action and there are no threes or 33s for the rest of the presentation.

The technical performance was back on par pre the industrial relations incident and we've seen a significant improvement in all those indicators over the year and the CASA audit found no significant issues, minor things that any audit will find and we were quite happy with the performance of the organisation through that.

There is continuous improvement in the safety governance reporting and data analysis, and we have been seeing those trends all going in the right direction.

We have introduced a sustainable environmental strategy. It's a big investment for us in fuel efficient aircraft and technology. We think this is the best way for the aviation industry to reduce its carbon footprint and there is a strong focus on fuel conservation, with 100% improvement on prior year.

Utilisation of satellite navigation new technology we think can have a big impact in this area, can give good customer delivery and faster, more efficient operations and allow us to get significant savings and reduce our carbon footprint.

There's a 16.5% improvement in fuel efficiency targeted by 2020 with the introduction of that new technology. There's involvement and efforts to develop sustainable aviation fuel, which is still at the early stages, but Qantas will be taking a more active role in this area going forward and it's an area the entire industry needs to focus in on. And we have inclusion in sustainability indices the FTSE for Good global index, the Australian 30 Index, Dow Jones Sustainability Index and the Asia Pacific.

Our people will be a very, very big priority for us. The focus on employee engagement is critical given the industrial relations' action that we had last year, the damage it did to our on time performance, the damage it did to our position in the marketplace, the damage it did to our brand reputation. Our focus on better employee communications, looking at recognition of employees and leading and training of frontline leaders to improve on the engagement is critical to the future success of the organisation. And the entire management team is very heavily focused in this area.

We're investing in leadership and succession going forward, driving performance management which has not been uniform through the organisation to make sure we have a performance driven culture, a merit based culture and we're emphasising on customer service training which is an area we have to improve on to be the world's best premium carrier and it's an area that we are investing in a $10 million customer service training centre and in a number of different training courses.

Our employee relations we believe is critical to getting engagement in performance management and communication right, and in the last year since the industrial relations' dispute we have made good progress with agreements across the board and various employee groups but we have to also continue to invest in our graduates and apprentices for the future.

You've met the new executive team. The executive team remuneration levels have been reset and the total remuneration for the executive team is down by 25% to 30% when you include the non-payment of cash bonuses it's far greater than that this year. The executive management salary and director fees have been frozen since 2007. We have introduced a flatter, leaner organisation structure reducing the management and senior award position by 590 since January 2009 with expected savings of over $90 million. And as I mentioned, no cash bonuses will be paid this year.

So, recap. We have seen Qantas take decisive action. We are, I believe, one of the airlines best equipped and one of the airlines most willing to adapt to changing market circumstances. That ahs strengthened our financial position because of our ability to adapt and change rapidly.

We have a strong portfolio with unique diversification that no other airline group in the world has. We see Qantas as best for business and we continue to invest in the infrastructure and the Qantas product because we believe that this market will turn and Qantas is best positioned to utilise and take advantage of that upturn.

We are investing in Jetstar which is the largest low fares' airline n Asia Pacific with significant growth opportunities. Bruce is like a kid in a lolly shop at the moment figuring out how he is going to grow the business going forward. There are very significant opportunities outside of our home market about how we will grow Jetstar.

We have the fastest growing and leading frequent flyer programme and there will be more opportunities again for this business to grow with more partnerships. Simon and his team have done a fantastic job of leveraging 400 new partners, we think that's only the start, there's plenty more that we can do.

So we are well positioned now and for the future to take advantage of circumstances as they arise to leverage the two brands and our portfolio of businesses.

The outlook for the business - there are signs of an improvement in passenger volumes in addition yields have stabilised at the levels experienced in the second half of 2009 financial year.

High levels of volatility in the economic outlook, industry capacity, passenger demand, fuel price and exchange rates, however, continue. Given the high level of uncertainty it is not going to be possible for us to provide any profit guidance.

Can we go to questions?

Question: (Simon Mitchell, UBS) Just in terms of the compensation receipts due from Boeing, can you just discuss what impact they had on the cashflow in the second half?

Colin Storrie: Yes, we had a commercial settlement with Boeing and we also as the A380s deliver - given that they were late as well received settlements from Airbus as well. They are either recognised when we've recognised them from a P&L sense, obviously in the prior years. But when the aircraft are delivered, and when we settled with Boeing in the second half of 2009, they were included in the cash flow, but it was a commercial settlement and remains confidential.

