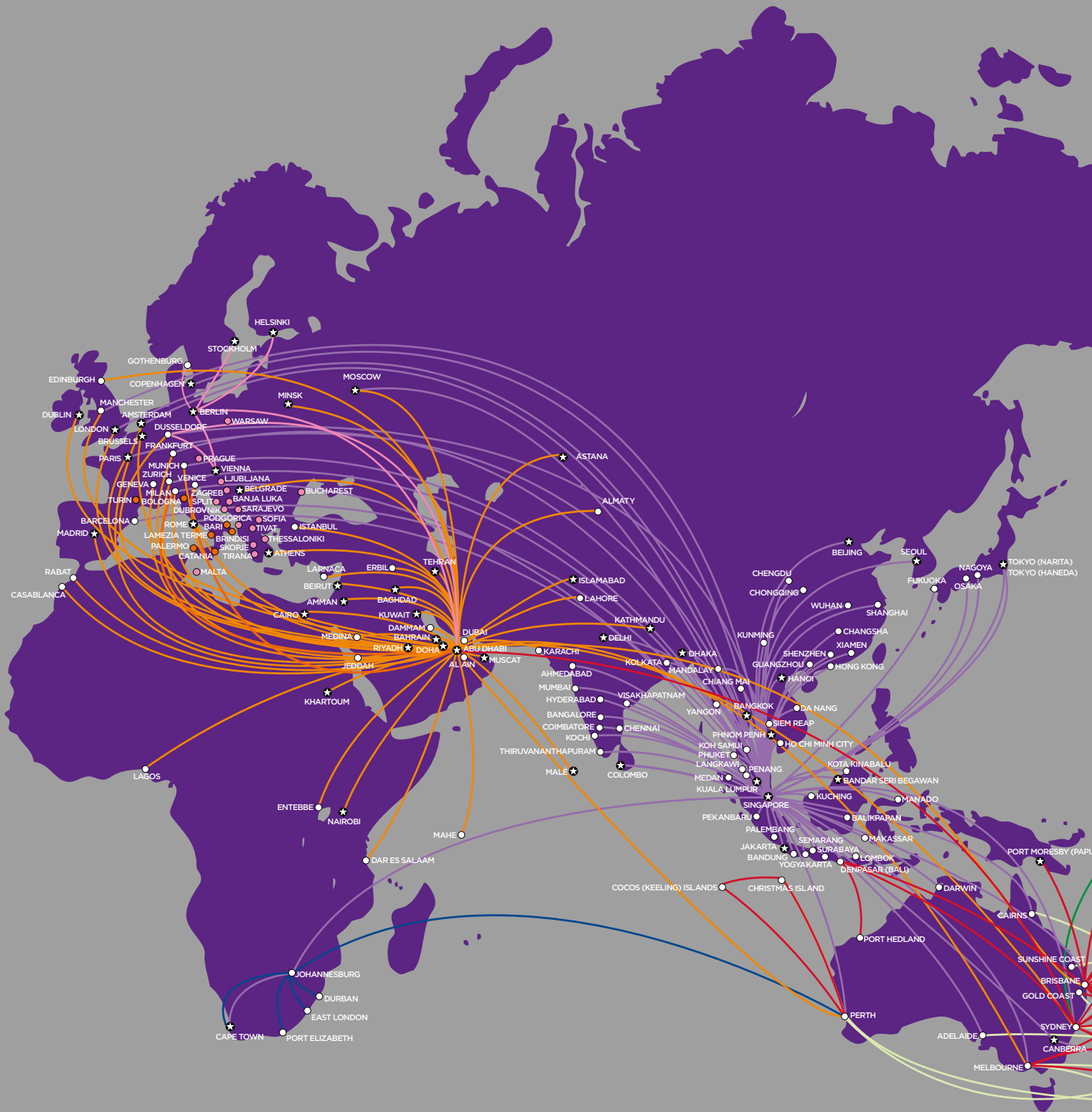




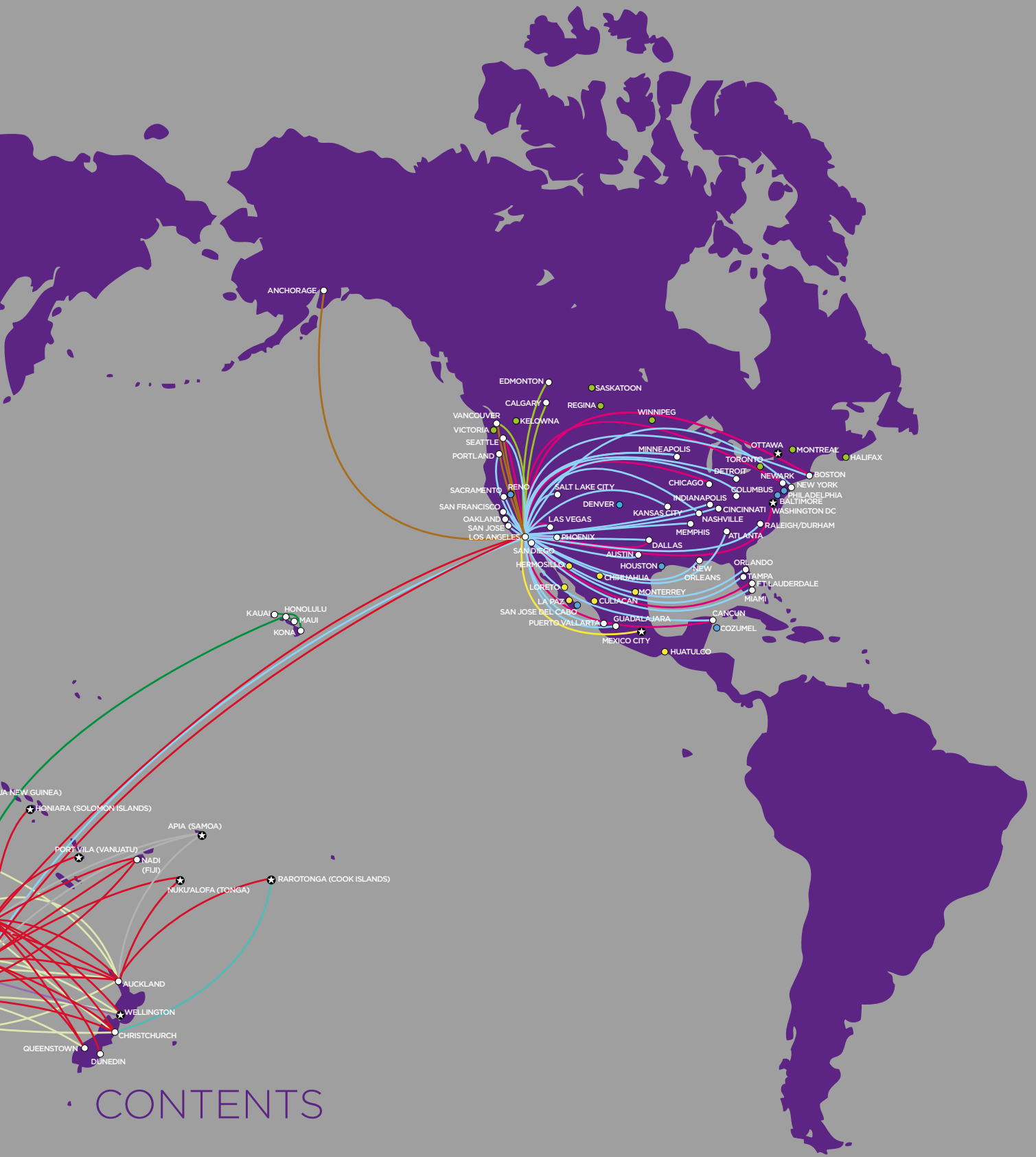
 virgin australia  
group

ANNUAL  
REPORT  
2016



**NETWORK KEY**

- |                                                                   |                                                            |
|-------------------------------------------------------------------|------------------------------------------------------------|
| <span style="color: red;">○</span> VIRGIN AUSTRALIA               | <span style="color: pink;">○</span> AIR BERLIN             |
| <span style="color: lightgreen;">○</span> AIR NEW ZEALAND         | <span style="color: green;">○</span> HAWAIIAN AIRLINES     |
| <span style="color: lightblue;">○</span> DELTA AIR LINES          | <span style="color: magenta;">○</span> VIRGIN AMERICA      |
| <span style="color: orange;">○</span> ETIHAD AIRWAYS              | <span style="color: yellow;">○</span> AEROMEXICO           |
| <span style="color: purple;">○</span> SINGAPORE AIRLINES/SILKFAIR | <span style="color: brown;">○</span> ALASKA AIRLINES       |
| <span style="color: blue;">○</span> SOUTH AFRICAN AIRWAYS         | <span style="color: lightgreen;">○</span> WESTJET AIRLINES |



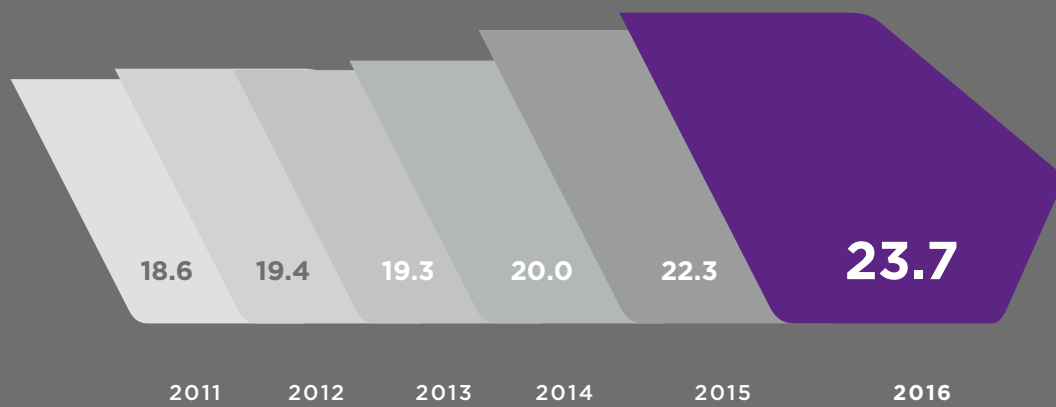
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# SNAPSHOT

