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ASX/Media Release

HY21 RESULTS SPEECH – QANTAS GROUP CEO ALAN JOYCE

Sydney, 25 February 2021

Good morning.

Can I first acknowledge the traditional custodians of the land, the Gadigal people of the Eora Nation and pay my respects to elders, past, present and emerging.

Today, the Qantas Group has reported a significant half year loss – just over $1.0 billion at the Underlying level and almost $1.5 billion at the Statutory level. That's for the six months to the end of December 2020.

These figures are stark, but they won't come as a surprise.

Just consider the trading conditions we had to deal with in the half…

Border closures meant we lost virtually 100 per cent of our international flying and 70 per cent of our domestic flying.

Three-quarters of our revenue – around $7 billion – went with it.

The fact that we were able to limit a $7 billion drop in revenue to a bottom line loss of circa $1 billion says a lot about how the Qantas Group is managing this crisis.

That sounds like a strange metric for success – especially for an airline that was delivering near-record results before COVID.

But if you look around the world, airlines are confronting losses that are far bigger.

Let me go beyond the numbers to explain how our business is performing, and then give an update on our recovery.

GROUP DOMESTIC

Domestically, both Qantas and Jetstar were cash positive in the half. In fact, 99 per cent of the time we were able to fly, we generated positive cashflow.

This tells you two things:

- Firstly, that people are keen to travel when they have confidence on borders.
- Secondly, we are managing our network and our costs closely, so we can seize on opportunities but not get caught out when things suddenly change.

Airlines usually have a summer schedule and a winter schedule.

During COVID, Qantas and Jetstar have had new schedules at least once a week.

We've developed systems to manage all the changes to state borders that would have been unthinkable a year ago.

On the cost side, these new systems meant that only 1 per cent of our domestic flights didn't at least break even on a cash basis.

On the revenue side, we've been able to add capacity and routes to take advantage of changing demand patterns.

This ability will benefit us well beyond COVID. And it comes on top of the product and service advantages that both Qantas and Jetstar have built over the years – which will continue to set us apart in this new market we're entering.

Hopefully, domestic border closures will soon be a thing of the past.

With the vaccine now rolling out to frontline and quarantine workers, the odds of that are improving every day.

We've had very positive conversations this week with several Premiers and Chief Ministers about how to restore confidence in borders as quickly as the health advice allows.

For instance, is there a stage in the vaccine rollout where National Cabinet could declare that the need to resort to domestic border closures is virtually gone? Could we reach that point as soon as April?

We think an assurance like that is worth pursuing – because it would accelerate the recovery in key parts of the economy and give many businesses, not to mention friends and families, instant certainty.

GROUP INTERNATIONAL AND FREIGHT

Turning from Domestic to Group International and Freight.

We have the obvious challenge that virtually all international flying is off the cards for some time.

However, the cost of keeping international on the ground has largely been offset by what's happening in freight.

The huge drop in international passenger flights has created a huge shortage in the cargo capacity that goes with them – meaning the value of freighter space has surged.

We've been able to make the most of this opportunity – and it's driven Qantas Freight to a record result. Effectively, Freight has helped offset most of the costs in Qantas International and actually tipped the division into positive cash territory – but it was still loss-making overall.

Jetstar airlines in Asia had their own COVID impacts, which couldn't be softened to the same extent as Qantas. Those businesses are doing what they can to minimise costs while they wait for the recovery.

INTERNATIONAL TRAVEL RESTART

Throughout the pandemic, we've updated our assumptions on international travel restarting.

Since the start of this year, we've seen:

- a huge surge in COVID cases around the world
- new strains emerging
- and a shift from 'herd immunity' as the threshold for opening borders to 'fully vaccinated'

As a result, we're now planning for international travel to restart at the end of October this year, in-line with the date for Australia's vaccine rollout to be effectively complete.

We're still targeting July for a material increase in New Zealand flights.

We're in close consultation with government, and if things change, so will our dates. But with the vaccine rollout already underway, we're on the right track.

QANTAS LOYALTY

Another important source of positive cashflow in the half was Qantas Loyalty.

Australians' love of Qantas Points stayed strong, and during lockdown they focused on earning them on the ground.

Our research shows that 94 per cent of our Frequent Flyers want to get back in the sky as soon as possible. We've seen that translate into action when domestic borders have opened with flight redemptions – that is, people using points for seats – hitting record levels.

Our partners see this strength, and that's why we've been able to sign fresh multi-year deals with the banks – including a major expansion with the Commonwealth Bank – that will continue to drive earnings.

LOOKING AFTER CUSTOMERS

We've done a lot to reward our customers for their ongoing loyalty.

We extended Frequent Flyer status for another 12 months.

We increased the number of seats you can book with points by 50 per cent domestically.

We're offering unlimited changes to any domestic or international flight between now and February next year – to help people book with confidence.

We're extending the life of credit vouchers even further – through to the end of 2023 – for domestic and international flights.

And we've introduced our Fly Well program to make sure we keep our customers, and our people, COVID-safe.

GOVERNMENT ASSISTANCE

I want to acknowledge the Federal Government's continued assistance of aviation and the broader economy.

Airlines have had the benefit of:

- JobKeeper
- reduced aviation charges
- and the opportunity to keep flying key domestic, regional and freight routes that would otherwise be unviable. That's provided work for our people and vital transport links for the nation.

JobKeeper is by far the biggest form of assistance, and there's an important distinction about the payments we received.

Most companies were able to use their whole JobKeeper benefit as a wage subsidy. But with so many of our people literally grounded – with no work to do – JobKeeper acted as a social safety net for individuals, more than as a wage subsidy for Qantas.

And we are very grateful it did.

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To be clear, JobKeeper did subsidise the wages of people who were working. But at some points, that was as low as 20 per cent of our employees.

All the restructuring we are doing – all the hard decisions – are about making sure Qantas can stand on its own two feet when this support is ultimately removed.

RECOGNISING OUR PEOPLE

In saying that, can I recognise how difficult this crisis continues to be for our people.

At least 8,500 people will lose their job at the national carrier because of COVID.

Another 7,500 will be stood down until international travel recovers.

And thousands more are having their livelihoods disrupted by ad hoc state border closures.

The professionalism and resilience of our people in the face of all this has been remarkable.

The most obvious example are the hundreds of crew willing to fly into COVID hotspots overseas to bring Australians home.

But people right across the company are dealing with a very tough operating environment, with border restrictions literally changing mid-flight. Their efforts have been superb.

This spirit runs across our organisation. And it will be a huge part of our success moving forward.

CONCLUSION

A year ago, none of us knew just how big an impact COVID would have on the world, or on aviation. It's clearly worse than anyone expected.

Thankfully, Australia's public health outcome has been one of the best.

But it has come at a huge cost.

That's why we're so focused on recovery.

At the same time as managing the daily realities of this pandemic, we've also redesigned our business. These changes mean the Qantas Group of 2021 will be able to repair itself much faster than a pre-COVID Qantas Group could.

That ultimately helps position us for opportunities.

Whether that's new destinations, moving ahead with Project Sunrise or growing into opportunities in the domestic market.

For all the challenges and hardship, we are more and more optimistic about our future.

Thank you.

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Authorised for release by Qantas' Board of Directors.