Question: (Simon Mitchell, UBS) Did that go through the operating cash flow or the...?

Colin Storrie: It went through the operating cash flow, part operating cash flow; and also part of its was receiving back some deposits that we had on our aircraft, which offset capital expenditure.

Question: (Simon Mitchell, UBS) Just a further question on yields, your commentary in the outlook, does that imply that we almost just roll forward effectively the yield you have reached in the second half into the next three months? Is that sort of what you're saying? Or are you saying that the drop-off you saw around the April period just carries forward?

Colin Storrie: I think what we're saying is that we're seeing improved traffic volumes: given the level of capacity that we've taken out, that we have not seen recovery yields; they're not getting worse, but there's no significant recovery from the levels that we saw in the second half of 2009.

Question: (Phillip Wensley, Morgan Stanley) Just wondering if you can comment further on the US route. That's certainly been one route that's had quite good profitably in the past, had a lot of supply, and some comments from Virgin Blue about their load factor recently.

Alan Joyce: Yeah, Phillip, what we've seen on the Pacific route, there are obviously four players operating now. We've seen a growth in capacity of 30% go forward. Demand has been declining on the route. So particularly business demand is way down, given what's happened in the US economy.

We believe looking at the performance of all the carriers since the operation of V Australia started, we've been looking at obviously Delta's initial operation, but Qantas is outperforming all other players on that route. It is over-supplied. Rationalisation, I think, will have to take place.

We are seeing some changes in the competition. V Australia announced a delay to the Melbourne-Los Angeles service. They're obviously looking at their exposure to that market. Qantas has been on this route for a long time, over 50 years. We're the first carrier to operate jets on it. We're in it for the long haul.

We believe our network is the best network on the trans-Pacific. Our product is the best product. Our alliance with American Airlines is the best alliance. We have a corporate market penetration that gives us an advantage.

We're not going to give up on any of those assets lightly. So the network we have is going to be the network we're going to operate. We think rationalisation will have to happen on the route. With what's taken place now, there may be some signs that that's about to occur.

Question: (Phillip Wensley, Morgan Stanley) Can you give any commentary just on the actual load factor in July and August?

Alan Joyce: Yeah, we were at 90% seat factor I think in July. We're actually getting record seat factors. The seat factors, for us, isn't the issue; it's the yield. There's a huge amount of discounting taking place. Business airfares are significantly below where they were last year.

We have significant discounting taking place on the leisure route. Of course, Qantas will always be competitive. We have the largest operation on the Pacific. We will be competitive with the competition in terms of airfares. It's not volume that's the issue; it is yield.

Question: (Russell Shaw, Macquarie) Just a question on your yields. How would those yield trends have looked if you included FX for the full year? And then secondly, just on your revenue received in advance, it looked pretty stable year on year. Given the sort of shorter booking windows and lower yields, has that been driven by a Frequent Flyer cash advanced receipt?

Colin Storrie: Yes, some of that. We'll start with the Frequent Flyer question first. So revenue received in advance remained relatively stable. You know, we did do a lot of forward sale activity, but we also got a benefit from the direct earn strategy with Frequent Flyer, where obviously we had the initiative to go to direct cards and convert the points balances across from the financial institution. So there was a benefit there, but that's obviously been offset by a reduced revenue received in advance from the passenger revenue side, so overall stable.

Question: (Russell Shaw, Macquarie) And then the yield question on if you include FX.

Colin Storrie: If you include FX, it was kind of, you know, there wasn't a large impact on yields with FX. Ironically, I think in the first half it was pretty stable. The second half I think it probably impacted it a little, but overall not a great impact.

Question: (Mark Williams, RBS) Just on the yield side of things, just wondering if you've seen stabilisation across all segments or whether there's any decline in leisure business yields still ongoing? And then just on the passenger number side of things, are you seeing improvements again on the leisure or corporate side?

Alan Joyce: I might get Rob Gurney, our head of commercial, to just answer that one. That's an opportunity for these guys to speak.

Rob Gurney: Thanks a lot. Look, the yield stabilisation has been remarkable consistent across both networks; the international and the domestic. It's probably on the international network a little bit more weighted on the UK routes than the Pacific, for reasons that Alan has outlined. On the Pacific, we've just seen the introduction of Delta, so the yields there are still under significant pressure.

Just remind me what the second part of the question was again, thanks.

Question: (Mark Williams, RBS) Just around passenger numbers as well and where you've seen improvements there, leisure versus corporate.