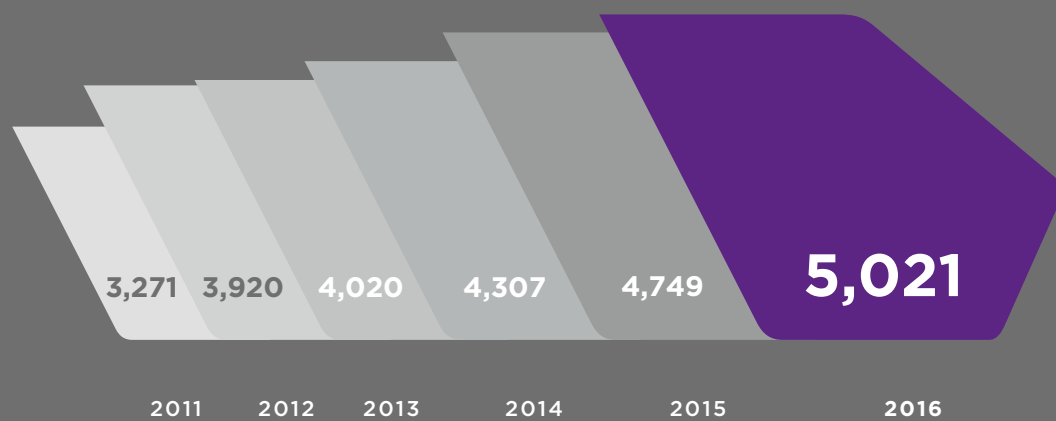
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## PASSENGERS CARRIED (MILLIONS)<sup>1</sup>



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## TOTAL REVENUE & INCOME (\$MILLIONS)



SEGMENT EBIT<sup>2</sup> (\$MILLIONS)



FINANCIAL HIGHLIGHTS	2016 (\$million)	2015 (\$million)
Underlying profit/(loss) before tax	41.0	(49.1)
Statutory net profit/(loss) after tax	(224.7)	(93.8)

OPERATING STATISTICS (Group) <sup>1</sup>	2016	2015
Passenger carried (m)	23.7	22.3
Available Seat Kilometres (m)	47,038	45,969
Revenue Passenger Kilometres (m)	37,326	35,774
Revenue Load Factor	79.4%	77.8%

1. The operating statistics include 100% of Tigerair Australia from 1 November 2014.
2. Segment EBIT is a non-statutory measure and is used by management and the Board to assess the financial performance of individual segments within the Group. Refer to note B1 to the consolidated financial statements in the 2016 Virgin Australia Group Annual Financial Report for further information.





# THE CHAIRMAN'S REPORT

The 2016 financial year was one of significant change for the Virgin Australia Group as we finalised the major transformation of the business and, with the support of our shareholders, took steps to renew the company's capital structure and strengthen its overall financial position.

