Financial Year 2015 Results Presentation

August 7, 2015

Key highlights

	FY15	vs. FY14[1]
Underlying Loss Before Tax[2]	($49m)	↑ $163m
Statutory Loss After Tax	($94m)	↑ $260m
Return on Invested Capital[2]	6.1%	↑ 4.7pts
Group unit cost ex fuel ex FX (CASK)[2]	6.8c	↓ 6.4%
Operating cash flow	$218m	↑ $226m
VA Domestic EBIT[2]	$111m	↑ $210m
VA International EBIT[2]	($69m)	↓ ($23m)

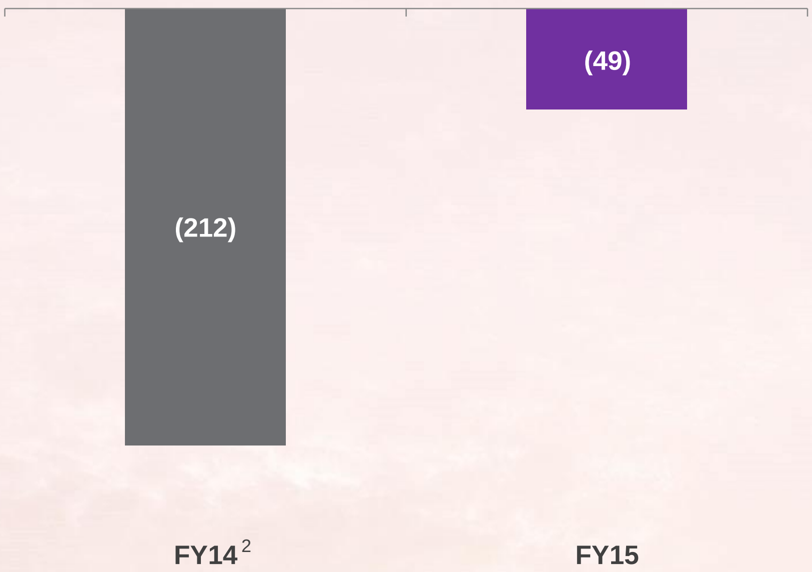
Note: 1 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements; 2 Underlying Loss Before Tax, Return on Invested Capital, Group unit cost ex fuel ex FX (CASK), Domestic EBIT & International EBIT are non-statutory measures and are defined on slides 24, 25 & 26.

Financial highlights

	FY15 vs FY14
Domestic unit revenue (RASK)[1] ↑	3.5%
Group unit cost ex fuel ex FX (CASK)[1] ↓	6.4%
Operating cash flow ↑	$226m
Financial leverage[1] ↓	(20.4%)
FY17 Cost savings target ↑	$0.2bn
Closing cash balance	$1.03bn

Underlying Loss Before Tax[1]

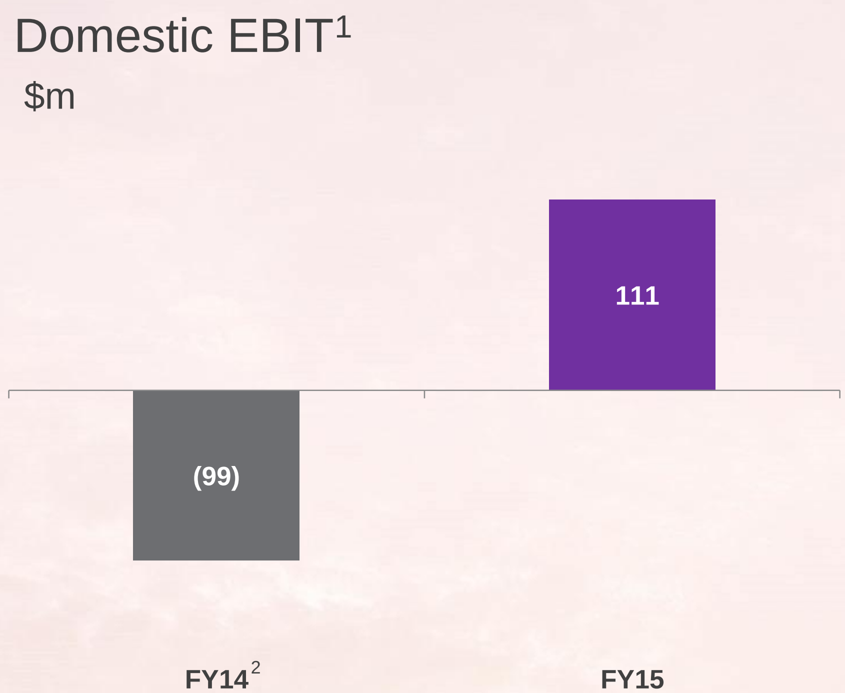
$m



Note: 1 RASK, Group Unit Cost ex fuel ex FX (CASK), Financial leverage and Underlying Loss Before Tax are non-statutory measures and are defined on slides 24, 25 & 26; 2 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements

