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ASX Market Announcements Office
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**Qantas Group Market Update**

Qantas Airways Limited attaches the “Qantas Group Market Update - Increasing Resilience For Long-Term Recovery” ASX and Media Release.

Yours faithfully,

Andrew Finch
**Group General Counsel and Company Secretary**

Authorised for release by Qantas’ Board of Directors.
ASX and Media Release

QANTAS GROUP MARKET UPDATE – INCREASING RESILIENCE FOR LONG-TERM RECOVERY

Sydney, 5 May 2020

- Secured a further $550 million in debt funding.
- Strong cash balance and lower cash burn rate provides headroom to manage through current crisis and recovery.
- Extension of flight cancellations for June and July (schedules currently still at pre-coronavirus levels).
- Scope to restore some services at relatively short notice as restrictions lift.

The Qantas Group has continued to strengthen its ability to deal with the short and likely long-term impacts of the coronavirus crisis.

It has also extended flight cancellations from end-May through to the end of July, which were still at pre-coronavirus levels – but some capacity can be added back in if domestic and Trans-Tasman restrictions ease in coming weeks.

Given the consequences of this crisis for aviation, the Group is today releasing a more detailed update of its liquidity position in place of a quarterly trading update. This announcement supersedes assumptions outlined at Half Year Results in February 2020.

LIQUIDITY STATUS

The Qantas Group today announces that it has secured a further $550 million in funding against three of its wholly-owned Boeing 787-9 aircraft. This follows the $1.05 billion raised in March against seven 787-9s.

Net debt is now within the middle of the target range, at $5.8 billion. The Group has no financial covenants on any existing or new debt facilities and no significant debt maturities until June 2021.

The Group has sufficient liquidity to respond to a range of recovery scenarios, including one where the current trading conditions persist until at least December 2021. The Group currently has $2.7 billion in unencumbered aircraft assets and can raise funds against these if required.

At the start of the crisis, the Group acted quickly to wind down cash burn through employee stand downs, a pause on virtually all capital and operating expenditure, and revised agreements with key suppliers.

As a result, and based on current conditions, the Group expects to reach a net cash burn rate of $40 million per week by the end of June 2020.

Since the last cash balance update in March, the Group has seen outflows including a $250 million bond repayment, elevated levels of annual leave payments from standing down more than 25,000 employees ahead of the JobKeeper program starting, and payment of bills from its pre-crisis levels of flying activity.

As at close of business 4 May 2020, total short-term liquidity stands at $3.5 billion, including a $1 billion undrawn facility.
ONGOING FLIGHT CANCELLATIONS AND EMPLOYEE STAND DOWNS

The Qantas Group is currently operating around 5 per cent of its pre-crisis domestic passenger network and around 1 per cent of its international network on an Available Seat Kilometre basis. On a flying hours basis – which includes charters for the resources sector at 75 per cent of pre-Coronavirus levels and passenger aircraft flying as freighters – the Group is operating 13 per cent of its domestic network and 6 per cent of international.

Under the circumstances, Qantas and Jetstar will now extend existing domestic and Trans-Tasman flight cancellations beyond end-May through to the end of June 2020. International flight cancellations will be extended through to end-July 2020.

The initial easing of government restrictions suggests some domestic travel may start to return before the end of July – though initial demand levels are hard to predict. The Group will continue to monitor the situation and can increase capacity with a minimum lead time of around one week.

As a result of the crisis’ impact on travel, the current stand down of employees will now be extended until at least the end of June. The impact of this stand down is deeply regrettable but has been greatly softened by the Australian Government’s JobKeeper program, which the Group commenced paying several weeks ahead of the official payment start date.

The Group is also providing early access to annual and long service leave in addition to the significant leave balances among long-standing workers. A variety of other welfare mechanisms remain available.

ADVICE FOR CUSTOMERS

Qantas and Jetstar customers with bookings impacted by the cancellations for June and July will be contacted directly and offered alternatives.