Rob Gurney: It's pretty much exclusively in the leisure segment. The corporate passenger loads have stabilised, but certainly no clear signs of improvement there, but leisure certainly has picked up.

Question: (Cassandra Meagher, CBA Equities Research) Just three questions. The first one is on competition. Going back to your comments on the Pacific route, can you also comment on the route across to Johannesburg, with V Australia potentially starting up, and how you see Tiger's entry into Sydney affecting Qantas and Jetstar?

Alan Joyce: Well, I might have a go at it and then I guess call other guys to come in as well. I think, first of all, the Johannesburg route for us is again a good route. We fly from Sydney. We have an alliance with South African Airlines. They fly from Perth. We think the proposition that we're offering out of Sydney is a very good proposition in terms of the frequency.

We do think it's going to be very competitive against V. Melbourne is always a hard market to make work. You know, we've had experience – I used the example of Jetstar flying out of Sydney to Honolulu and Melbourne to Honolulu. While all the competition was in Sydney, it was impossible to make money on the Melbourne service, and Sydney was actually a good performer. It is harder, whatever the reasons are, with the demographics and the performance of the operation.

So I think we're on the right route. We've got the right partnership. We've got the right aircraft. We've got the right product operating. I'm again very comfortable we're in a competitive position there. With the Melbourne-Sydney route, Tiger have come on, starting with five, going to nine services.

We have made the announcement in the presentation that Jetstar, at the end of October, is going to come onto Melbourne to Sydney.

We believe that that is the right combination. We believe that for the price-sensitive segment of the market Tiger would have had an advantage on Tullamarine versus Avalon with some of the direct Melbourne traffic. That's why Jetstar was seeing some drop in its loads on the Sydney-Avalon operation.

Jetstar is very clearly the price leader over Tiger. Any market that Jetstar has been directly competitive it's been very profitable against Tiger, and it's ended up doing very well. You know, I think Tiger came into the market talking about never withdrawing from a route. Well, they're no longer on Melbourne-Newcastle because Jetstar service had a significant seat factor and a significant performance ahead of them. They couldn't make Melbourne-Darwin work.

So they've withdrawn from a number of different routes because they aren't competitive against Jetstar. So we think the right option for the group is to put Jetstar on Melbourne-Sydney to make sure that the group's overall profitable position is maximised and optimised. Do you guys want to comment on any of that? Okay, you're okay.

Question: (Cassandra Meagher, CBA Equities Research) Just a second question on freight. You commented that Express had actually performed quite well. Can you give us a little bit more colour around the freight performance and in particular the drivers on the Express side?

Alan Joyce: Yeah, I might ask Steve – if I get his name right this time – Cleary. Come up, Steve.

Stephen Cleary: Thanks. I think the answer to that question sort of is a relative position. So relative to the traditional belly space business, the Express side of the business did very well. Obviously, in freight enterprises, that also includes our share of Star Track Express and Australian Air Express. And also in our business we've got Express Freighters Australia, which is the freighter network we operate domestically within Australia. So they're all included in that number.

So, obviously, we reported a profit I think of $7 million up there. Obviously, the belly space side of things hasn't performed particularly well because of the overall conditions, but the result's been propped up by the performance of the Express businesses, in particular Star Track Express.

Question: (Cassandra Meagher, CBA Equities Research) Did you see Toll impacting that at all, like Toll's move to use their own [VBA] sort of arrangement?

Stephen Cleary: Yeah, look, Toll is definitely a competitor in Australia. They're our biggest competitor domestically within Australia, and there is no doubt that Toll is out there having a go. They put their own freighters into Australia. They run the 37 '37s. We've got the four 737s as well that we operate.

Toll's planes largely fly the same networks as what we do. Obviously, their service is exclusively the Toll business and we effectively wholesale ours through Australian Air Express to the rest of Australia, so that includes people like TNT and DHL and that sort of thing.

Question: (Cassandra Meagher, CBA Equities Research) Just a final question, sorry. It's on acquisitions, spin-offs, Frequent Flyer program and freight. There's been talk about it previously. Can you just give us a general update on that?

Colin Storrie: I think the general update is no spin-offs or large acquisitions planned at this stage.

Question: (Anthony Moulder, Credit Suisse) Just on the Sustainable Future program, as it used to be called – it's now called Q Future – you had picked that cost savings of $750 million per annum, then down to obviously $557 million in a difficult year albeit. Now $500 million forecast going forward, suggested that it's getting harder and harder to strip costs out of the business. Where do you see the majority of costs coming out going forward?