Virgin Australia Domestic

	FY15 vs FY14
EBIT[1] Growth ↑	$210m
EBIT Margin[1] Growth ↑	6.5pts
RASK[1] Growth ↑	3.5%
Yield[1] Growth ↑	5.2%

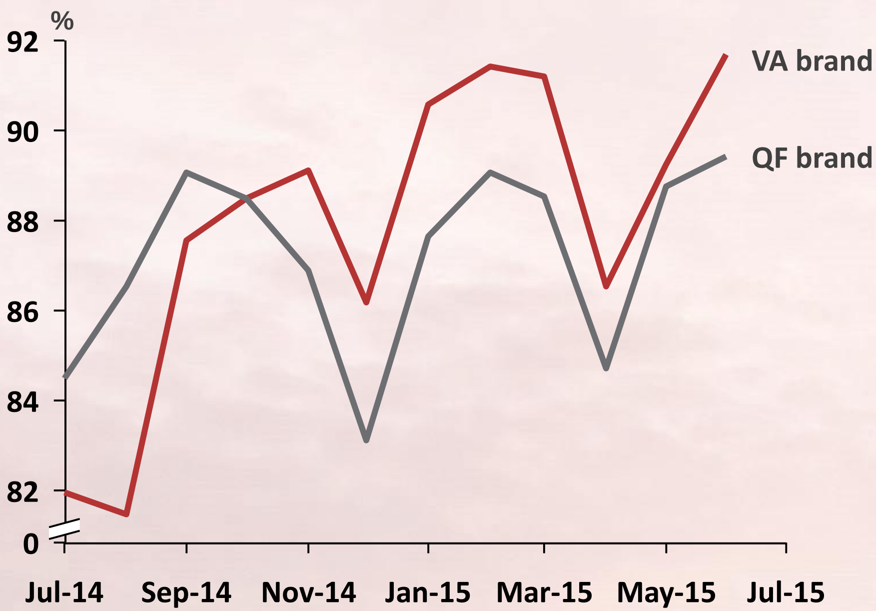


Strong improvement in margins and healthy momentum

Note: 1 EBIT, EBIT Margin, RASK & Yield are non-statutory measures and are defined on slides 24, 25 & 26; 2 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements

Virgin Australia Domestic – leading the pack

On time performance leader for the past 10 months[1]



Record customer satisfaction[2]

End to end customer experience

Domestic business class service

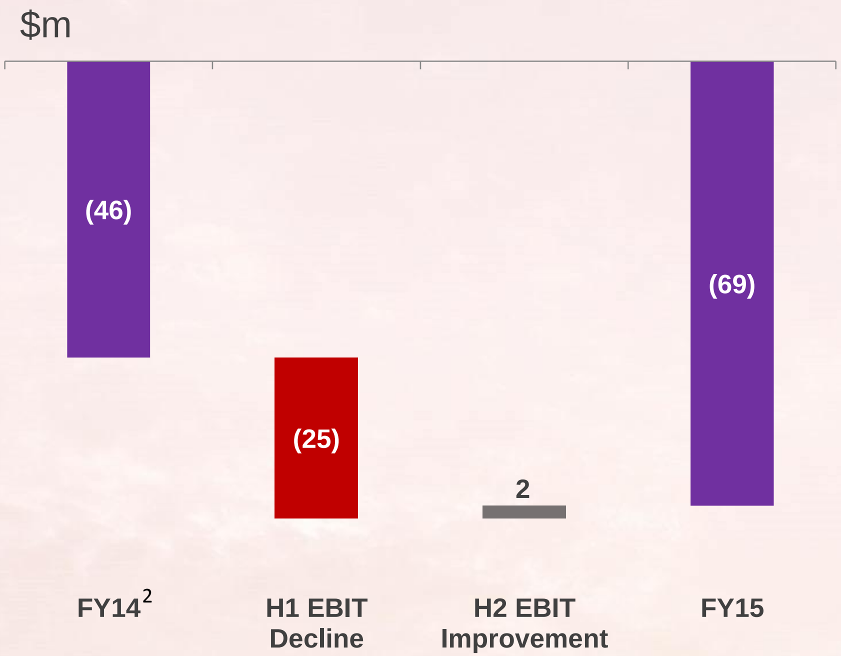
Lounge experience

Note: 1 In accordance with the Bureau of Infrastructure, Transport & Regional Economics (BITRE) definitions, flight departure is counted as "on time" if it departs the gate within 15 mins of the scheduled departure time shown in the carriers' schedule; 2 Guest Satisfaction Tracker, July 2014 – June 2015. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency. Colmar Brunton specialises in rigorous market research methodologies and provides research services to leading blue chip companies, Federal and State and governments.