In response to feedback, travel credit conditions are being further improved. Customers booked on Qantas and Jetstar flights disrupted by the Coronavirus crisis will be able to split travel credits across multiple future bookings. This is on top of an extended period of time to use the credit. Full details are available on Qantas.com and Jetstar.com. Customers with bookings made through travel agents or third party websites (e.g. Webjet, Booking.com) will need to contact them directly.

FUEL HEDGING UPDATE

The Qantas Group’s fuel needs were 100 per cent hedged for most of FY20, which delivered significant benefits in the first half of the year but resulted in some hedging losses as fuel consumption dropped and oil prices fell as a result of the coronavirus crisis.

In early April, the Group closed out its over-hedged position through to September 2020. This avoided the precipitous falls in oil prices that occurred in the second half of April, and significantly lowered the Group’s exposure to further hedging losses.

The Group’s remaining Brent crude oil hedging to September 2020 is in outright options with no risk of further hedge losses. As at today, the cash impact of all foreign exchange and fuel hedging between now and the end of September 2020 is a A$145 million cash outflow

The Group has some hedging beyond September with the majority of this being in outright options plus a base layer of collars. These collars remain subject to market price movements but are expected to be effective given they are likely to coincide with increased flying activity for the Group. There are no margin call obligations on the Group’s hedging.

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1 This outflow is factored into the average burn rate of $40 million post-June 2020.
QANTAS LOYALTY AND QANTAS FREIGHT UPDATES

Qantas Loyalty continues to perform well, with external billings flowing from Frequent Flyer partners including financial services and retailers such as Woolworths. A partnership with fuel company BP has created a new opportunity for members to earn points via another consumer staple.

Before the Coronavirus crisis, two-thirds of all Qantas Points were earned on the ground, meaning that the opportunities for engaging the programs’ 13 million members remain high despite the pause in flying activity. A recent survey of members showed 85 per cent were planning to travel as soon as conditions allowed – a sentiment reflected in the fact most are saving their points for a redemption flight sometime in the future.

Qantas Freight has seen high volumes and achieved strong revenue for March and April. Its 12 dedicated freighters are heavily utilised and the airline’s passenger A330 and B787 aircraft have also been used to move cargo on services to Shanghai, Hong Kong and Tokyo, facilitating export of Australian produce and import of medical supplies. The domestic freighter network has seen high volumes due to e-commerce, with demand in recent weeks above the peak levels normally associated with Christmas.

CEO COMMENTARY

Qantas Group CEO Alan Joyce said: “Our cash balance shows that we’re in a very strong position, which under the circumstances we absolutely have to be. We don’t know how long domestic and international travel restrictions will last or what demand will look like as they’re gradually lifted.

“Our ability to withstand this crisis and its aftermath is only possible because we’re tapping into a balance sheet that has taken years to build.

“Australia has done an amazing job of flattening the curve and we’re optimistic that domestic travel will start returning earlier than first thought, but we clearly won’t be back to pre-coronavirus levels anytime soon. With the possible exception of New Zealand, international travel demand could take years to return to what it was.

“We’re expecting demand recovery to be gradual and it will be some time before total demand reaches pre-crisis levels. That means we need to think about what the Qantas Group should look like on the other side of this crisis in order to succeed. Fleet, network and capital expenditure will all have to be reviewed but our commitment to serve communities across Australia will not change.

“The Government’s support of the aviation industry by underwriting some essential flying, and the support to the broader economy through JobKeeper, have been greatly appreciated. Public health initiatives like the COVIDSafe app are one of the ways we’ll be able to start travelling sooner, so we strongly encourage all Australians to download it.

“The Qantas Group has literally thousands of suppliers and we’ve put the smaller ones at the front of the queue. We’re grateful to many of our major suppliers, including almost all the capital city airports, who have given us a lot of flexibility.

“I want to recognise our people for their continued support and understanding in the face of this crisis. In particular, those who’ve helped bring Australians home from overseas and kept an essential domestic and regional network running, carrying on what the national carrier has done for 100 years.”

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