ASX/Media Release

QANTAS GROUP POSTS SIGNIFICANT LOSS FROM FULL YEAR OF COVID

- Underlying Loss Before Tax: $1.83 billion
- Statutory Loss Before Tax: $2.35 billion
- $12 billion revenue impact from COVID-19 crisis in FY21
- Net debt reduced in 2H21 to $5.9 billion
- Statutory Net Free Cash flow of $267 million in 2H21
- Restructuring program ahead of target, delivering $650 million in year one
- Total liquidity of $3.8 billion, providing buffer against uncertainty
- 95 per cent of domestic flying cash positive
- Record performance by Qantas Freight mostly offsetting cost of idling international operations
- Continued strong cash generation, growth in members at Qantas Loyalty
- Updated plan for restart of international services from end-2021
- Ongoing flexibility for customers in response to booking uncertainty

26 August 2021: The Qantas Group has posted a substantial full year loss as a result of the COVID crisis – but has started FY22 in a fundamentally better position to deal with uncertainty and manage its recovery compared with 12 months ago.

Total revenue loss from COVID reached $16 billion as the full year impact of minimal international travel and multiple waves of domestic border restrictions continued to hit travel demand.

The Group's Underlying PBT loss was $1.83 billion. The statutory loss before tax – which includes one-off costs such as redundancies and aircraft write downs – was $2.35 billion. Underlying EBITDA was $410 million, in line with guidance provided in May.

Periods of open domestic borders in the second half saw significant cash generation by Qantas and Jetstar, which helped the Group to reduce net debt from $6.4 billion in February 2021 down to $5.9 billion by the end of June. Throughout the year, cash flow was underpinned by continued strong performance by Qantas Loyalty and significantly higher international yields for Qantas Freight.

As well as delivering an essential service under very challenging circumstances, the Group made significant progress towards its recovery program. Planned rightsizing is largely complete and much restructuring has been implemented. Central to these changes has been the ability to better manage costs in the face of sudden border closures. Cost benefits from the recovery program were ahead of expectations for FY21 at $650 million.

GROUP DOMESTIC

Qantas and Jetstar's combined Underlying EBITDA from domestic flying was $304 million, falling to an Underlying EBIT loss of $669 million after non-cash depreciation and amortisation.

The Group's domestic capacity fell as low as 19 per cent in July 2020 before steadily recovering and then peaking at 92 per cent in May 2021, until outbreaks of the Delta variant triggered a series of lockdowns.

Demand proved resilient throughout the year, with quick uptake in bookings when domestic borders re-opened. The Group has announced 46 new domestic routes since the start of the pandemic, many to regional destinations, in response to a boom in leisure travel driven largely by the closure of international borders. Corporate travel demand had recovered to around 75 per cent of pre-COVID levels in May[1] and Qantas won an additional 34 major accounts across the year. Demand from business, along with leisure travel, is expected to bounce back strongly once lockdowns end.

To better meet this demand, Jetstar is bringing in idle Airbus A320 aircraft from Asia and QantasLink accessed capacity via Alliance Airlines' Embraer E190 aircraft. Going forward, this will help the Group exceed its pre-COVID capacity and market share as restrictions are removed.

GROUP INTERNATIONAL AND FREIGHT

Group International (including Freight) posted an Underlying EBITDA loss of $157 million, increasing to an Underlying EBIT loss of $1.0 billion after depreciation and amortisation.

Qantas and Jetstar's international flying remained largely grounded for most of FY21 due to the continued closure of Australia's borders. A travel bubble between Australia and New Zealand saw some flying return but ongoing outbreaks meant this corridor was heavily restricted at various stages; Qantas' capacity reached an average of 40 per cent of pre-COVID levels during quarter four.

Since the start of the pandemic the Group has operated almost 400 flights repatriating Australians and maintaining critical links to the Pacific and Timor-Leste on behalf of the Australian Government, as well as freight missions to key export markets, with its Airbus A330 and Boeing 787 aircraft. These flights are continuing into FY22 and, together with specific government funding for crew training and engineering support, assist with readiness for regular international travel.

(See separate release, below, on restart plans for Qantas and Jetstar international services.)

Jetstar airlines in Asia, which are based in Singapore and Japan, continued to suffer from minimal travel demand and incurred losses.

Demand for air cargo capacity remained extremely strong through FY21 due to a surge in online shopping in the Australian market and the belly space lost due to the cancellation of most international passenger flights. Qantas Freight was able to capitalise on this demand, delivering a record profit that significantly offset the costs of the Group's grounded international operations.

