

Virgin Australia Holdings Limited (ASX: VAH)**2015 ANNUAL GENERAL MEETING ADDRESS BY CHAIRMAN ELIZABETH BRYAN**

18 November 2015

Introduction

It is a pleasure to be here at my first annual general meeting as Chairman of the Virgin Australia Group.

Since becoming Chairman in May this year, I have thoroughly enjoyed working closely with the Board, CEO John Borghetti and the Virgin Australia management team.

I would like to thank my predecessor, the former Chairman Neil Chatfield, for his leadership and dedication to the company. Neil played a pivotal role in transforming Virgin Australia into a strong, diversified airline group and I know I speak on behalf of the Board and the management team in thanking him for his contribution.

The Board of Virgin Australia Group is comprised of talented, enthusiastic directors with a diverse array of backgrounds and skills, and it is a privilege to be working alongside them. In particular, I would like to thank Mr James Hogan, who resigned from the Board in February this year, and Mr Joshua Bayliss, who resigned in September this year, for their valuable service. I also warmly welcome Mr Bruno Matheu, who joined the Board in February this year and Mr JP Moorhead, who joined in September this year.

I would also like to take this opportunity to thank the shareholders of this company for their ongoing support. The Virgin Australia Group is privileged to have such supportive shareholders who understand our strategy and goals, and have come on the transformation journey with us. I have enjoyed beginning to meet with all of our shareholders and partners this year and look forward to working closely with them in the future.

Let me now turn to an overview of the financial performance of the company.

Financial Performance Overview

Following the success of the ground-breaking Game Change Program, last year, the Virgin Australia Group announced a new era of development for the company with the unveiling of the Virgin Vision 2017 strategy.

The 2015 financial year represented the first year of the execution of the Virgin Vision strategy and I am proud to report that the Virgin Australia Group has made strong progress towards the goals of this strategy.

As a result, in the 2015 financial year the Virgin Australia Group delivered a significant improvement in its financial performance. While we reported a loss in the 2015 financial year, the result represented a \$213 million improvement in underlying performance over the prior

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corresponding year, when taking into account 100 per cent of Tigerair Australia's performance on a like for like basis.

The Virgin Australia Group made this improvement against a backdrop of mixed economic conditions which has seen both business and consumer confidence decline somewhat.

Against these mixed economic indicators, the Group delivered increased unit revenue and a strong decrease in costs, while investing in the customer experience to ensure ongoing yield growth.

Strength of Group structure

Virgin Australia Group is now a truly diversified airline group with a strong structure that enables us to maximise the efficiency and success of each of our distinct operational segments.

During the 2015 financial year, the Virgin Australia Domestic business enjoyed a strong turnaround, recording Earnings Before Interest and Tax of over \$111 million. This success was driven by a significant growth in revenue of 4.8 per cent and an improvement on operating margins from -3.1 per cent to +3.4 per cent. The Virgin Australia Domestic business remains on track to reach its target of 30 per cent of revenue from the key customer segments of Corporate and Government, which will further enhance our yield growth.

The 2015 financial year also saw the Group finalise its 100 per cent acquisition of Tigerair Australia, which has made substantial improvements and is on track to achieve full year profitability in the 2016 financial year.

While our international business reported a loss, which was mainly driven by competitive pressures in the South East Asian and long-haul markets, we have a comprehensive strategy for this segment that has already begun to yield early success.

Our Charter business continues to reach new heights, delivering revenue growth on the prior corresponding period, despite the downturn in the resources industry. Our Cargo business was launched in July 2015 and has already signed several major clients.

The Velocity Frequent Flyer business had a fantastic year, reporting an 18.5 per cent increase in revenue and an 8 per cent increase in underlying Earnings Before Interest and Tax.

Thanks to the considerable progress that has been achieved, we have entered the 2016 financial year in a strong position to deliver profitability and improve our returns to shareholders.

The Virgin Australia group also continues to be committed to ensuring the safety of our guests and our team. In the 2015 financial year, we introduced several new measures, including Safety Performance Indicators, which will enhance our ability to identify and monitor safety risks.

In the 2016 financial year and beyond, we will continue to strengthen our comprehensive, integrated Safety Management System to maintain our outstanding safety record.

Progress on leading in customer experience

We are very pleased with the excellent progress we have made in providing a great customer experience.

