ANNUAL GENERAL MEETING – 21 OCTOBER 2016
CHAIRMAN'S ADDRESS

Welcome to the 2016 Qantas Annual General Meeting.

Given Qantas is the national carrier, we make a point of holding our AGM in different cities around the country. Perth last year. Melbourne the year before that. Brisbane before that.

This year we're very pleased to be back in Sydney and I thank you for joining us – both those in the room and those watching the webcast.

On behalf of the Board, I'd like to acknowledge the traditional owners of the land on which we meet - the Gadigal people of the Eora nation - and pay my respects to elders past and present.

Let me briefly outline the proceedings today.

I'll begin with some short remarks, before handing over to Alan Joyce.

We will then move on to the formal business of the meeting.

At the conclusion of the meeting I invite you to join us for light refreshments upstairs in the foyer.

Before we get started, I'd like to introduce your Directors, all of whom are here today.

From the far right:

- Maxine Brenner;
- Richard Goodmanson, Chair of the Safety, Health, Environment and Security Committee;
- Jacqueline Hey;
- Paul Rayner, Chair of the Remuneration Committee;
- Company Secretary, Andrew Finch;
- Chief Executive Officer, Alan Joyce;
- Barbara Ward, Chair of the Audit Committee;
- Todd Sampson;
- Bill Meaney; and
- Michael L'Estrange.

I especially want to welcome Michael L'Estrange to his first Qantas AGM.

Michael brings a wealth of experience from a distinguished career in public service, academia and as a diplomat.

You'll be hearing from Michael and voting on his position on the Board shortly.

Group Performance

Turning to the performance of the Qantas Group in financial year 2016, it is fair to say it was one all shareholders and employees can be proud of.

The Group achieved a record underlying profit of $1.53 billion, up 57 per cent on the prior financial year.

That includes record earnings and increased margins for Qantas Domestic, Qantas International, Jetstar and Qantas Loyalty.

These strong results show the ongoing impact of the Qantas Transformation program.

In total, the program has unlocked $1.66 billion in permanent cost and revenue benefits since 2014.

It is by the far the biggest factor in Qantas' turnaround over the past two years. And it positions the Group well for the future.

I'm also pleased to report that the Group maintained its strong operational safety performance, as well as improving workplace safety during the year.

We continue to reinforce the importance of making sure that everyone who works for the Qantas Group returns home safely at the end of each day.

Financial Framework

Looking at the Group's financial framework, we are stronger on all our key measures.

Our return on invested capital rose to 23 per cent.

Operating cash flow increased to $2.8 billion, with net free cash flow of $1.7 billion.

Net debt is well within the Group's optimal range of $4.8 billion to $6 billion.

And short term liquidity is healthy at $3 billion - made up of cash and other sources.

As a result, both Moody's and Standard & Poor's restored the Group's investment-grade credit rating.

We saw the benefit of this rating last month, when Qantas bonds achieved an interest rate about 300 basis points lower than our previous bond in 2014. Over time, the improved rating will gradually reduce the cost of our debt.

Capital Management

Crucially, the Qantas Transformation program continues to unlock shareholder value, with earnings per share almost doubling to 49 cents.

Shareholders have been strongly supportive of the Group's strategy and transformation.

We thank you for that support, and we were pleased to reward it by returning more than $1 billion to shareholders in financial year 2016.

In August, we announced plans to return a further $500 million in the first half of this financial year - including the first dividend since 2009.

As we have said repeatedly, the Board's intention was always to resume dividends when the Group's financial performance enabled it.

And dividends will be the first tranche of any future capital management - in line with the financial framework set out in the Annual Report.

Business Environment

Looking forward, the global economic recovery and geopolitical environment remain volatile.

And the domestic economy has been subdued as it continues to transition from the mining boom.

Despite the recent rise in oil prices, our disciplined hedging program means we are well-placed to ensure that the Group's fuel bill is no higher this year than last year.

However, these mixed conditions only underline the importance of management's continued focus on transforming the business to perform well even in a challenging market. A smarter, leaner, more nimble Qantas.

Strong Foundations

Beyond immediate challenges, the long-term growth trend for aviation is positive.

Globally, the number of air travellers is forecast to double by 2034, reaching 7 billion.

With our proximity to Asia, Australia is part of the most dynamic region in the world.

And changes in technology, demographics, and the global economy are presenting new opportunities for the Group.

Building on the foundations laid by our transformation, Qantas is well-placed to capitalise on these opportunities. Grow shareholder value. And unlock the economic and social benefits that come with a strong national carrier.

I want to congratulate every Qantas employee - including Alan and his management team - on a year of achievement right across the Group.

With your continued support, the Board has confidence that they will continue building a bright future for this great Australian company.
