

ASX and Media Release

QANTAS GROUP UPDATE ON CORONAVIRUS RESPONSE

Sydney, 10 March 2020

The Qantas Group has announced further cuts to its international flying, reducing capacity by almost a quarter for the next six months.

The latest cuts follow the spread of the Coronavirus into Europe and North America over the past fortnight, as well as its continued spread through Asia, which has resulted in a sudden and significant drop in forward travel demand.

These additional changes will bring the total international capacity reduction for Qantas and Jetstar from 5 per cent to 23 per cent versus the same time last year and extend these cuts until mid-September 2020.

The biggest reductions remain focussed on Asia (now down 31 per cent compared with the same period last year). Capacity reductions to the United States (down 19 per cent), the UK (down 17 per cent) and Trans-Tasman (down 10 per cent) will also be made in line with forward booking trends.

CHANGES TO SERVICES

Rather than exit routes altogether, Qantas will use smaller aircraft and reduce the frequency of flights to maintain overall connectivity.

This approach results in eight of the airline's largest aircraft, the Airbus A380, grounded until mid-September. A further two A380s are undergoing scheduled heavy maintenance and cabin upgrades, leaving two of its A380s flying.

In response to strong customer demand for the direct Perth-London service, the existing Sydney-Singapore-London return service (QF1 and QF2) will be temporarily re-routed to become a Sydney-Perth-London service from 20 April.

The start of Qantas' new Brisbane-Chicago route will be delayed from 15 April to mid-September.

Jetstar will make significant cuts to its international network, including suspending flights to Bangkok and reducing flights from Australia to Vietnam and Japan by almost half. Jetstar's daily Gold Coast to Seoul flight was suspended last week.

(See table below for more detail of international network changes.)

Domestically, Qantas and Jetstar capacity reductions will be increased from 3 per cent to 5 per cent¹ through to mid-September 2020, in line with broader economic conditions.

In total, this is the equivalent of grounding 38 Qantas and Jetstar aircraft² across the international and domestic network. The Group's total capacity reduction changes from 4 per cent (announced on 20 February) to 17 per cent for the last quarter of FY20.

Given the reduced flying across the Qantas Group fleet, maintenance work will be brought forward where possible to make best use of this time.

¹ Versus Q4 FY19.

² Includes seven Jetstar Asia (Singapore) aircraft and nine aircraft across Jetstar Japan and Jetstar Pacific (Vietnam).



IMPACT ON FINANCIAL PERFORMANCE

The Group is taking decisive action to mitigate the significant adverse impact of Coronavirus on demand, including longer range capacity cuts that improve the business' ability to reduce costs. However, given the dynamic and uncertain nature of this situation, it is not possible to provide meaningful guidance at this time on the size of that impact on Group earnings for the remainder of FY20.

In line with its Financial Framework the Group is in a strong position, with low debt levels and a long debt maturity profile, \$1.9 billion in cash plus a further \$1 billion in undrawn facilities and \$4.9 billion in unencumbered assets.

To help maintain this position in the face of current uncertainty, the Board has decided to cancel the off-market buyback announced in February, which will preserve \$150 million in cash. The interim dividend of 13.5 cents per share will still be paid on 9 April.

COST REDUCTION MEASURES

In addition to cutting capacity, a number of cost reduction measures will be triggered across the Qantas Group, including:

- Annual management bonuses set to zero for FY20.
- For the remainder of FY20:
 - Qantas Chairman will take no fees.
 - Group CEO will take no salary.
 - Qantas Board will take a 30 per cent reduction in fees.
 - Group Executive Management will take a 30 per cent pay cut.
- Freeze of all non-essential recruitment and consultancy work.
- Asking all Qantas and Jetstar employees to take paid or unpaid leave in light of reduced flying activity.

A material drop in fuel price has provided a significant cost benefit in addition to the saving from lower consumption. The Group's total fuel cost is now expected to be \$3.74b³ (excluding the benefit of capacity reductions compared with the same time last year) with limited participation to further falls in Brent crude prices.

CEO COMMENTARY

Announcing the changes, Qantas Group CEO Alan Joyce, said: "In the past fortnight we've seen a sharp drop in bookings on our international network as the global coronavirus spread continues.

"We expect lower demand to continue for the next several months, so rather than taking a piecemeal approach we're cutting capacity out to mid-September. This improves our ability to reduce costs as well as giving more certainty to the market, customers and our people.

"We retain the flexibility to cut further or to put capacity back in as this situation develops.

"The Qantas Group is a strong business in a challenging environment. We have a robust balance sheet, low debt levels and most of our profit comes from the domestic market. We're in a good position to ride this out, but we need to take steps to maintain this strength.

"When revenue falls you need to cut costs, and reducing the amount of flying we do is the best way for us to do that.