Virgin Australia International

		FY15 vs FY14
EBIT[1]	↓	($23m)
H2 EBIT[1] Growth	↑	$2m
RASK[1] Decline	↓	(2.8%)

International EBIT[1]



Initiatives generating improvement in second half

Note: 1 EBIT and RASK are non-statutory measures and are defined on slides 24, 25 & 26; 2 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements

International improvement plan

1st Phase
- Business Class on Tasman and Pacific Islands
- Management integration of NZ operations
- LAX Flying Consolidation
- B777 Business Class Suites

2nd Phase
Route Changes
- Jan-16 PER-HKT withdrawal
- Mar-16 PER-DPS; MEL-DPS and ADL-DPS withdrawal
- Selected frequency increases on Tasman and other Pacific Island routes

Tigerair - Flying to International Leisure Destinations
- Launch date: Mar-16: PER-DPS; MEL-DPS and ADL-DPS

Targeting return to profitability by end of FY17

Cargo & Charter

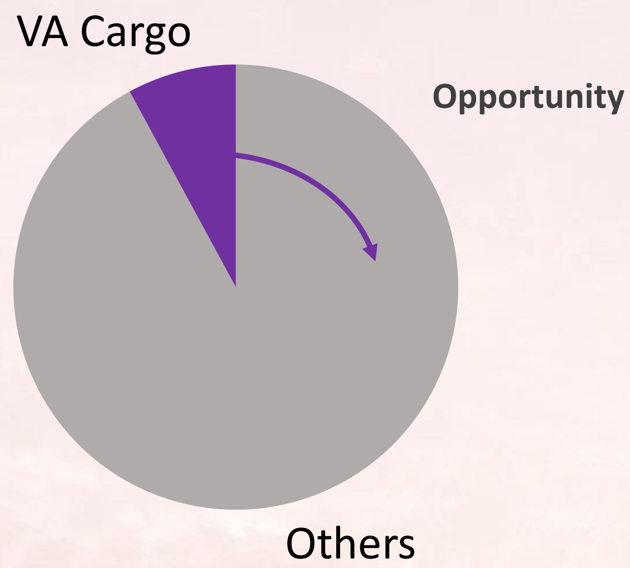
Cargo

- Officially launched 1st July 2015
- Opportunity to directly compete in domestic market
- New customers already signed

Charter

- Continued revenue growth[1]
- Increased Charter fleet by 4x F100's

Domestic Cargo Market



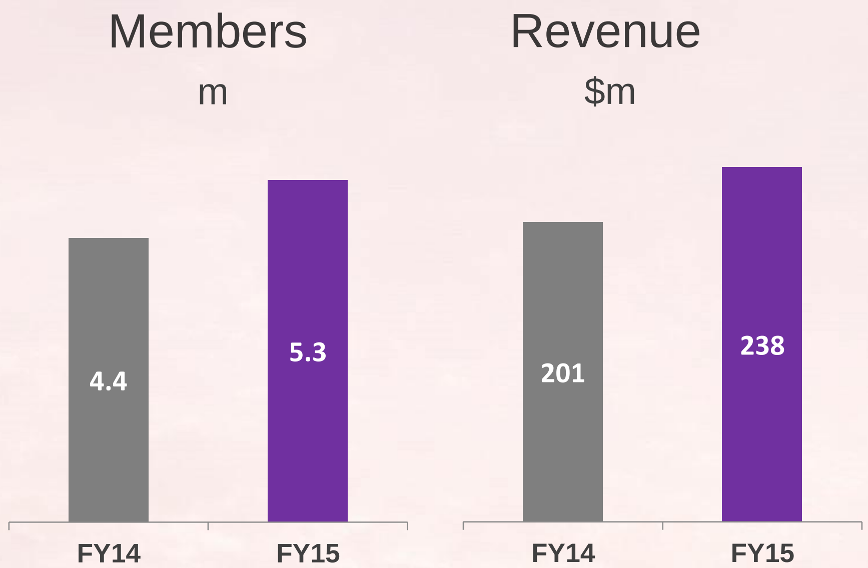
New unconstrained growth opportunity in Cargo

Note: 1 Net of fuel recoveries charter revenue increased over the prior comparative period.