Our CEO John Borghetti will provide more detail about this progress in a moment. However I would like to take this opportunity to highlight our ongoing dedication to providing excellent customer service and point out some of the recognition that the Group has received.

The Group recorded new highs in customer satisfaction during the 2015 financial year, with the Virgin Australia end-to-end customer experience rating at record levels and Tigerair Australia recording a significant increase in customer satisfaction.

Virgin Australia was also honoured to receive several significant awards from the aviation industry in recognition of our customer experience program. These awards include:

- Best Airline Staff Service for the Australia/Pacific region for the fifth consecutive year at the 2015 Skytrax World Airline Awards;
- Best New World Carrier in the AirlineRatings.com 2015 Airline Excellence awards; and
- Best Cabin Crew and Best Frequent Flyer Scheme in the 2015 Australian Business Traveller Awards.

Last week, we were also delighted to be named by the Australian Financial Review as Australia's Most Respected Company. This is a testament not only to our excellent reputation in the Australian corporate community, but also to the wonderful achievements of each and every individual who works for our company.

One of the things that has impressed me the most since joining Virgin Australia is the genuine warmth and dedication of its people. I had heard about the Group's reputation for excellence in customer service, but having met more and more people from across the business, it is now clear to me why our people are our Group's greatest differentiator.

On behalf of the Board, I would like to congratulate all of the team members of the Virgin Australia Group for their work in making us such a fantastic company. To have achieved such a significant financial turnaround while maintaining leadership in customer experience is a great achievement.

Corporate citizenship

In addition to focusing on the delivery of an excellent customer experience and sustainable returns to our shareholders, the Virgin Australia Group continues working toward improving the communities in which we operate.

A key priority for the Virgin Australia Group is supporting young Australians who are at risk. During the 2015 financial year, Virgin Australia was proud to continue to support our community partners who address this serious issue. These include the Starlight Children's Foundation, Surf Lifesaving Australia, Brisbane Youth Service and the Australian Indigenous Mentoring Experience. We were

also proud to have CARE Australia join our portfolio of community partners. Working with CARE Australia, Virgin Australia was able to help provide much-needed aid to those affected by Tropical Cyclone Pam in March 2015.

I am also pleased to report that the Virgin Australia Group remains focused on developing a diverse and empowered workforce. The 2015 financial year saw the Group hold its inaugural Diversity and Inclusion week, which enabled us to elevate the importance of diversity and equality in the culture of our group. We also continued to actively encourage the participation of women in all areas of our business, which is a key priority for the Virgin Australia Group.

Improving the environmental sustainability of the Virgin Australia Group is another key priority. We take a proactive approach to reducing our CO2 emissions and in the 2015 financial year, we worked on a range of new and ongoing projects to achieve this objective. We strive to maintain a young aircraft fleet as this is essential to reducing carbon emissions. At an average age of 5.5 years, our mainline fleet is very young compared to global aviation industry averages.

We also have a dedicated fuel efficiency team that works to optimise our aircraft performance and reduce our fuel consumption through all phases of flight and ground control.

During the 2015 financial year we significantly reduced waste by introducing new recycling programs on board and throughout our supply chain. We were also able to give disadvantaged Australians access to food by donating over 53 tonnes of excess quality food to the charity OzHarvest.

Looking forward

Looking ahead to the 2016 financial year, the Group has embarked on a new journey of growth that will see it become Australia's favourite airline group and deliver a strong return on investment to shareholders.

The execution of the Virgin Vision strategy, which has already yielded success in the 2015 financial year, sees us well placed to return to profitability in the 2016 financial year and to achieve long-term, sustainable growth.

John will provide more information about our goals and plans for the 2016 financial year in a moment.

Overall, we will continue to focus on growing the revenue of our Virgin Domestic business, with an ongoing emphasis on increasing yield. We also look forward to the ongoing improvement in the performance of Tigerair Australia.

We have clear goals and actions for our international business that we believe will return it to profitability soon.

Conclusion

Again, I would like to thank you, the shareholders, and the entire team at the Virgin Australia Group for your support and hard work over the past year.

I also invite you to join me in looking forward to the future of the Virgin Australia Group with great excitement. I am confident that the talents and dedication of our team as led by John and his Executive Committee, combined with the execution of our strategy, will bring sustainable growth and profits and see the company become Australia's favourite airline group.

Thank you.

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