During the year, the Board of Directors initiated a review of the capital structure in order to strengthen the balance sheet and enhance cash flow generation and profitability. The outcomes of the review included the launch of an entitlement offer and the introduction of the Better Business program. The entitlement offer to raise \$852 million in equity was launched in June 2016 and was supported by our major shareholders. In addition, we commenced a program of capital and operational efficiency initiatives to build efficiency in the business and deliver significant cash flow savings in the future.

The 2016 financial year also saw significant changes to our shareholder base. HNA Aviation Group (HNA), a division of HNA Group, a Fortune Global 500 multinational company and the largest private operator of airlines in China, joined as a shareholder in June 2016 following a placement of new shares from the Group. Nanshan Group, a China-based conglomerate with holdings in a number of industries including aviation and tourism, also became a shareholder in June after purchasing a large portion of Air New Zealand's shareholding. We continued to enjoy the support of our other major strategic partners including Etihad Airways, Singapore Airlines and the Virgin Group.

I would like to thank my fellow board members, as well as our strategic partners and new major shareholders, whose support has been integral to our progress. We are fortunate to have such a strong and diverse mix of strategic shareholders.

In relation to the financial results for the 2016 financial year, whilst the Group delivered improvements in earnings across all business segments to report an Underlying Profit Before Tax<sup>3</sup> of \$41.0 million, further work is necessary. This work has the strong focus of the Board and management team and includes the execution of the Better Business program and the pursuit of sustainable revenue growth.

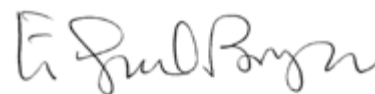
In addition to our concerted efforts to improve our financial base, we also maintained our focus on providing an outstanding experience to Australian travellers. Virgin Australia's excellence in customer service was recognised with numerous industry awards including:

- Best Cabin Crew and Best Frequent Flyer Scheme in the 2016 Australian Business Traveller Awards;
- Best New World Carrier and Best Cabin Crew in the AirlineRatings.com 2016 Airline Excellence Awards; and
- In July 2016, the Group was honoured to receive the Best Domestic Airline award in the Australian Federation of Travel Agents' 2016 National Travel Industry Awards.

The Group reaffirmed its commitment to being a proactive and responsible corporate citizen by supporting communities in Australia and overseas. In the 2016 financial year, we furthered longstanding partnerships with community organisations that support youth-at-risk in Australia, including the Australian Indigenous Mentoring Experience and the Starlight Children's Foundation. We also worked closely with CARE Australia to deliver one of the first large scale aid movements into Fiji following Tropical Cyclone Winston.

We also continued to develop our workforce and contribute to the communities we serve. The Group undertook a number of initiatives to build the skills and harness the talents of its workforce, including an emerging leaders program for cabin crew team members and a Female Leadership Development Group to build resilience and organisational presence in our operational teams. Indigenous Employment Skills workshops were also held in regional locations to assist in the development of sustainable employment opportunities for Indigenous Australians.

I would like to thank all of our team members for their work this year. I look forward to reporting the Virgin Australia Group's future outcomes to you, and I thank all of our shareholders for their continued support of the Virgin Australia Group.



**Elizabeth Bryan**  
Chairman

3. Definitions and supporting information for financial terms in the Chairman's Report are set out in the summary of the Virgin Australia Group's financial results for the 2016 financial year, contained in the document entitled 'Release - FY16 Results' that was released to the Australian Stock Exchange on 5 August 2016.

# THE CEO'S REPORT

The 2016 financial year saw the Virgin Australia Group continue to improve the customer experience and ensure strong competition in all market segments. A major focus for the Group was strengthening our financial position in order to put the business on a stronger footing for further improvements going forward.

## FINANCIAL AND OPERATIONAL PERFORMANCE

During the year, the Group improved its underlying financial performance in all business segments and, as our Chairman outlined, commenced a program of work to further enhance profitability. The restructuring charges associated with this program had an impact on our statutory results, leading to a Statutory Loss After Tax.

Key results included:

- Growth in Group Underlying EBIT<sup>4</sup>, up by \$144.7 million on the 2015 financial year to \$210.6 million;
- Group Underlying Profit Before Tax of \$41.0 million, an improvement of \$90.1 million on the 2015 financial year;
- A full year Statutory Loss After Tax of \$224.7 million.
- Further reduction in underlying costs, with Group Cost per Available Seat Kilometre decreasing by 1.9 per cent excluding fuel, foreign exchange and Velocity Frequent Flyer costs;
- 11.9 per cent reduction in Financial Leverage from 5.9x as at 30 June 2015 to 5.2x as at 30 June 2016;
- An increase in the Group's total cash balance and the highest level of cash generated from operating activities reported since the 2010 financial year;
- 45.8 per cent growth in Virgin Australia Domestic's Underlying EBIT to \$162.0 million, driven by yield, revenue

and margin growth in challenging operating conditions;

- An increase of almost 30 per cent in Underlying EBIT for Virgin Australia International despite the impact of Bali volcanic activity and competitive pressure;
- Execution of our strategy to build profit in the international business, including the embodiment of our Boeing 777 fleet with new Business Class suites and Premium Economy seats;
- Tigerair Australia's first ever full year profit at the Underlying EBIT level, one year ahead of our target;
- Continued growth in Velocity Frequent Flyer's revenue and Underlying EBIT, supported by a 20 per cent increase in members to over 6.3 million;
- Ongoing excellence in on time performance. Tigerair led its major competitor in on time performance across the 2016 financial year, while Virgin Australia Domestic has done the same for the last two financial years; and
- Growing customer satisfaction, including record high customer satisfaction scores for Virgin Australia's brand new A330 Business Class suites and Perth Airport terminal and lounge. In addition, satisfaction with almost every aspect of Tigerair's customer experience increased during the year.

## ACTION TO CREATE A STRONGER BUSINESS

Throughout the year, we also took significant action to improve our capital structure and balance sheet, lower our costs and ultimately create a stronger financial foundation to support our business.

As noted in the Chairman's Report, the Group raised equity through an entitlement offer and placements to new shareholder HNA, which will be used to strengthen our capital structure and balance sheet.

With the Group on track to exceed the cumulative cost savings target of \$1.2 billion by the end of the 2017 financial

year, we also renewed our focus on achieving a lower cost base. We have commenced the Better Business program of capital and operational efficiency initiatives, which will build productivity and simplicity in every part of our business. While there are upfront costs for the program, these are outweighed by the significant savings that are being targeted. The Group is targeting net free cash flow savings increasing to \$300 million per annum (annualised run rate) by the end of the 2019 financial year.