Velocity

FY15 vs FY14

Revenue	↑	18.5%
EBIT[1]	↑	8.0%
Members	↑	20%
Ave daily join rate	↑	24%



BP Partnership has driven substantial increase in members

FY15 a year of investment in people & systems

Acquisition of Torque Data in July 2015

Expecting >15% EBIT Growth in FY16

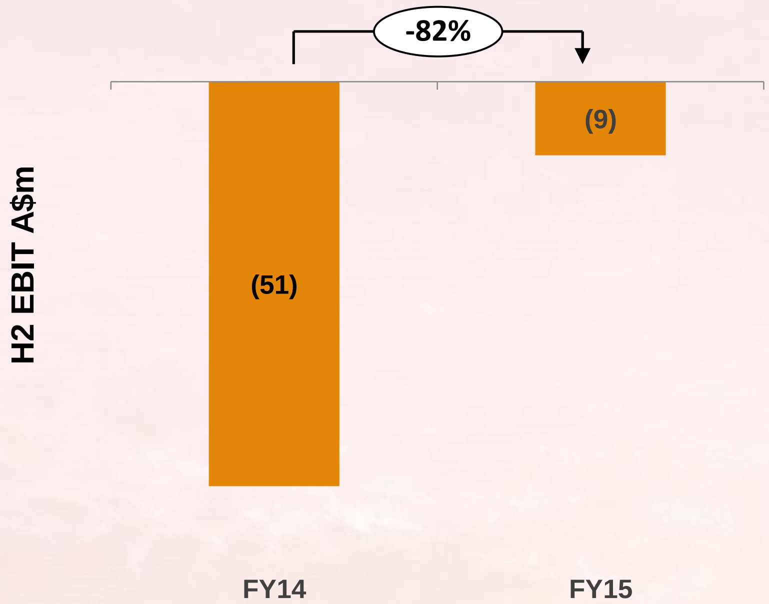
Note: 1 EBIT growth based on FY14 pro forma underlying segment EBIT. EBIT is a non-statutory measures and is defined on slides 22, 23 & 24.

Tigerair[1]

FY15 vs FY14

EBIT[2]	↑	$43m
EBIT Margin[2]	↑	14.1pts
Load Factor	↑	1.8pts
RASK[2]	↑	8.5%
Guest Satisfaction[3]	↑	11pts

Strong H2 performance

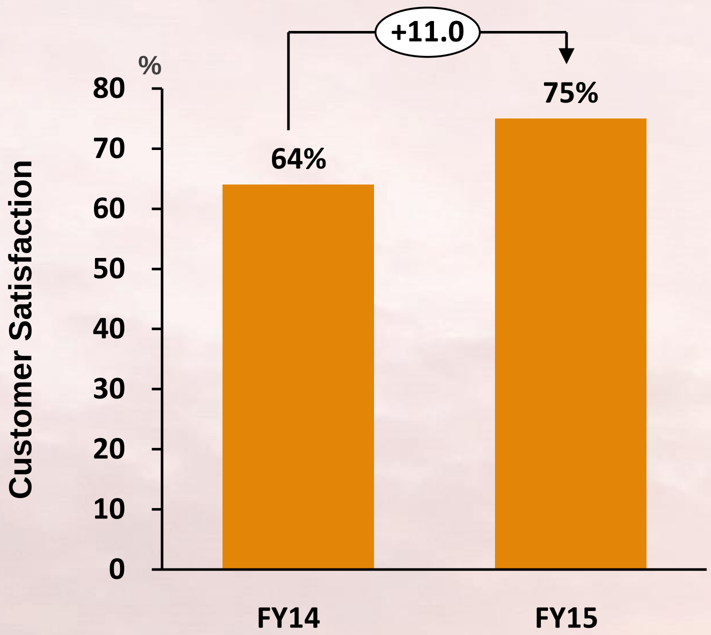


Tigerair expected to be profitable for FY16

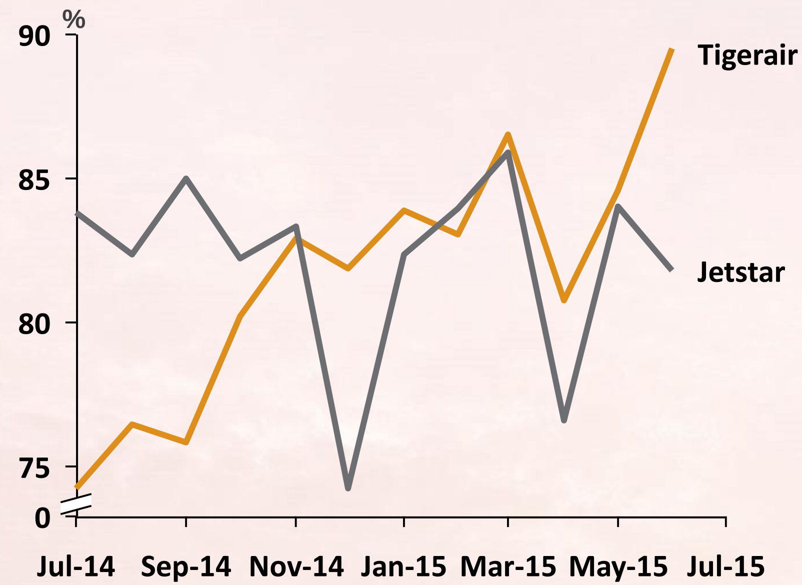
Note 1 All metrics calculated for Tigerair are on a standalone full year underlying basis. Segment results for the period in which Tigerair was fully consolidated are included in Note 4 of the preliminary final report. For the avoidance of doubt the standalone amounts above will vary from those reported in the post consolidation Tigerair segment; 2: EBIT, EBIT margin, and RASK are non-statutory measures as defined on slides 22, 23 & 24; 3 Source: Tigerair Customer Satisfaction Survey April 2015 vs. October 2014. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency.