"Less flying means less work for our people, but we know coronavirus will pass and we want to avoid job losses wherever possible. We're asking our people to use their paid leave and, if they can, consider taking some unpaid leave given we're flying a lot less.

"Annual management bonuses have been set to zero and the Group Executive team will take a significant pay cut for the rest of this financial year.

"It's hard to predict how long this situation will last, which is why we're moving now to make sure we remain well positioned. But we know it will pass, and we'll be well positioned to take advantage of opportunities when it does."



³ Compared with estimate of \$3.85b at 20 February 2020.

ADVICE FOR CUSTOMERS

Qantas and Jetstar will contact customers affected by these changes in the coming week. Customers who booked via a travel agent (including online travel agents) will be contacted by their agent rather than the airline.

Typically, customers flying internationally will be offered an alternative flight via another capital city or a partner airline, or an alternative day. Disruption to domestic passengers is expected to be minimal given the continued high frequency on most routes.

The latest information will be published on Qantas and Jetstar websites. Customers are encouraged to check this before calling the airline.

To provide customers with greater flexibility and confidence when they book, Qantas and Jetstar will waive change fees for new international bookings made from today until the end of March, if customers change their travel plans⁴. This applies to travel commencing up to 30 June 2020 and is limited to one free change per customer. Customers will need to pay any fare difference.

(See next page for summary of network changes.)

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⁴ Changes need to be made at least three days before the date of travel.



SUMMARY OF QANTAS GROUP NETWORK CHANGES

Qantas – Summary of New Changes

Route	Change	Effective dates (until mid-Sept 2020)
Asia		
Sydney-Tokyo (Haneda)	B747 replaced by smaller A330	30 March
Melbourne-Singapore	- 7 return flights per week cancelled (QF 37/38) - B787 replaced by larger A330 on 7 return flights per week (QF 35/36)	20 April 4 May
North America		
Brisbane-Chicago	Route launch postponed	Was to start 15 April
Brisbane-San Francisco	Route suspended (3 return flights per week)	18 April
Sydney-San Francisco	B787 replaced by larger B747	18 April
Melbourne-San Francisco	Route suspended (4 return flights per week)	18 April
Sydney-Dallas/Fort Worth	A380 replaced by smaller B787	20 April
Melbourne-Los Angeles	A380 replaced by smaller B787	1 June
Sydney-Vancouver	Seasonal service suspended (3 return flights per week)	June and July only
United Kingdom		
Sydney-London (Heathrow)	- Flights to operate via Perth (instead of Singapore) then non-stop to London. - Perth-London to become double daily as a result. - A380 replaced by smaller B787	20 April
South America		
Sydney-Santiago	Delaying planned B787 introduction and continuing with B747	1 August

Note: The suspension of the A380 and First Class from Singapore routes will see the Qantas First Lounge in Singapore close temporarily, with customers instead invited to use the adjacent Qantas Business Lounge.

Note: Qantas B787 has approx. 250 less seats than an A380.

Qantas – Extension of previously announced cancellations

(Until mid-Sept 2020 unless stated)

Route	Change
Sydney-Shanghai	Route continues to be suspended until at least mid-July (7 flights per week) (sole route to mainland China)
Sydney-Hong Kong	Reduced from 14 to 7 return flights per week
Melbourne-Hong Kong	Reduced from 7 to 4 return flights per week (1 additional cancellation per week from previously announced cuts)
Brisbane-Hong Kong	Reduced from 7 to 3 return flights per week (1 additional cancellation per week from previously announced cuts)

Note: Further capacity reductions will also be made on flights to Japan and New Zealand, with other Asian routes under evaluation.

Jetstar Airways – Summary of New Changes

Routes	Change	Effective date (until end June but may be extended)
Asia		
Melbourne-Bangkok	Route suspended	1 May
Sydney/Melbourne-Ho Chi Minh	Flights reduced by over 50 per cent	1 May
Japan routes	Flights reduced by almost 40 per cent	20 May
Brisbane-Bali	Minor flight reductions	1 May

Note: Further capacity reductions will also be made on flights to New Zealand, with other Asian routes are under evaluation.

Jetstar Airlines in Asia – Summary of changes

Jetstar Asia (based in Singapore) will cut capacity by almost 40 per cent with reductions in frequencies across the network. Singapore to Taipei and Osaka routes will be suspended.

Jetstar Japan has suspended its international services to Hong Kong, Taipei and Shanghai until at least the end of May and will reduce flights to Manila. Further reductions will be made to its Japanese domestic network.

Jetstar Pacific (based in Vietnam) has also suspended all international routes to the end of April, with the exception of Ho Chi Minh-Bangkok where flights have been halved. Further reductions are being made to its Vietnamese domestic network.