QANTAS LOYALTY

Qantas Loyalty continued to perform well, generating over $1 billion in gross cash and achieving record member satisfaction.

Underlying EBIT was $272 million despite a full year of COVID-related travel restrictions. Earnings in the second half were higher than the first half of FY21 and higher than the second half of FY20.

While opportunities to redeem Qantas Points in the air were limited, there was extremely strong demand when borders did open. Between January and lockdowns in June, redemption levels on domestic flights were 30 per cent above pre-COVID levels.

Members remained highly engaged, earning and redeeming large volumes of points on the ground. Spending on credit cards linked to Qantas Points returned to pre-COVID levels in the fourth quarter and over 500,000

[1] Based on May weekly intakes.

members have now earned points through the partnership with bp Australia. There were record levels of points redeemed via Qantas Wine and the Qantas Store, in line with broader consumer trends.

In a year with minimal air travel, the total number of Frequent Flyer members grew by almost 200,000 to reach 13.6 million. The Qantas Insurance portfolio also continued to grow.

SUPPORTING OUR CUSTOMERS

A number of initiatives have been introduced to make travel easier and safer for customers in the midst of the COVID crisis, including:

- Extending Frequent Flyers status and offering status match to high-tier members of other airline programs.
- Offering unlimited date changes on all Qantas domestic and international fares through to at least February 2022.
- Increasing the number of reward seats available on domestic, Trans-Tasman and international flights by up to 50 per cent, providing members with more opportunities to use their points to travel when borders are open.
- Practical support of the national COVID-19 vaccine rollout to help create a safer travel experience, including plans to make vaccination a requirement for all Qantas Group employees and offering rewards to Frequent Flyers who are fully vaccinated. The COVID-safe Fly Well and Work Well programs remain in place.

FINANCIAL FRAMEWORK

The Qantas Group remains one of only seven airlines in the world to retain an investment grade credit rating[2] throughout the pandemic. Its focus remains on cost control and cash generation to enable continued debt reduction back to its target range.

As at 30 June 2021, the Group had total liquidity of $3.8 billion – made up of $2.2 billion in cash plus committed undrawn facilities of $1.6 billion. Major cash outflows associated with redundancies, refunds and delayed supplier payments are largely complete. The Group has more than $2.5 billion in unencumbered assets.

Net capital expenditure was $693 million, mostly for maintenance on the Group's fleet.

An Expression of Interest process was launched in July 2021 to sell up to 14 hectares of under-developed industrial land in Mascot, which, if sold, could unlock several hundred million dollars to further assist with debt reduction.

RECOVERY PROGRAM

The Group's COVID recovery plan targets at least $1 billion in permanent annual savings from FY23 onwards.

Progress is ahead of schedule, with $650 million in benefits delivered in FY21; this is targeted to increase to $850 million by the end of FY22.

A total of 9,400 people have now left the Qantas Group – an increase on the prior estimate of 8,500 largely due to offshore job losses at airports and sales offices, some automation and an increase in voluntary redundancies.

Approximately 6,000 employees associated with international flying remain stood down due to the closure of Australia's external border, while an additional 2,500 employees are stood down as a result of domestic restrictions. Federal Government income support is available to Australian-based employees during this acutely challenging time.

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[2] Investment grade credit rating issued by either Moody's or S&P.

CEO COMMENTS

Qantas Group CEO Alan Joyce said: "This loss shows the impact that a full year of closed international borders and more than 330 days of domestic travel restrictions had on the national carrier. The trading conditions have frankly been diabolical.

"It comes on top of the significant loss we reported last year and the travel restrictions we've seen in the past few months. By the end of this calendar year, it's likely COVID will cost us more than $20 billion in revenue.

"We've had to make a lot of big and difficult structural changes to deal with this crisis, and that phase is mostly behind us. As a result we're geared to recover quickly, in-line with a national vaccine rollout that is speeding up.

"Things remain tough, especially for thousands of our people waiting to return to their jobs when borders open and hopefully stay open. Our focus is getting them back to work as soon as possible, which is why we were ramping up our flying and adding new destinations before the most recent lockdowns.

"Despite the uncertainty that's still in front of us, we're in a far better position to manage it than this time last year. We're able to move quickly when borders open and close. We're a leaner and more efficient organisation. And our requirement for all employees to be vaccinated will create a safer environment for our people and customers.