We also continued to pursue new opportunities for sustainable growth in our business. During the year, we entered into an agreement to form a proposed strategic commercial alliance with HNA, which will accelerate the Group's access to China, Australia's fastest growing and highest spending inbound travel market<sup>5</sup>.

## SAFETY AND SUSTAINABILITY

The safety of our passengers, team members and aircraft is always the highest priority of the Virgin Australia Group. This year, we reinforced our strong culture of safety by implementing the Intelex Safety, Quality and Risk reporting platform to enable seamless identification, reporting and resolution of safety matters.

We are also firmly committed to minimising our environmental footprint and reducing waste. We expanded our existing fuel saving initiatives to save a total of 2.77 million kilograms of fuel in the 2016 financial year, a 16 per cent increase on our fuel savings on the prior corresponding year. Through our partnership with OzHarvest, we donated 126 tonnes of excess food from our aircraft, which is the equivalent of almost 380,000 meals for the most vulnerable in our communities.

## OUR PEOPLE

Each and every one of our team members is essential to our success. I would like to express my gratitude to our people for their hard work, willingness to go above and beyond and passion for providing an outstanding travel experience to Australians and meeting our strategic goals.

4. Definitions and supporting information for financial terms, on time performance and customer satisfaction in the CEO's Report are set out in the summary of the Virgin Australia Group's financial results for the 2016 financial year, contained in the document entitled 'Release - FY16 Results' that was released to the Australian Stock Exchange on 5 August 2016.

5. The proposed strategic alliance with HNA is subject to regulatory approvals.



The skills, experience and dedication of our team were major factors in the recognition of the Group with external awards this year, including:

- *Most Respected Company* from The Australian Financial Review and The Hay Group; and
- *Australia's Most Attractive Employer* in the Randstad Awards.

## OUR PRIORITIES

Going forward, we will deepen our focus on lowering our cost base, growing revenue and earnings and further optimising our balance sheet. Specifically, we will:

- Further simplify our fleet with the removal or reduction of three fleet types over the next three years;
- Execute additional Better Business initiatives including improvements to our operations, organisational structure and our maintenance, engineering, procurement and supply chain programs; and
- Pursue revenue growth through opportunities including our proposed strategic alliance with HNA.

We also look forward to continuing to set new standards of excellence in aviation. As a result of our transformation over the past several years, Australians enjoy genuine competition in all segments of a thriving aviation industry. We are firmly committed to challenging ourselves and our competitors to deliver more choice and the best possible experience to Australian and international travellers.

I would like to thank our customers and our shareholders for their continued support during the year. Through the efforts of our team members and a clear focus on our goals for the future, the Virgin Australia Group enters the 2017 financial year in a better position to deliver long-term growth and value for shareholders.



**John Borghetti**  
CEO



# SUPPORTING AUSTRALIA'S FUTURE

The Virgin Australia Group is a proud Australian company.

As a diversified airline group, we are committed to supporting inbound and domestic tourism for the benefit of all travellers and the Australian economy. The Group continues to provide choice and competition in all major sectors of the aviation market including premium, low cost and corporate travel as well as charter, cargo and loyalty.

## TOURISM

A strategic alliance with HNA Aviation Group<sup>6</sup> (HNA) was announced during the 2016 financial year and it presents numerous opportunities for the Virgin Australia Group. China is Australia's fastest growing and most valuable inbound travel market. Spending by Chinese tourists in Australia has increased by 45 per cent to \$8.3 billion and this is expected to rise to \$13 billion in four years. As Tourism Australia's largest airline partner, we are well positioned to take advantage of this growth.

During the 2016 financial year our partnership with Tourism Australia continued to focus on driving inbound tourism to Australia and showcasing the natural beauty Australia has to offer. Collectively we invested \$10 million as part of our Memorandum of Understanding with Tourism Australia to promote Australia and Virgin Australia to the world. We supported Tourism Australia's Restaurant Australia campaign as well as its new 'Aquatic and Coastal' marketing initiative with a three-phased campaign running in the United States encouraging Americans to travel to Australia with our airline.

As a major airline partner of Tourism Australia's Australian Tourism Exchange (ATE), we launched our new Boeing 777-300ER Business Class cabin, Business Class Bar and Lounge, and refreshed Premium cabin to the world's mainstream and trade media at the event on the Gold Coast. ATE is Australia's largest annual travel and tourism business-to-business event. We also supported Tourism Australia's Dreamtime event in

Adelaide as one of the event's global airline partners. Dreamtime is a bi-annual business seminar that targets key decision makers who are influential in attracting business groups to Australia.

## COMMUNITY SUPPORT

The Virgin Australia Group is focused on serving the community and the national interest by creating and sustaining innovative partnerships. During the 2016 financial year, we continued to support charities that strive to make a positive difference in the lives of young Australians.

Our longstanding partnership with the Australian Indigenous Mentoring Experience (AIME) sees Virgin Australia transport hundreds of mentors around the country, allowing them to reach more students and destinations than ever before. The 2015 calendar year was AIME's most successful to date. Those involved in the AIME program had a Year 12 attainment of 93.7 per cent, exceeding the national non-Indigenous average of 86.5 per cent and the national Indigenous average of 35.2 per cent<sup>7</sup>. We are immensely proud to support an organisation which is working to close the gap in educational outcomes.

Our partnership with the Starlight Children's Foundation enables us to harness our people and network to encourage Starlight's inspiring work in transforming the lives of seriously ill children. Virgin Australia helped make around 200 travel wishes become a reality during the 2016 financial year and provided further support through other fundraising initiatives including the Starlight Children's Foundation Five Chefs Dinners around the country.

Our role as Starlight's official wishgranting partner saw Virgin Australia help grant Starlight's 9000th wish to a seven-year-old boy named Gabe. Gabe's wish was inspired by his favourite movie, Crocodile Dundee, and we flew Gabe and his family on an all-Australian adventure to the Northern Territory outback.

The Virgin Australia Group is proud to support the continued development of the Pacific Islands region and provides regular services to the Cook Islands, Fiji, Papua New Guinea, the Solomon Islands, Tonga and Vanuatu. We also assist when the region is impacted by natural disasters. In March 2016, Fiji was devastated by the strongest storm ever recorded in the southern hemisphere, Tropical Cyclone Winston. In the immediate aftermath of the storm, Virgin Australia scheduled extra return services to assist customers in returning safely home to Australia. We also transported aid and aid workers, including from our partner CARE Australia, to assist in the emergency response efforts. We orchestrated one of the first large scale aid relief movements into the country, transporting five tonnes of soap from Melbourne to Nadi, Fiji. Donation boxes were also stationed around our airport network to raise funds for CARE Australia's Tropical Cyclone Winston Emergency Appeal.