Tigerair performance metrics improving

Strong Customer Satisfaction



Taking the lead on budget OTP in H2[1]



Tigerair performance metrics improving across the board

Note 1: In accordance with the Bureau of Infrastructure, Transport & Regional Economics (BITRE) definitions, flight departure is counted as "on time" if it departs the gate within 15 mins of the scheduled departure time shown in the carriers' schedule. Refers to the departure On Time Performance (OTP) results of Tigerair Australia for H2 FY15, which averaged 84.7% in comparison to Jetstar which averaged 82.4% for the period.

Our people successfully deliver Virgin Vision

Recent awards

Conde Nast – *'top 10 airlines in the world for Business Travel'*

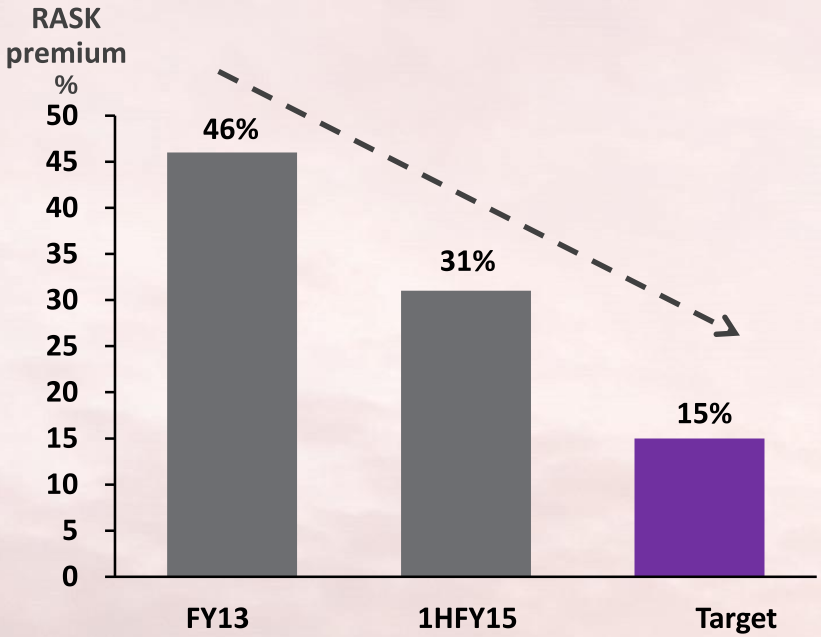
Skytrax World Airline Awards – *'Best Airline Staff'* for Australia/Pacific

Freddie Awards – *'Program of the Year'*, *'Best Customer Service'* and *'Best Redemption Ability'* for Middle East & Asia/Oceania

Randstad Awards – *'Most attractive Employer'*

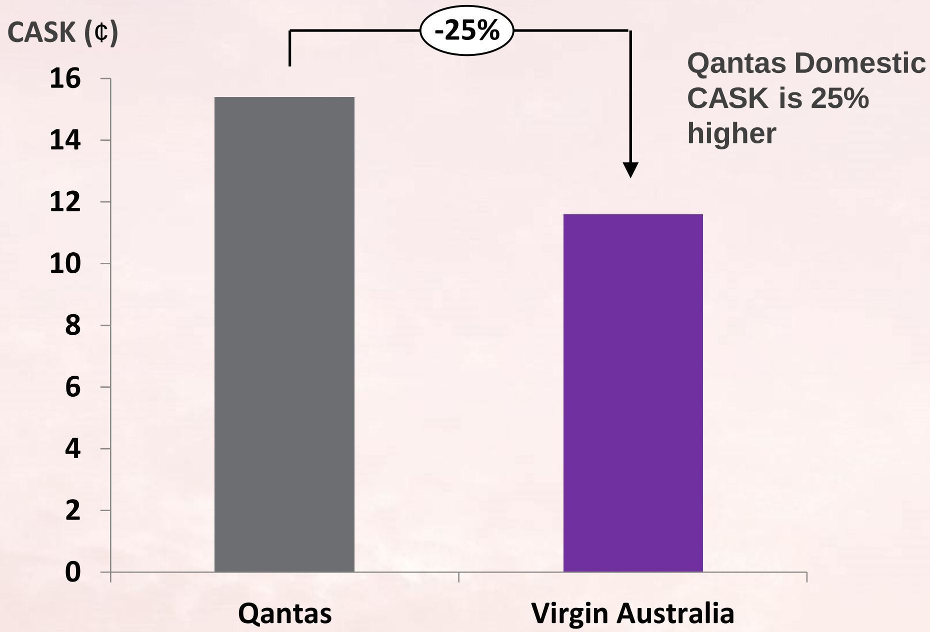
VA Domestic - closing the margin gap

Qantas domestic RASK premium over Virgin Australia[1]



Increasing share of higher yielding corporate and government market to close RASK premium to ~15%

Domestic CASK – Virgin Australia vs. Qantas H1FY15[1]