"When Australia reaches those critical vaccination targets later this year and the likelihood of future lockdowns and border closures reduces, we expect to see a surge in domestic travel demand and a gradual return of international travel.

"I'd like to specifically recognise everyone across this company, for dealing with a huge amount of upheaval due to this crisis and showing enormous commitment and professionalism in the process. Our people maintained an absolute focus on safety and on serving our customers, who have likewise been extremely understanding as we've all gone through this difficult period."

FOCUS ON SUSTAINABILITY

The Qantas Group has previously announced clear and substantial sustainability goals, including capping its total emissions at 2019 levels, investing in a local Sustainable Aviation Fuel industry and reaching zero net emissions by 2050. The pandemic has slowed progress but the Group remains committed to reaching these targets, and has today announced a new Group Management Committee (GMC) position to drive this.

Current Group Executive, Andrew Parker, will become the Chief Sustainability Officer for the Qantas Group, having led these efforts since 2017 through his existing portfolio of Government, Industry, International and Sustainability.

As part of this change, the Group's Chief Corporate Affairs Officer, Andrew McGinnes, will take on responsibility for Government Relations in addition to his existing responsibilities and become a permanent member of GMC as Group Executive, Corporate Affairs.

OUTLOOK

Recent outbreaks and associated domestic and trans-Tasman border closures are expected to have an impact in the order of $1.4 billion on the Group's Underlying EBITDA in the first half of FY22. This estimate assumes borders in Victoria and New South Wales re-open in early December 2021. If borders open earlier and flying returns more quickly, capacity can be adjusted accordingly.

Unfortunately, the extended border closures will also extend the stand downs of domestic crew and airport staff beyond the eight weeks previously announced – however, no job losses are expected.

Vaccination rates are expected to reach 70 per cent of the eligible population during November, enabling domestic lockdowns and border restrictions to be steadily eased.

The Group's liquidity, strong position in the domestic market and progress on restructuring gives confidence that the overall recovery plan remains on track despite these significant setbacks.

Key assumptions for FY22 are[3]:

- Net debt expected to be in target range by end of FY22.
- Group Domestic capacity expected to increase from 38 per cent in Q1 to 53 per cent of pre-COVID capacity in Q2 and rise to ~110 per cent in 2H22.
- International border closures and quarantine restrictions expected to ease once 80 per cent of eligible Australians are vaccinated from December 2021.
- Qantas International flying in 1H22 expected to be at approximately 15 per cent of pre-COVID levels (through government-sponsored freight services and repatriation flights) on a block hour basis.
- Once Australia's borders start to reopen, Group International capacity is expected be 30 to 40 per cent in Q3 and 50 to 70 per cent in Q4 compared with pre-COVID levels on an ASK basis.
- Recovery plan expected to deliver additional $200 million of cost benefits in FY22.
- Continued strong cash contribution from Qantas Loyalty, with plans to offer more ways to earn points and status credits on the ground.
- Domestic freight demand expected to remain strong; international freight belly space expected to be constrained until international capacity stabilises.

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Authorised for release by Qantas' Board of Directors

[3] Please see Investor Presentation for more detail on assumptions.

QANTAS GROUP OUTLINES STRATEGY FOR RESTARTING INTERNATIONAL FLIGHTS

- Gradual restart planned around National Cabinet's phased reopening of international borders.
- Current date of December 2021 remains in reach, based on pace of vaccine rollout.
- Plans remain dependent on Government decisions in coming months, including future quarantine requirements.
- Destinations with high vaccination rates are initial focus, including North America, UK, Singapore, Japan.
- Early return of five A380s to meet high demand to Los Angeles and London from mid-2022.
- Total of 10 A380s with upgraded cabins to return to service; two to be retired.

26 August 2021: The Qantas Group has today provided more detail on preparations for restarting its international flights, with plans linked to the vaccine rollout in Australia and key overseas markets.

On current projections Australia is expected to reach National Cabinet's 'Phase C' vaccination threshold of 80 per cent in December 2021, which would trigger the gradual reopening of international borders.

Similarly, key markets like the UK, North America and parts of Asia have high and increasing levels of vaccination. This makes them highly likely to be classed as low risk countries for vaccinated travellers to visit and return from under reduced quarantine requirements, pending decisions by the Australian Government and entry policies of other countries.

This creates a range of potential travel options that Qantas and Jetstar are now preparing for. While COVID has shown that circumstances can change unexpectedly, the long lead times for international readiness means the Group needs to make some reasonable assumptions based on the latest data to make sure it can offer flights to customers as soon as they become feasible.