Western Australia was devastated by the South West Bushfires in February 2016. We supported the Click4FireRelief auction with all proceeds going to the Lord Mayor's Distress Relief Fund.

Virgin Australia supports a number of other initiatives and organisations including Aim for the Stars, Black Dog Institute, Bravery Trust, Brisbane Youth Service, Channel Seven Perth Telethon, Steve Waugh Foundation, Surf Life Saving Australia and White Ribbon.

Recognising that our customers support organisations in their communities, we continue to provide Velocity Frequent Flyer members with the option to redeem Points to support these charities, as well as a range of other charity partners.

6. Subject to regulatory approval.

7. Statistics from the 2015 AIME Annual Report: <http://reports.aimementoring.com/2015/pdf/aim-2015-annual-report-snapshot.pdf>





Image courtesy of Tourism Australia. Cable Beach, Broome, WA. Darren Tieste.





## SUSTAINABILITY & THE ENVIRONMENT

The Virgin Australia Group is passionate about the destinations we fly to and we are focused on minimising our impact on the environment. We also understand that in a complex operational business like ours these impacts are varied and for this reason we adopt a multifaceted approach to addressing them.



## REDUCING EMISSIONS

### FUEL EFFICIENCY

The operational efficiency of our fleet is key to ensuring we minimise our emissions and this was again a focus during the 2016 financial year. Throughout the year we expanded existing fuel saving initiatives on the ground, such as reduced Auxiliary Power Unit use and Single Engine Taxi-In. These initiatives helped us save 2.77 million kilograms of fuel during the year, an improvement of 16 per cent on the last financial year.

The Virgin Australia Group Fuel Efficiency Program seeks new and innovative ways to improve our fuel performance. For example, Permagard Aviation, who treats and maintains our domestic fleet exteriors, began the process of coating our 14 ATR-72 aircraft with a unique, clear polymer seal during the year. The seal has UV filtering technology to protect aircraft paint against fading and oxidation and provides a low friction permanent coating with high corrosive resistance and water repellence. This process dramatically reduces ongoing cleaning time and costs by reducing the frequency and ground time required for aircraft washes which helps to reduce our environmental footprint.

### BIOFUELS

Sustainable aviation fuels provide a key opportunity for our industry to decouple emissions growth from flying operations. For this reason Virgin Australia has been working to stimulate the development of the sustainable aviation fuels market both in Australia and internationally since 2009. To help achieve this goal we are a member of the Sustainable Aviation Fuels Users Group (SAFUG) and have a target of sourcing five per cent of our fuels from renewable sources by 2020.

During the 2016 financial year, we launched a global search for biofuels in collaboration with our alliance partner, Air New Zealand. In a world-first approach we have combined our respective biofuel demands in an attempt to expedite the development of the sustainable aviation fuel market in our region through the issue of a Request for Information, which has proven to be very popular. We are hopeful that this strong demand signal can help overcome some of the commercial and operational challenges associated with the development of a new industry, as well as encourage significant investment in our region.

## CARBON OFFSETTING

Carbon offsetting provides an important opportunity for our customers to help address the emissions impacts of their flights. We are proud to have launched the world's first Government certified carbon offset scheme in 2007 and continue to improve this program to meet the varying needs of our many customers.

The 2016 financial year saw us continue our strong partnership with the Tasmanian Land Conservancy by purchasing carbon offsets generated through its conservation work in preserving areas of highly bio-diverse and important native forest. We also continued to carbon offset all of our duty travel for team members travelling around the network.

## WASTE AND RECYCLING

The Virgin Australia Group has a strong focus on reducing the amount of waste that we generate as we consider this to be both an environmental imperative and an indication of the efficiency of our operations. During the 2016 financial year, we enhanced a number of our recycling programs and introduced new ones, including:

- Improving the recycling program on board our Airbus A330 aircraft to allow waste coming into Perth Airport to be recycled following the introduction of new quarantine measures;
- Enhanced recycling processes for Guest Services and check-in desks in the Brisbane, Melbourne and Sydney terminals which led to more than 40,000 kilograms of paper being recycled in these areas; and
- We continued to donate our used crew uniforms to The Smith Family and began donating our used Business Class pyjamas and amenity kits to Pay A Sack Forward and Project Angel Food in Los Angeles. Both of these charities help the homeless and those most in need in our communities.

Our partnership with OzHarvest continued to bring a number of benefits to Australians in need, the environment and our airline's operations.

**VIRGIN AUSTRALIA  
DONATED**  
**126**  
**TONNES OF  
EXCESS FOOD**

**THE EQUIVALENT  
OF 379,410 MEALS**



## PARTNERSHIPS AND ETHICS

Virgin Australia recognises the importance of working with partners to improve environmental and social outcomes throughout our supply chain. In the 2016 financial year, Virgin Australia launched a new Sustainable Procurement approach that focuses on closer partnerships with our suppliers to collectively focus on tackling the challenges that can arise in the global supply of goods.

With the launch of our Cargo business in July 2015 we are in a position to help address issues arising from the illegal global trafficking of endangered plants and animals. To facilitate this we developed a new Ethical Carriage of Cargo Policy. We also committed to working with airlines and regulatory authorities globally to address these issues by becoming a signatory to the United for Wildlife Transport Taskforce Buckingham Palace Declaration.

## DESTINATION STEWARDSHIP

We fly our customers to many beautiful and nationally significant destinations and as an airline group, we acknowledge the role we have to play in helping to protect these important places. It was this philosophy that led to the establishment of our partnership with Greening Australia in May 2016 to help address the critical impacts on the health and resilience of the Great Barrier Reef from soil erosion and chemical run-off. Greening Australia's Reef Aid program focuses on restoring the gullies in and around the Great Barrier Reef catchments to significantly reduce this run-off and improve water quality. There is a great deal of work to be done, but we are committed to working with organisations like Greening Australia that are taking practical action to help safeguard our most precious icon.

# EMBRACING AUSTRALIAN TALENT

The Virgin Australia Group is proud to support emerging and established Australian talent particularly in the arts, entertainment and sport. By utilising our extensive domestic and international networks, we have a unique ability to help showcase their talent on the world stage.

## **VIRGIN AUSTRALIA SUPERCARS CHAMPIONSHIP**

During the 2016 financial year, Virgin Australia became the naming rights partner of the V8 Supercars for the next five years, which has been rebranded the Virgin Australia Supercars Championship. Each year, Virgin Australia will carry 26 drivers and their support staff from the 11 teams around the country. A new travel platform, Virgin Australia Supercars Travel, was developed to help fans travel to races which take place in each state and the Northern Territory across 10 months of the year. As part of our partnership, we conducted a Boeing 737-800 flyover at the Bathurst 1000 which was broadcast to two million people.

