Annual General Meeting – 28 October 2011
Chairman's Address

Welcome to the 2011 Qantas Annual General Meeting and to those following the proceedings online.

I will begin with a review of the 2010/2011 year.

I will then ask CEO Alan Joyce to update you on Management's plan to build a stronger Qantas.

We will then move into the formal parts of the meeting and you will have an opportunity for questions.

James Strong will be speaking to you separately on remuneration.

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

Before I go any further I would like to introduce your Board of Directors and Management 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;
- Chief Executive Officer, Alan Joyce;
- General Counsel, Brett Johnson;
- our Company Secretary, Cassandra Hamlin;
- Corinne Namblard;
- Garry Hounsell, Chairman of the Audit Committee;
- Richard Goodmanson;
- Patricia Cross; and
- Peter Cosgrove.

You will find the biographies of each of the Directors in the Annual Report and online at qantas.com.

In difficult economic conditions the Qantas Group produced a very good result in 2010/2011.

- The Qantas Group achieved an underlying Profit Before Tax of $552 million.
- This was a 46 per cent improvement over the prior financial year.
- Revenue was $14.9 billion, up by 8 per cent.
- Operating cash flow was $1.8 billion.

Overall this was pleasing given the complex operating conditions for the Group, including high fuel prices and global economic uncertainty.

With the notable exception of Qantas International which lost money, all areas of the Qantas Group were profitable, demonstrating again the strength of our portfolio: Qantas, Jetstar, the Frequent Flyer business and Qantas Freight.

The Group has the unique ability to grow both a premium and a low fares airline brand profitably in the same market. We continue to maintain a highly profitable 65 per cent domestic market franchise.

Now to specific segments.

The Qantas performance was underpinned by the strength of its domestic and QantasLink regional businesses, with considerable expansion to support the resources sector. Qantas introduced new check-in technology across all major cities and in some regional airports.

Jetstar achieved record underlying earnings before interest and tax of $169 million. It is now one of the leading pan-Asian low-cost carriers with operations based in Australia, Singapore, New Zealand and Vietnam.

The glue binding operations together is the Frequent Flyer scheme. Qantas Frequent Flyer achieved a record result, increasing its underlying earnings before interest and tax to $342 million. It is the largest Frequent Flyer scheme in the world in its home market. And it delivers strong and stable cash earnings to the Group.

Qantas Freight Enterprises also performed well, reflecting the continuing recovery in the air cargo market. Underlying earnings before interest and tax reached $62 million, up 48 per cent on the prior year.

The results would have been stronger had it not been for extreme weather and natural disasters.

Of course, natural events are part of aviation, but this past year they were of an unprecedented frequency and severity.

They included the floods in Queensland and Cyclone Yasi, the Christchurch earthquake, the earthquake and tsunami in Japan and the Chilean volcanic ash cloud, which caused widespread disruption to Australian air space. In total the impact of these events on the Group amounted to $224 million.

On 4 November last year an Airbus A380 had an uncontained failure of a Rolls-Royce engine en route from Singapore to Sydney.

The flight crew, led by Captain Richard de Crespigny and the cabin crew led by Customer Service Manager Michael Von Reth responded with calm skill and professionalism.   Under immense pressure, the aircraft was returned safely to Singapore. Qantas Management grounded the entire A380 fleet until it was confident it was safe to fly. The fleet resumed operations from 27 November 2010.

With its response to this event, Qantas once again demonstrated its commitment to the highest safety standards. Rolls-Royce came to a settlement with Qantas for $95 million and the aircraft repair and related costs are separately covered by insurance.

As I mentioned an area of weakness for the business has been the poor performance of Qantas International. Quite simply, this business is unsustainable, particularly considering the capital it uses and needs to change. CEO Alan Joyce has outlined the right five year plan to turn that business around and position Qantas for the future. Alan will speak about this shortly.

The Board is very mindful that once again a dividend has not been paid. Capital management and the payment of a dividend is a matter constantly under consideration.

While we reshape the business, under considerable pressure, and while there is continuing industrial disruption, careful cash management is imperative. Qantas remains the only airline in the world with an investment grade credit rating and this is essential to the execution of our plans in a volatile global economy.

We realise it has been frustrating and we recognise the forbearance of shareholders while we reshape the company. Let me say I think you have a great management team led by a great CEO, with the right strategy for the future.