Flights to destinations that still have low vaccine rates and high levels of COVID infection will now be pushed out from December 2021 until April 2022 – including Bali, Jakarta, Manila, Bangkok, Phuket, Ho Chi Minh City and Johannesburg. Levels of travel demand – and therefore, capacity levels – will hinge largely on government decisions on alternative requirements to mandatory hotel isolation for fully vaccinated travellers.

Assuming current projections hold and the 80 per cent vaccine threshold is met in December, Qantas and Jetstar plan to trigger a gradual restart as outlined below. If those assumptions change or dates move, the restart plans will adjust accordingly.

SUMMARY OF INTERNATIONAL RESTART PLANS

- From mid-December 2021, flights would start from Australia to COVID-safe destinations, which are likely to include Singapore, the United States, Japan, United Kingdom and Canada using Boeing 787s, Airbus A330s, and 737s and A320s for services to Fiji.
- Flights between Australia and New Zealand will be on sale for travel from mid-December 2021 on the assumption some or all parts of the two-way bubble will restart.
- Qantas' ability to fly non-stop between Australia and London is expected to be in even higher demand post-COVID. The airline is investigating using Darwin as a transit point, which has been Qantas' main entry for repatriation flights, as an alternative (or in addition) to its existing Perth hub given conservative border policies in Western Australia. Discussions on this option are continuing.
- Five A380s will return to service ahead of schedule. These would fly between Sydney and LA from July 2022, and between Sydney and London (via Singapore) from November 2022. The A380s work well

on these long-haul routes when there's sufficient demand, and the high vaccination rates in both markets would underpin this.
- Qantas will extend the range of its A330-200 aircraft to operate some trans-Pacific routes such as Brisbane-Los Angeles and Brisbane-San Francisco. This involves some technical changes that are now being finalised with Airbus.
- Flights to Hong Kong will restart in February and the rest of the Qantas and Jetstar international network is planned to open up from April 2022, with capacity increasing gradually.
- Qantas to take delivery of three 787-9s (new aircraft that have been in storage with Boeing) during FY23 to operate additional flights to key markets as demand increases.
- Jetstar to take delivery of its first three Airbus A321neo LR aircraft from early FY23, the extended range of which will free up some of its 787s to be redeployed on other markets.

In total, 10 of Qantas' A380s with upgraded interiors are expected to return to service by early 2024, with timing dependent on how quickly the market recovers. Two A380s will be retired.

Readiness for international travel to restart is supported by ongoing repatriation and charter flights using A330s and 787s, as well as specific funding from the Australian Government for crew training and engineering work to return idle aircraft to service.

Outlining the restart assumptions as part of the national carrier's full year results, Qantas Group CEO Alan Joyce said: "The prospect of flying overseas might feel a long way off, especially with New South Wales and Victoria in lockdown, but the current pace of the vaccine rollout means we should have a lot more freedom in a few months' time.

"It's obviously up to government exactly how and when our international borders re-open, but with Australia on track to meet the 80 per cent trigger agreed by National Cabinet by the end of the year, we need to plan ahead for what is a complex restart process.

"There's a lot of work that needs to happen, including training for our people and carefully bringing aircraft back into service. We're also working to integrate the IATA travel pass into our systems to help our customers prove their vaccine status and cross borders.

"We can adjust our plans if the circumstances change, which we've already had to do several times during this pandemic. Some people might say we're being too optimistic, but based on the pace of the vaccine rollout, this is within reach and we want to make sure we're ready," added Mr Joyce.

Qantas has recently extended its Fly Flexible policy, offering customers who book international flights before 28 February 2022 with unlimited 'fee free' date changes when travelling before 31 December 2022. (A fare difference may apply).

Qantas has also extended credit vouchers for bookings made on or before 30 September 2021 to enable travel until 31 December 2023. Jetstar customers issued with a voucher due to COVID-19 disruptions are able to use their voucher to book flights until at least 31 December 2022, for flights up to the end of 2023.

International flights remain subject to Government and Regulatory approval.

NATIONAL CABINET 'PHASE C' REOPENING PLAN

- Triggered when vaccine rate among eligible Australians reaches 80 per cent
- Highly targeted lockdowns only
- No caps on returning vaccinated Australians
- Lift all restrictions on outbound travel for vaccinated Australians
- Extend travel bubble for unrestricted travel to new candidate countries
- Gradual reopening of inward and outward international travel with safe countries and proportionate quarantine and reduced requirements for fully vaccinated inbound travellers