## **AUSTRALIAN CHAMBER ORCHESTRA**

The 2016 financial year was Virgin Australia's fourth season as the Principal Partner of the Australian Chamber Orchestra (ACO) and we are proud to support one of the world's most lauded chamber ensembles.

During the 2016 financial year, Virgin Australia transported the ACO on eight national, two regional and two international tours including one to the United States for the Orchestra's performance of The Reef, which premiered at Walt Disney Hall in Los Angeles. We carried ACO musicians more than 1.1 million kilometres domestically.

Virgin Australia also hosted exclusive private concerts for Platinum and Gold Velocity Frequent Flyer members.

## **VIRGIN AUSTRALIA MELBOURNE FASHION FESTIVAL**

Our naming rights partnership with the Virgin Australia Melbourne Fashion Festival was extended by three years during the 2016 financial year. The 2016 Festival was the most successful to date, with a record number of shows sold out prior to the commencement of the event. In our third year as principal and naming rights partner, we acquired the naming rights of the Grand Showcase, the event's premier show attended by VIPs and celebrities. More than 380,000 people attended over 180 events across Victoria.

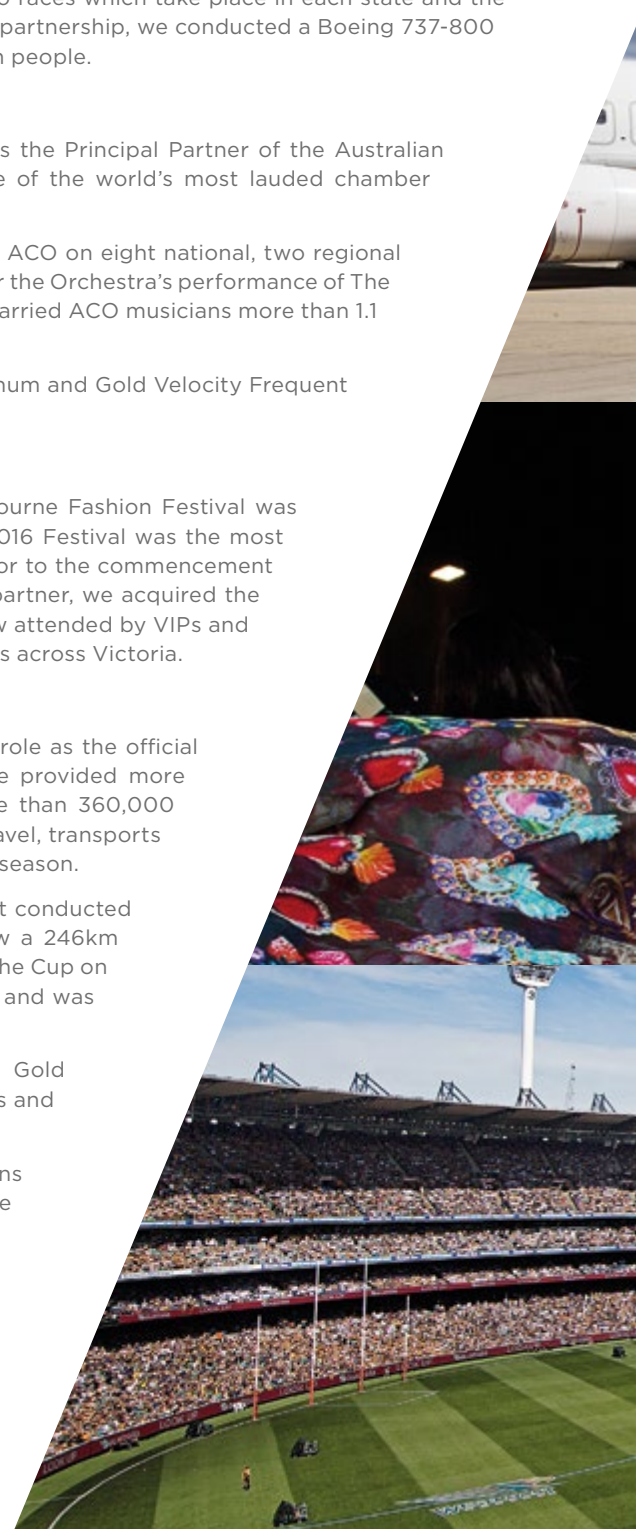
## **AUSTRALIAN FOOTBALL LEAGUE**

We continue to support Australia's most popular sport in our role as the official airline of the Australian Football League (AFL). This year, we provided more than 350 flights across 458,000 kilometres and carried more than 360,000 kilograms of equipment. Our dedicated travel platform, AFL Travel, transports fans around the country and generated strong sales during the season.

At the 2015 Grand Final, a Virgin Australia Airbus A330 aircraft conducted a flyover above the Melbourne Cricket Ground and then drew a 246km Premiership Cup over Melbourne at 15,000 feet. The outline of the Cup on flight radar reached more than 1.5 million people on Facebook and was the third most successful Australian brand post that week.

Virgin Australia continues to sponsor Carlton Football Club, Gold Coast Suns, Greater Western Sydney Giants, Fremantle Dockers and West Coast Eagles.

Virgin Australia partnered with a range of other institutions and events during the 2016 financial year including; Appetite for Excellence, Biennale of Sydney, Black Swan State Theatre Company, Circus Oz, John Kaldor Art Projects: Marina Abramovic in Residence, QAGOMA, Queensland Ballet, Queensland Theatre Company, Sydney Dance Company, Strictly Ballroom, and West Australian Ballet.













# OUR PEOPLE

The Virgin Australia Group is proud to employ a diverse and dedicated array of people. The Group's workforce of around 9,500 is predominantly located within Australia, with others operating from bases in New Zealand, Asia Pacific, the United States and the United Kingdom.

Over the 2016 financial year, our people made an enormous contribution to the achievements of the Group. As testament to their advocacy and passion for the company, Virgin Australia was recognised as Australia's Most Attractive Employer in 2016, receiving the Randstad Award for the second consecutive year.

Throughout the year, we maintained a strong focus on developing, supporting and celebrating our people.

## DEVELOPING OUR PEOPLE

Harnessing the talents of all team members remains at the forefront of our strategic priorities to help develop our people.