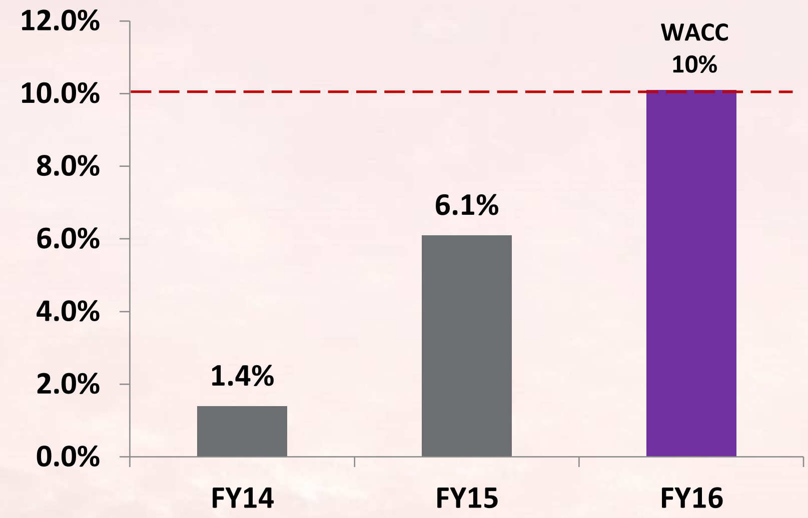
Virgin Australia retaining cost advantage over major domestic competitor

Note 1: RASK & CASK comparison has been performed between Qantas and Virgin Australia domestic segments based on published company accounts, operating statistics and Virgin Australia management estimates of revenues from non recurring items and discontinued operations. RASK & CASK are non-statutory measures and are defined on slides 24, 25 & 26.

Outlook[1]

	FY16	FY17
ROIC	≈ WACC	> WACC
Tigerair	Profitable	Profitable
Velocity EBIT Growth	>15%	>15%
Financial Leverage	4.0x - 4.5x	
VA Domestic	6% - 9% EBIT Margin	
VA International	Profitable	

Return on Invested Capital (ROIC)



Business fundamentals on track to deliver group profitability and ROIC ≈ WACC in FY16

Note 1: Please refer to the "Forward Looking Statements" section on slide 26 when considering this information. All forward projections on this page are at the underlying performance level, which is defined on slides 24, 25 & 26.

Outlook statement

"Based on current market conditions, all fundamental business metrics are on track for the Group to return to profitability and report a Return on Invested Capital in line with its cost of capital for the 2016 financial year"

Supplementary financial slides

Group financial summary

		FY15 $m	FY14[1] $m
Revenue and income		**4,749**	**4,307**
Statutory loss after tax		**(94)**	**(354)**
Addback	Income tax benefit	69	128
Statutory loss before tax		(163)	(482)
Addback	Restructuring and transaction costs[2]	70	183
	Share of equity accounted losses[2]	17	49
	Hedging and financial instruments[2]	27	38
Underlying Loss Before Tax[2]		**(49)**	**(212)**

Note: 1 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements; 2 Restructuring and transaction costs, Share of equity accounted losses, Hedging and financial instruments and Underlying Loss before tax are non-statutory measure used by Management and VAH's Board as a measure to assess financial performance and are defined on slides 24, 25 & 26.

Cash flow

- $226m improvement in operating cash flows
- Strong cash flow conversion
- FY16 investing capex likely to be ~$400m, inclusive of maintenance capex, prior to aircraft financing

	FY15 $m	FY14 $m
Net cash from / (used in) operating activities	**218**	**(8)**
Net cash used in investing activities	(246)	(174)
Net cash from financing activities	254	380
Net cash inflow	**226**	**198**

Balance Sheet

- June year end cash balance of $1.03bn
- Interest bearing liabilities and aircraft assets have been impacted by FX movements
- Financial leverage[2] decrease from 7.5x to 5.9x, a 20.4% decrease, notwithstanding adverse FX impact
- Estimated financial leverage[2] of 4.0x – 4.5x by end of FY17

	FY15 $m	FY14[1] $m
Cash and cash equivalents	1,029	784
Total assets	**5,780**	**4,679**
Interest bearing liabilities	2,762	1,951
Total liabilities	**4,759**	**3,631**
Total equity	**1,021**	**1,048**
Financial leverage[2]	**5.9**	**7.5**
Unrestricted Cash Balance	**719**	**541**

Note: 1 The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements; 2 Financial leverage is a non-statutory measures and is defined on slides 24, 25 & 26.