Colin Storrie: That's a good pick up that one. If you have a look at our February results I think we said $1.1 billion over two years with revised [SF] and obviously $550 million is in line with that. I don't think – I think it does get harder, there's no doubt about it. But I think in the same sort of theme, there's always more stuff that you can do. And we're very confident with the target that we've set for the Q Future program. A lot of those savings are already in train, so at least half of those savings are through the manpower initiatives and also the IT initiatives that we've implemented already.

So we're confident in that program. And we're also if you've noticed there, we've said what we're going to do over a one year and a three year period. So I think it's important in our business to plan for the long haul and certainly we're making sure that the initiatives that we put together in our three year plan get delivered. Because some of the larger transformation initiatives do require a bit of a lead time to be delivered. So we're confident in the program. I think $500 million is very significant and I think [SF] was a success and $550 million in any language I think is a good effort on cost.

I think it was also a little harder to get to that 750 when you're nor growing and when you're taking capacity out, that introduces additional challenges, and that's the main reason why in February we brought that 750 target down to 550 or 1.1 over two years.

Question: (Anthony Moulder, Credit Suisse) How much of it is also attributed to the changing mix between Qantas mainline and Jetstar?

Alan Joyce: We're not accounting for that as part of the savings, so we're not assuming a cost avoidance by using Jetstar's growth is attributable to this program. That's a different way of accounting format from now on.

Colin Storrie: And if you note there is a subtle change as well, is this is a program that's run within the integrated Qantas mainline business, so it doesn't include any of the savings from Jetstar or the other segments. So this is a Qantas airline segment specific initiative.

Alan Joyce: And that's an important point because we could have made a number look a lot bigger by including those savings, and we haven't because this purely has focus on the Qantas segment.

Question: (Anthony Moulder, Credit Suisse) Last question if I can; the delay that you announced earlier this year of the 787s, the 15 that were going to Jetstar, now we see A330s has been added to Jetstar International's growth plan. Why cancel that first 15, was there not the flexibility to reduce it or defer it a little bit?

Alan Joyce: Well you can see with the continued speculation over the program, with even this weekend, Boeing made an announcement that they were having with microscopic crimples on the airframe and with their manufacturer in Italy. That they stopped some of the production to fix that problem, have it fixed for it. The first 23 aircraft were going to be impacted by it.

I believe when we made the decision to delay and cancel the 787s was that we were continually switching on and off the program team, because of the uncertainty around delivery of the aircraft. We would have had, if we had of taken some of the early aircraft, had service modifications to make to the aircraft, which would have taken place over time. And it was better a definitive date for the aircraft when we know a lot of these issues will have been resolved. And get a mature aircraft rather than one that's at the early stages. And that's why we were waiting until mid 2015.

In addition, we felt that the profile, the right thing to do, was to delay the profile so that Jetstar could directly take the 787 Dash 9s which are the more ideal aircraft for Jetstar and we had originally planned for them to take the Dash 8s. Then roll them out and go to the Dash 9s. We can avoid that by doing it this way. For Jetstar to go directly to the aircraft that suits it and for Qantas to get Dash 8s brand new, directly into its fleet to replace the 767s.

We made our decisions as a conscious decision back in April. We couldn't at that stage, because we were still in negotiations with Airbus and make the announcement about what the replacement grow plans were for Jetstar. We have finalised most of those negations. We're talking about four to five. We've committed to four aircraft and looking at a fifth. But four aircraft are signed for a six year lease.

So we don't have the residual value rates, we don't have the aircraft in a fleet longer term and it does tail into the arrivals of the 787s. We think that combination, given the operational, the financial situation, the delivery profile and the complications with the different aircraft, was the right plan for us going forward. And it meets all of our requirements in terms of Jetstar's growth and remove the complexity from the business and avoids us having a big project team working n the 78s when we're not sure when the aircraft will be delivered.

Question: (Bill Campbell, Citigroup) I just wanted to get your thoughts on how you think the industry is going to play out over the next couple of years. If the demand was to pick up, do you think we're going to see a return to higher airfares or do you think that's just going to stimulate an increase in capacity?

And I suppose, leading on from that question, it's kind of, even though you didn't give guidance, can Qantas get back to kind of mid cycle profitability levels given the answer to that question, or is it going to be tough given the international environment?