Virgin Australia is proud of its strong female representation across many areas of the business and this continued during the 2016 financial year<sup>8</sup>. We also continued our focus on encouraging women to consider working in non-traditional areas of our business with the introduction of a Female Leadership Development Program, involving talented business leaders from Cabin Crew, Ground Operations, Network Operations, Operations Planning and Safety Systems. The program focused on building self-awareness and resiliency; personal, organizational and industry presence; leadership legacy; and future resilience.

We also piloted an emerging leaders program for our Cabin Crew team members to specifically support career aspirations for Cabin Crew.

During the year, we established a schedule of Indigenous Employment Skills workshops in the regional communities we fly to. The workshops provided information on careers at Virgin Australia, as well as guidance on resume writing and interviewing techniques. This work delivers on two pillars of our strategy; to promote stronger relationships in the community and reaffirm our commitment to providing sustainable employment opportunities for Indigenous Australians.

To further support our philosophy of providing team members with the knowledge and skills to support their own ongoing career management and development, we introduced pop up Career Desks across major ports to drive local career conversations and an internal careers platform which features helpful tips on resume writing, interviewing techniques and online profiles. This, coupled with the opportunities to participate in cross-divisional and cross-functional large-scale projects, have provided a number of team members with the opportunity to learn new skills and advance their careers.

## SUPPORTING OUR PEOPLE

Creating an inclusive culture and supportive environment is the foundation of our Diversity and Inclusion Strategy. Within this context, we reinforce the sensitivity and awareness of different cultures, abilities and needs, in many of our training programs. For example, our Cabin Crew induction training has a strong focus on cultural diversity and sensitivity and was refreshed during the 2016 financial year. In addition, all Flight and Cabin Crew complete diversity training with a specific focus on generational differences and valuing and respecting others' diverse needs.

During the year, Virgin Australia was accepted to participate in the White Ribbon Workplace Accreditation Program. This will ensure our policies and support resources are best equipped to enable team members to access information in a confidential, safe and supportive environment. We are investing in training for leaders to increase understanding of domestic violence, the impact it has on individuals and the support available. This follows the introduction of family and domestic violence leave for all of our team members in 2014.

## CELEBRATING & INVOLVING OUR PEOPLE

Virgin Australia is strongly committed to

involving and celebrating team members for their achievements and successes.

The Brand Ambassador Program seeks to recognise and celebrate outstanding and inspirational contribution to our brand by individual team members, as well as consistent high performers who embody the Virgin Australia brand and values on a daily basis. During the 2016 financial year, we welcomed 60 new Brand Ambassadors to the cohort, which now totals 330 people.

The success and achievements of our people are celebrated each year at the CEO Awards, which are the highest accolade a team member can receive within the Virgin Australia Group. Each recipient is personally selected by CEO John Borghetti and the Senior Leadership Team and exemplifies our values, inspiring others to do the same through their actions. The 2015 CEO Awards had 450 nominations from across the business with the overall winner attending the Virgin Group Stars of the Year event in London with Sir Richard Branson.

The Group remained focused on harnessing the great minds of our people during the 2016 financial year. We continued to set business challenges through our internal crowd sourcing tool, the Ideas Lab, which plays a key role in unlocking diverse thinking and creating value for the Group. During the year, more than 370 ideas were submitted and 1,300 votes cast.

During the 2016 financial year the inaugural Virgin Way Co-Lab Australia event was held in Sydney, bringing together key change makers from every Virgin company in Australia. The panel discussion was focused on smart disruption and featured Sir Richard Branson, who challenged the group to question how we can innovate and smartly disrupt our own Virgin companies. This gave us an opportunity to further recognise our great talent as well as provide an additional opportunity to harness great ideas.

8. The Workplace Gender Equality Agency recently confirmed our compliance for the 2016 financial year reporting period. To obtain a copy of the report email: [publicaffairs@virginaustralia.com](mailto:publicaffairs@virginaustralia.com).

# SAFETY

Safety is the number one priority for the Virgin Australia Group. In the past year, the Safety Systems division has introduced new initiatives to ensure safety and technology are working together to maintain a safe and secure operation.

## INTELEX

Safety Reporting is at the core of the Virgin Australia Group's Safety Management System (SMS). In December 2015, the new Intelex Safety, Quality and Risk reporting platform was introduced. Intelex is a web-based reporting system available to all team members and contractors across the Group which brings many benefits, and replaces the Group's previous safety reporting software, Aviation Quality Database.

Intelex enables team members to complete a Safety Report easily and seamlessly, ensuring safety, health or fatigue situations are identified and addressed, and that risks are mitigated in a timely way. Intelex has increased the amount and type of information available to frontline team members so they have better visibility of risks and hazards across the business.

The system also enables enhanced reporting for each layer of the safety governance process including to the Group's Board Safety and Risk Review Committee.

## SAFETY PERFORMANCE

The Group continued to develop the Virgin Australia Safety Culture throughout the 2016 financial year, which is integral to the SMS. The Safety Culture is typified by five key elements: flexible, informed, learn, report, just. Each of these elements must be actively supported by all team members, managers and contractors and they form a commitment that each team member of the Group makes to ensure the safety and security of the business.

Workplace Health and Safety (WHS) remained a business priority throughout the year, to ensure the Group upholds best practice and the highest standards. As a result of this focus, the Virgin Australia Group reported a Lost Time Injury Frequency Rate of 2.41 for the 2016 financial year.

In December 2015, Virgin Australia achieved external certification to Australian/New Zealand Standard (AS/NZS) 4801 Occupational Health and Safety Management Systems. The certification represents the first time an Australian airline group has received external certification to Australian Standards.

During the year, Virgin Australia Airlines applied for a licence to self-insure so that all Australia-based Virgin Australia Airlines team members will be covered under the Comcare scheme. If our application is successful, workers' compensation insurance will be streamlined under one Commonwealth scheme, rather than eight separate state and territory jurisdictions. The Comcare scheme delivers a consistent set of benefits to employees regardless of the geographic location of their usual place of work or their location at the time of injury.

## ELECTRONIC FLIGHT BAG

The first phase of the Electronic Flight Bag (EFB) was completed during the 2016 financial year. The EFB creates significant efficiencies for the more than 1500 members of the Group's Flight Crew as they are now able to access meteorological and flight planning information on their tablet computers, and are no longer required to update, print and carry large manuals.

Subsequent phases of the EFB will enable Flight Crew to complete safety reporting and e-learning remotely via this platform.

## FLIGHT DATA PROGRAM

The purpose of the Group's Flight Data Program (FDAP) is to enhance flight safety and flight crew training procedures and is another fundamental component of the Group's Safety Management System. During the 2016 financial year we extended the FDAP to include Tigerair Australia. This means that data from flights across the Group's network is gathered and analysed in order to proactively manage flight operations from a risk perspective, and monitor the effectiveness of all existing procedures and any amendments to them.



