Annual General Meeting – 2 November 2012
Chairman's Address

Good morning and welcome to the 2012 Qantas Annual General Meeting.

I will begin with some context about the global operating environment and how the Qantas Group is responding to it.

Alan Joyce will then provide an overview of the Group's performance in 2011/12, its financial position and its long term strategy.

Once Alan has spoken we will move on to the formal proceedings and you will be able to ask questions.

James Strong will speak to you separately on remuneration.

Before I go any further I would like to introduce your Board of Directors seated at the front today – from your far right:

- Barbara Ward;
- James Strong, Chairman of the Remuneration Committee;
- John Schubert, Chairman of the Safety Health, Environment and Security Committee;
- Paul Rayner;
- Corinne Namblard;
- Chief Executive Officer, Alan Joyce;
- our Company Secretary, Taryn Morton;
- Bill Meaney, appointed to the Board in February this year;
- Garry Hounsell, Chairman of the Audit Committee;
- Richard Goodmanson;
- Patricia Cross; and
- General Peter Cosgrove.

You can find the Directors' biographies in the Annual Report or on the Qantas website.

In 2011/12 the Qantas Group reported an Underlying Profit Before Tax of $95 million.

The Group reported a Statutory Loss After Tax of $244 million.

This was a challenging year, with record fuel costs, the financial impact of the industrial action and $376 million in related one-off transformation costs.

But it was a year that positions the Qantas Group for a strong, sustainable future.

All parts of the Group's portfolio are performing well, except for Qantas International.

Our domestic businesses are highly profitable and Qantas and Jetstar lead the market in their respective sectors.

Jetstar achieved another record result, and continued its expansion into Asian growth markets.

Qantas Frequent Flyer also reported a record result. It is an outstanding business that drives many benefits to the Qantas and Jetstar airlines and rewards our customers for their loyalty.

In August 2011 a five year turnaround plan was initiated for Qantas International. The business has now reached an inflection point and is on track to return to profit by meeting the objectives that Alan has enunciated.

The partnership with Emirates announced in September will revitalise Qantas International's competitive position and deliver extensive benefits for customers. It is a new kind of partnership that will provide a true global network through two of aviation's most respected brands.

The Group's financial position is healthy. We retain our investment grade credit rating and ratings agencies have welcomed the series of actions taken over the past 12 months. Today we hold more than $3 billion in cash.

After a period with relatively high capital expenditure on fleet renewal, the Group is now in a position to reduce debt.

The actions Management have taken since August 2011, have equipped the Qantas Group for success in a global aviation industry that has changed dramatically over the past 10 years.

It is worth putting this into the proper context.

Before the Global Financial Crisis, international air travel markets were generally strong.

Middle Eastern and Chinese carriers were emerging as important players in Australia's rapidly liberalising aviation industry. But they had not reached the powerful position that we see today.

For some of this time Qantas was preoccupied by a private equity bid which distracted from company and slowed reform.

Overall, however, the environment was far less complex than it is today.

The GFC struck in 2008 and the US and EU economies entered a downturn that has still not been resolved. This has caused ongoing global volatility.

European and US airlines have lost money while Middle Eastern and Chinese carriers – backed by governments and with lower costs – have expanded rapidly.

At the same time, the fundamental strengths of the Australian economy have driven our dollar higher. Australian dollar revenue has become much more attractive to foreign carriers and we have seen a surge in capacity as a result.

We have an established, profitable stable of airlines in the domestic market and we are confident in our position.

But the changing global environment has created a unique set of pressures on Qantas International.

We have had to make tough decisions, because a failure to respond would have threatened the sustainability of the Group as a whole.

Management has re-focused on core strategy, building on the profitable parts of the business and addressing the weaknesses.

Important reforms that were not undertaken in the pre-GFC period are now being made, with a new management structure, new technology, more responsive customer service, and more efficient operations.

The Group's strategy aims to build long term shareholder value, balancing the need for careful financial management with our significant capital requirements.

We recognise the importance of capital management to shareholders. The Board discusses this matter regularly and seriously, and we will resume dividends at the earliest opportunity.

On behalf of the Board, I would like to reiterate my strong endorsement of the leadership that Alan and his executive team have shown during the past year.

The changes required in the new operating environment are not easy, and the Board and I thank all Qantas employees for their continued professionalism and dedication.