Annual General Meeting – 18 October 2013
Chairman's Address

Good morning and welcome to the 2013 Qantas Annual General Meeting.

It is fitting that we meet in Brisbane, as we approach the 93rd anniversary of the founding of Qantas here in Queensland.

In looking to the future, we always remember Qantas' origins in the 1920s; the vision of its founders; and its roots in Brisbane, Winton and Longreach.

Today's proceedings begin with a review of the 2013 financial year, before we move on to the formal part of the meeting.

I will make some brief remarks, followed by Alan Joyce.

Patricia Cross will speak to you separately about remuneration.

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

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

- Barbara Ward;
- Paul Rayner;
- Bill Meaney;
- Garry Hounsell, Chairman of the Audit Committee;
- Jacquie Hey, appointed to the Board in August this year;
- Chief Executive Officer, Alan Joyce;
- Our Company Secretary, Taryn Morton;
- Richard Goodmanson, Chairman of the Safety, Health, Environment and Security Committee;
- Patricia Cross, Chairman of the Remuneration Committee; and
- Maxine Brenner, also appointed to the Board in August this year.

Unfortunately, General Peter Cosgrove is unable to be here today.

I would especially like to welcome our two new Directors: Maxine Brenner and Jacquie Hey. And I'd like to thank Patricia Cross, who is stepping down as Director after the AGM.

Today we should also remember the late James Strong. As you know, James was CEO of Qantas from 1993 until 2000 – and a Director for seven years. At Qantas and in many other fields, James made an enduring contribution to Australian life. He is greatly missed.

Strongly Positioned in a Tough Market

The Qantas Group has made significant progress against its strategy since we last met 12 months ago.

For financial year 2013, the Group reported Underlying Profit Before Tax of $192 million, up from $95 million.

Statutory Profit After Tax was $6 million, up from a loss of $244 million.

Qantas Domestic, Jetstar and Qantas Loyalty were all profitable. And the turnaround of Qantas International is on track, with losses cut in half during the year.

The Group’s progress was marked by a number of important achievements.

A major new partnership between Qantas and Emirates.

Strong earnings in the competitive domestic market.

The launch of Jetstar Japan.

And the continued growth of Qantas Frequent Flyer.

Qantas is becoming more efficient and productive, as we permanently remove costs from the business.

And in challenging times, we are managing our finances prudently, paying down debt, and reducing capital expenditure.

For a second consecutive year, the Group ended the reporting period with positive net free cash flow. This will remain a focus in the current financial year.

Total liquidity at 30 June was $3.4 billion, comprising $2.8 billion in cash and $630 million in undrawn debt facilities.

Thanks to this disciplined financial management, the Group has been able to return value to shareholders through the ongoing share buy-back program.

Building Shareholder Value

Over the long term, our goal remains to build shareholder value through delivery of the Group’s strategy.

The Board is committed to resuming dividends when it is appropriate to do so.

But we must look at capital management in the broadest sense.

Given the challenging economic environment and need to maintain a strong cash position, we determined that it was not appropriate to pay a dividend in financial year 2013.

Economic and Industry Outlook

Looking to global economic conditions, we expect the current uncertainty to persist.

There are mixed signs in the United States, while most of Europe remains depressed.

Instability in the Middle East continues to put pressure on oil prices.

Against this background, Australia's economic position has been relatively strong – but there are elements of weakness.

A lower dollar will be a long term benefit, but in the short term it means higher fuel costs for the Group.

We have not yet seen the rise in business confidence following the election translate into any discernible increase in demand for domestic or international travel.

And at the leisure end of the market, consumer confidence remains low.

The tough domestic market conditions that we faced in financial year 2013 are unlikely to ease in the short term, with growth coming into the market at the same time as weak underlying demand.

We are two years into the five-year turnaround of Qantas International. And we are making progress towards our targets. But we continue to see strong competitor growth into Australia, affecting the entire market.

In this climate, we must remain focused on reducing costs and maintain our competitive advantages. There is much hard work ahead.

The Group has the right strategy to navigate this complex environment. Alan Joyce and his executive team have established a clear vision for a strong, sustainable Qantas Group.

Not only is this strategy strengthening the business for the long term, it has also brought record customer satisfaction and improved employee engagement. And it underpins the unique role Qantas plays in the Australian community.

Ninety-three years after its formation, Qantas connects Australians to business and travel opportunities all over the world. Qantas supports Australian jobs and skills. Buys Australian goods and services. Supports tourism, trade and investment. And partners with good causes of all kinds.

I would like to acknowledge the contribution and dedication of the Qantas Group's more than 30,000 employees over the past 12 months.

As our shareholders, you can be proud of the Group's achievements over the past year – and confident about Qantas' future as Australia's national airline.