QANTAS
Spirit of Australia

ASX/Media Release

QANTAS GROUP MARKET UPDATE – STRONG DEMAND DRIVES PROFIT UPGRADE

- Underlying Profit Before Tax of $1.35 billion – $1.45 billion now expected for 1H23.
- Net debt expected to fall to $2.3 billion – $2.5 billion by 31 December 2022.
- Investment in operations providing improved stability during latest COVID wave, extreme weather.
- On-track to share benefits of recovery; up to $11,000 in bonuses for non-executive employees.

23 November 2022: Continued strength in travel demand has resulted in the Qantas Group upgrading its profit expectations for the first half of FY23.

The Group now expects an Underlying Profit Before Tax of between $1.35 billion and $1.45 billion. This represents a $150 million increase to the profit range given in early October 2022.

Consumers continue to put a high priority on travel ahead of other spending categories and there are signs that limits on international capacity are driving more domestic leisure demand, benefiting Australian tourism.

Fuel costs remain significantly elevated compared with FY19 and are expected to reach approximately $5 billion[1] for FY23, which would be a record high for the Group despite international capacity at around 30 per cent below pre-COVID levels.

Operational performance has continued to improve, with Qantas ranking as the most on-time domestic airline in October. The $200 million investment in rostering additional staff, continued recruitment and reserve aircraft will help maintain these levels during the latest wave of COVID infections in the community and into the busy Christmas period, as well as limiting the impact of extreme weather (especially wind) in November.

The Group's net debt is now expected to fall to an estimated $2.3 billion and $2.5 billion by 31 December 2022. This is around $900 million better than expected in the most recent update, due largely to the acceleration of revenue inflows as customers book flights on Qantas, Jetstar and partner airlines into the second half and beyond, as well as deferral of approximately $200 million of capital expenditure to the second half.

Around 60 per cent of the $2 billion in COVID-related travel credits held by the Group have now been redeemed by customers. Total credit usage is consistent at a rate of circa $70 million a month and new initiatives will be announced shortly to encourage full use of remaining credits over the next year.

While capacity is constrained, over a million sale fares were launched in October and further sale activity is planned in the weeks ahead. More than five million reward seats are available for frequent flyers over the next year and more Points Planes will be released soon. The Group is adding capacity as quickly as possible in the second half of the year while maintaining operational reliability.

Of the $400 million share buyback announced in August 2022, 76 per cent is now complete at an average price of $5.66. Low levels of net debt put the Board in a position to consider future shareholder returns in February 2023 consistent with the Group's financial framework and phasing of capital expenditure for fleet renewal.

The Group recently finalised[2] a three-year agreement with Jetstar pilots as part of its improved pay policy and expects to reach in-principle agreements with others in coming weeks. More than 6,500 employees, or 33 per cent of those covered by an enterprise agreement, have now signed up to a post-COVID EBA. The Group remains on-track to share the benefits of the recovery with around 20,000 non-executive employees through a

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[1] Assumes FY23 underlying into-plane cost of approximately A$208 per barrel.
[2] Pending approval by the Fair Work Commission

$5,000 boost payment and up to 1,000 Qantas shares (currently worth approximately $6,000), subject to key conditions being met.

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Authorised for release by the Qantas Board of Directors.