Expected fuel and FX impact in FY16

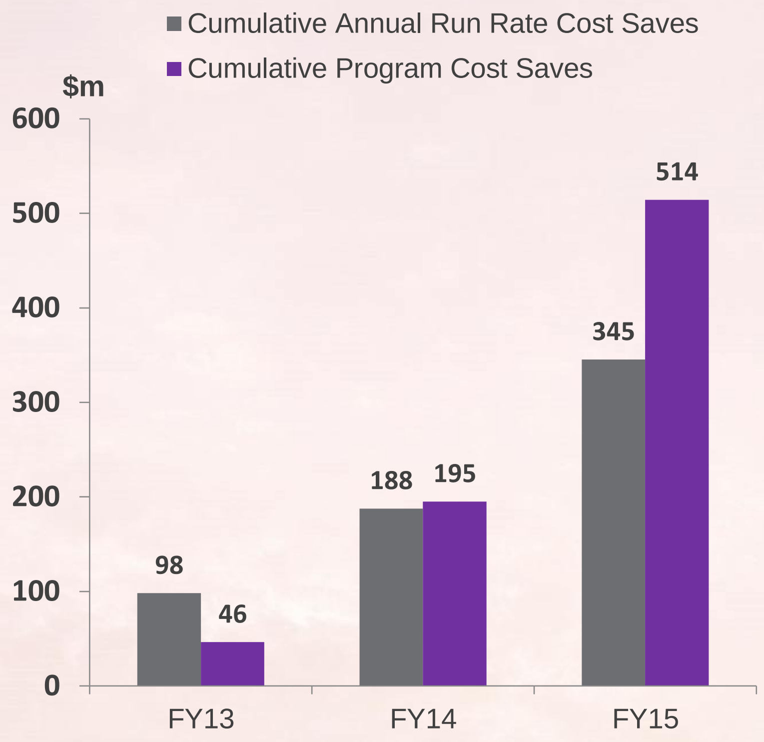
- FY15 non fuel effective FX was 9.7% better than spot
- $162m of expected fuel pricing gains in FY16 likely to be offset by $99m impact of weaker AUD[2]

Annual impact of fuel and currency	FY15 $m	FY16[1] $m
Fuel pricing benefit on prior year	60	162
Adverse impact of FX on prior year	(35)	(99)
Net impact	**25**	**63**

Note: 1 FY16 estimates are considered a forward looking statement, please see disclaimers on slides 24, 25 & 26; 2 All hedge levels and estimated financial impact in FY16 are based on the estimated impact of the company's hedge positions along with market forward curves for both AUD jet fuel and the AUD/USD rate as of 20 July, 2015.

Cost program tracking ahead of plan

Annualised run rate benefits in FY15	$135m
Cumulative benefits by FY15	$514m
Run rate benefit since FY13 launch	$345m



Increasing cumulative cost target from $1bn to $1.2bn by end of FY17

Virgin Australia Group fleet

- 17 NG aircraft due for delivery in FY15-17 have been converted to MAX orders
- 737MAX order book now 40, 1st delivery 2018
- 14th A320 for Tigerair Australia in 1HFY16
- Flexibility to increase or decrease capacity in line with demand and competitive environment remains
- 4x B738 deliveries in FY16, 3x lease returns
- Improved asset utilisation expected to free up 2 aircraft for disposal

	30 June 2014[1]	**30 June 2015**	**Leased**	**Owned**
B737-700/800	74	77	37	40
E190	18	18	7	11
A330	7	6	6	-
B777	5	5	1	4
ATR72-500/600	13	14	14	-
Mainline fleet	**117**	**120**	**65**	**55**
F50	8	8	-	8
F100	10	14	7	7
A320 (Charter & Tigerair)	15	15	15	-
Virgin Australia Group	**150**	**157**	**87**	**70**

Note: 1 Whilst Tigerair was not fully consolidated for the FY14 year, for the purposes of fleet comparison we have included the 13x A320 tails Tigerair operated at the time.

Targeted return framework[1]

ROIC EBIT	• Underlying Earnings before Interest and Tax • Add back non-cancellable aircraft operating leases • Less notional depreciation on capitalised value of aircraft leases (7x annual operating lease cost), or ~4% pa
Invested Capital	• Net debt • Total Equity (including non-controlling interests) • Capitalised value of annual operating leases (7x annual operating lease cost)
Cost of Capital	• Weighted Average Cost of Capital (WACC) with a long term 60/40 debt/equity split • Currently using 10% as estimated pre-tax WACC
ROIC Calculation	• ROIC = ROIC EBIT/ Average Invested Capital (using opening and closing balances)

Note: 1 All metrics in the targeted return framework are on an underlying basis and are defined on slides 24, 25 & 26.

Disclaimer, definitions and ASIC guidance

Disclaimer

The following non-IFRS information has not been audited or reviewed by KPMG: Underlying Loss Before Tax, Underlying performance, Restructuring and transaction Costs, Share of equity accounted losses, Hedging and financial instruments, Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR), Earnings Before Interest & Tax (EBIT), EBIT Margin, RASK (Segment unit revenue), CASK (Segment unit cost), Group unit cost ex fuel ex FX (CASK), Yield, Financial leverage, Adjusted Net Debt, Return on Invested capital (ROIC) EBIT, Invested capital, Cost of capital / WACC and ROIC.

This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the unaudited annual consolidated financial statements that are in the process of being audited by KPMG.