Alan Joyce: Well I think like any business, the ability to increase airfares is dependent on supply and demand. And at the moment we have a weak demand environment and we have in some cases an oversupply of capacity. And that limits your ability because everybody is out there being competitive for the passenger demand.

What we are seeing with the volume stabilising, is it's a good sign, because I see factors, as Colin pointed out, we're two per cent above last year. The issue we've had is that a lot of our competition have had C factors well below where they were as that slide also showed. But again, there's some good signs within the

July figures. The Singapore C factor was probably the best they've achieved for awhile and their capacity reductions have kicked in to get that C factor up. So I think you have to get an alignment of demand and capacity first before you can see yield increases occurring in the marketplace. That would vary route by route, market by market, depending on the competitive dynamics that are there.

We do see that the premium market is still a live market, a market I think will return. And the great advantage Qantas has is that it has an each way bet. We have the premium product and full service airline and a low cost airline. And I can't keep on over emphasising the benefits that gives. Because last year, roughly at this time when we saw Jetstar back there, people were talking about the fuel prices of $145 being the death of low cost carriers. Yet it was not that long ago we were closing down bases within Jetstar reaching capacity. Because the environment [saw] the full service carriers not the low cost carriers. And now things are completely on its head.

The advantage, it doesn’t say that you therefore give up on one of your core businesses, it's a growth, let’s celebrate the success of those core business and build up on the portfolio and leverage it where you can to optimise your outcome compared to your competitors and give you a strategic advantage by doing that. And that's essentially what we’re doing now. That's why Qantas is one of the few airlines reporting profits at the moment because of that diversity.

I think we’re probably questioned out. And we’ve probably delayed you guys enough. Thank you very much for your time. Sorry, we might hold on there might be questions over there. We might give the opportunity for other people to ask questions. We’ve got two questions. We will have to hold you for a few more minutes.

Question: (Cameron McDonald, Deutsche Bank) Just two quick questions. One to follow on from I think one of the earlier questions on the yield in your outlook commentary relative to the second half of

2009. Has there been any or is that stabilisation relative to the fourth quarter yield or has there been an improvement on the fourth quarter yield given we saw a step down pretty dramatically after sort of March/April?

Alan Joyce: I think it's fair to say that they're stabilised at the low levels, we've not seen any improvements but as we said in our statement, the volumes in terms of bookings looks to increase, but yield certainly hasn't picked at those low levels.

Question: (Cameron McDonald, Deutsche Bank) Just as a follow up question then, given that backdrop, and you haven't actually given guidance, but are you operating profitably for the year to date?

Alan Joyce: That would be close to giving guidance, so we're not giving guidance.

Question: (Andrew Gibson, Goldman Sachs) A question for Colin first up, just around your cash balance. Are you able to provide a bit of a feel as to where your level of comfort is below your cash balance, over a normal operating environment and how that varies through the cycle if you like or maybe another way of asking that, I guess is where do you see your crisis liquidity level?

Colin Storrie: Yes, sure. I think I will start by giving you a summary of where the industry sits. So we've done a lot of analysis over the last little while on where our fellow carriers sit. I think we're at the top end and so we are around the 25 to 29 per cent of cash to total revenue, which is at the high end. But I think in an uncertain environment you want to have better liquidity and you also want to have better liquidity when you do have future aircraft funding requirements. And also we have a better rating than pretty much anybody else in the industry. So we are holding a traditionally conservative level of cash. I think we're comfortable where we are. I don't think there's any sense in getting a lot higher than where we are the moment.

And then obviously if conditions look more favourable in the future then we will hold less cash if we get to see improvements. But I think we're in a good position, I note that we're probably at the same level of revenue to cash as Virgin is now after their rights issue. So there are a lot of other carriers that look at how we're managing our liquidity as well. And I think we are in a strong position and that's where we want to be in the current environment.

Question: (Cameron McDonald, Deutsche Bank) The second question relates the accounting treatment around the Frequent Flyer Program, just so that I'm clear. You have an 84 mil NIR booked in the second half, which has got another two years I guess. So does that imply that you'll book 168 in fiscal 10 and then a further 84 in fiscal 11?

Colin Storrie: I think you're on the right track there. So what we're saying is that that the total change in the second half at a group level was $164 million. If we didn't have the direct earned strategy, that would be reduced by about another $80 million. So if you were looking at the ongoing impact, then it's the 164 less 80 for a full year. So yeah, I think you're on the right track.

Alan Joyce: Great. We might end it there guys, thank you for that and we will see you at the half year. Thank you. Bye.

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