Definitions

Underlying Loss Before Tax: is a non-statutory measure that represents statutory loss before tax excluding the impact of restructuring and transaction costs (as defined below), share of equity accounted losses from associates (as defined below), impact of hedging and financial instruments (as defined below). This is a measure used by Management and VAH's Board to assess the financial performance of VAH. The Group changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Underlying performance: is a non-statutory measure that refers to earnings or returns calculated based on the Underlying Loss Before Tax excluding restructuring and transaction costs, equity accounted losses and hedging and financial instruments (as above).

Restructuring and transaction costs: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Business and capital restructure and transaction costs ($84.4m), Finance income from Tiger acquisition ($21.8m) and Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets ($7.6m). For the year ended 30 June 2014, this item included business and capital restructure costs ($101.9m), impairment losses ($56.9m), Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets ($3.1m), Accelerated amortisation resulting from a capital restructure ($12.3) and different interest rate swap terminations associated with capital restructure ($8.4m).

Share of equity accounted losses: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Associate earnings (loss of $16.6m) representing the share of equity accounted earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited for the full year ended 30 June 2015. For the year ended 30 June 2014, the share of equity accounted earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited was a loss of $48.7m.

Hedging and financial instruments: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of $17.4m) and time value movements on cash flow hedges (loss of $10.0m). For the year ended 30 June 2014, this item includes: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of $20.2m) and time value movements on cash flow hedges (loss of $18.3m). The Group has early adopted AASB 9 *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR): is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) before tax (as defined above) with the addition of depreciation, aircraft rentals and net finance costs. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Disclaimer, definitions and ASIC guidance

Definitions (continued)

Earnings Before Interest & Tax (EBIT): is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) before tax (as defined above) with the addition of net interest expense. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

EBIT Margin: is a non-statutory measure derived from dividing Earnings Before Interest & Tax (EBIT) as defined above by total segment revenues.

RASK (Segment unit revenue): is a non-statutory measure derived from segment revenue divided by Available Seat Kilometres of the Regular Passenger Transport business.

CASK (Segment unit cost): is a non-statutory measure derived from segment revenue less total segment EBIT (as above) divided by Available Seat Kilometres of the Regular Passenger Transport business.

Group unit cost ex fuel ex FX (**CASK):** is a non-statutory measure derived from consolidated segment revenue less consolidated segment EBIT (as defined above) excluding fuel, hedging gains / (losses) on fuel, non-Regular Passenger Transport (RPT) costs, Velocity Frequent Flyer segment costs, foreign exchange gains / (losses) on non-fuel costs and unallocated corporate costs divided by Available Seat Kilometres of the Regular Passenger Transport business including Available Seat Kilometres of Tiger from 16 October 2014.

Yield: is a non-statutory measure derived from total consolidated segment revenues divided by Revenue Passenger Kilometres of the Regular Passenger Transport business.

Financial leverage: is a non-statutory measure and is defined as the ratio of adjusted net debt (as defined below) to EBITDAR (as defined above)

Adjusted Net Debt: is a non-statutory measure derived by taking interest bearing liabilities less cash and adding 7 times annual rentals on aircraft operating leases.

Return on Invested capital (ROIC) EBIT: is a non-statutory measure derived from underlying EBIT, adding back rentals on aircraft operating leases, and adjusting for a notional depreciation on the capitalised value of aircraft leases (7 times annual operating lease cost), or approximately 4% pa. This metric provides an indication of underlying earnings (as defined above) assuming all aircraft were owned by VAH.

Invested capital: is a non-statutory measure which provides an indication as to the invested capital within the VAH, and is derived from adding average adjusted net debt and total equity as reported in the consolidated statement of financial position.

Cost of capital / WACC: is a non-statutory measure that estimates the pre-tax weighted average cost of capital (WACC) for VAH, using an estimated 60 to 40 debt to equity split. VAH estimates its cost of capital as 10% for the 2015 financial year (2014 10%).

ROIC: is a non-statutory measure and is defined as ROIC EBIT/ Invested Capital (as defined above), and represents a measure of the Group's Underlying Profit/(Loss) (as defined above) as a percentage of Invested capital (as defined above).

Disclaimer, definitions and ASIC guidance

Definitions (continued)

Forward Looking Statements: This presentation contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect, 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates provided in this presentation involve a number of risks, assumptions and contingencies, many of which are beyond the Virgin Australia Group's control and which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. It is believed that the expectations reflected in these forward looking statements, opinions and estimates are reasonable, but there can be no assurance that actual outcomes will not differ materially from these statements. Such forward looking statements, opinions and estimates are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and speak only as of the date of this announcement. You should not place undue reliance on forward looking statements.

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ASIC guidance

In December 2011 ASIC issued Regulatory Guide 230. In order to comply with this Guide, VAH is required to make a clear statement about whether information disclosed in documents other than the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015 has been audited or reviewed in accordance with Australian Auditing Standards.

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