Image courtesy of Virgin Australia team member Mitch Phillips



# VIRGIN AUSTRALIA DOMESTIC

The Virgin Australia Group has an expansive domestic network of 42 destinations, transporting a significant number of local travellers as well as inbound visitors to Australia, and connecting regional communities with the rest of the country.

Throughout the 2016 financial year, we focused on improving our customer experience on the ground and in the air, and continued to review and strengthen our network footprint and frequencies.

## CUSTOMER EXPERIENCE

During the year we completed the embodiment of our Airbus A330 aircraft, installing the world's longest and widest domestic Business Class bed. All six of our Airbus A330 aircraft are now operating between Perth and the East Coast of Australia, as well as being mobilised between Sydney and Melbourne during peak travel periods, and internationally to Fiji from Brisbane, Melbourne and Sydney.

On the ground, Virgin Australia's new domestic operations in Perth were unveiled with the opening of the brand new T1 Domestic Terminal, representing a major enhancement to the travel experience for customers flying throughout Western Australia and beyond. The Virgin Australia T1 Domestic Terminal now connects our regional, domestic and international operations and offers the fastest transfer time of any airline in Perth. The new Perth Lounge at the Terminal has capacity for 400 guests and is situated overlooking the new pier. It offers flexible working spaces, meeting rooms, an Espresso and Wine Bar, and a range of other food and beverage options.

We became the first airline in the world to use new hybrid technology developed by global air transport IT provider SITA. The technology allows ground crew to tailor the Virgin Australia check-in experience to each guest and to readily change operations to meet customer demand.

During the 2016 financial year, a number of major upgrades were unveiled at Brisbane Domestic Airport. Formally launched by Virgin Group founder Sir Richard Branson, the enhancements include:

- A significantly expanded Brisbane Domestic Lounge, which doubled in size and saw the introduction of an Espresso and Wine Bar;



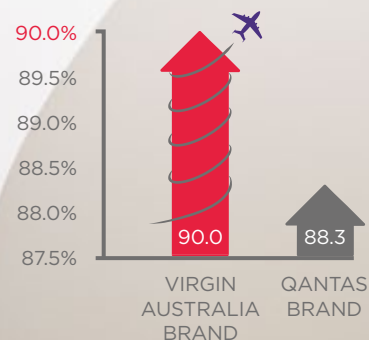
- Our innovative and unrivalled Premium Entry experience, enabling direct kerbside entry into the lounge;
- An enhanced valet service with direct access to the lounge, enabling a seamless transition from car to terminal; and
- Significant improvements to the Virgin Australia terminal, including additional aerobridges and expanded seating areas where customers can charge their devices at a number of power and USB points, lounge chairs and tables.

### ON TIME PERFORMANCE

Our on time performance (OTP) has earned us the reputation as a carrier which transports its customers to and from their destination on time. OTP remained a key focus for the business during the 2016 financial year and this resulted in the Virgin Australia Brand (Virgin Australia and Virgin Australia Regional Airlines) delivering the strongest OTP in both departures and arrivals for the 2016 financial year<sup>9</sup>.

9. Refers to the BITRE's departure and arrivals OTP results of Virgin Australia branded airlines (Virgin Australia and Virgin Australia Regional Airlines) which averaged 90.0% for departures and 88.8% for arrivals for FY16 and the results of Qantas branded airlines (Qantas and Qantas Link) which averaged 88.3% for departures and 87.5% for arrivals for FY16.

### FY16 ON TIME PERFORMANCE DOMESTIC FLIGHTS



Source: BITRE Airline On Time Performance 2015-16 Financial Year Report.

# VIRGIN AUSTRALIA DOMESTIC

## NETWORK OPTIMISATION

During the 2016 financial year, we continued to review our network and make necessary changes to improve the Group's profitability and sustainability.

After more than 12 months of operating into Tamworth, Virgin Australia announced six new services between Sydney and Tamworth for operation during July and October, allowing for same day return travel and better connection opportunities. These services are in addition to the six services we currently operate between the two cities with 68-seater ATR-72 Turboprop aircraft.

Due to weak consumer demand and sentiment, uncertainty around the federal election and the resources sector downturn, the Group reduced domestic capacity during the fourth quarter of the 2016 financial year by 5.1 per cent on the prior corresponding period. Changes to the domestic network were focused on regional routes, particularly in areas impacted by the resources sector downturn.

## INNOVATION AND TECHNOLOGY

Enhancing the customer experience through the use of innovative technology is fundamental to the way we do business across the Virgin Australia Group. During the year, we

created the Virgin Australia App for iPhone to support our customers' end-to-end journey and streamline the process of air travel. Since launching the app in December 2015, we have had in excess of 200,000 downloads. The app enables customers to book and manage flights, check-in and produce boarding passes, create departure and arrival destination information, and prompts to use eligible benefits at departing ports including Premium Entry in Sydney and Brisbane, and Premium Exit in Melbourne. The app also features the first digital frequent flyer card in Australia for Velocity Frequent Flyer members.





## AWARDS

The Virgin Australia Group received a number of awards during the 2016 financial year, recognising the hard work and dedication of team members across the business. These include:

- **Australia's Most Respected Company**  
Australian Financial Review/  
Hay Group
- **Australia's Most Attractive Employer**  
Randstad Awards
- **Best Frequent Flyer Scheme & Best Cabin Crew**  
Australian Business Traveller  
Awards
- **Best New World Carrier & Best Cabin Crew**  
AirlineRatings.com





# VIRGIN AUSTRALIA INTERNATIONAL

Virgin Australia's international product was greatly enhanced during the 2016 financial year, when we began refitting our Boeing 777-300ER fleet with new Business Class suites, a new Business Class Bar and Lounge and an upgraded Premium Economy cabin, renamed Premium.

The product has revolutionised the customer experience for Virgin Australia's long-haul travellers flying from Australia to Los Angeles and Abu Dhabi.

## CUSTOMER EXPERIENCE

The new Business Class cabin features 37 suites in a 1-2-1 configuration offering all customers direct aisle access and an 80 inch fully flat bed. The spacious suites have been designed to suit the requirements of business and leisure travel with ample room to work, multitask and unwind. Luke Mangan-designed menus create a restaurant in the sky culinary offering for our Business Class customers, while our world-first partnership with Nespresso continues to deliver quality coffee to Business Class and Premium customers. The new Business Class Bar and Lounge has created an alternative space on board the aircraft where customers can eat and drink, relax, work, or mingle with friends during the flight.

The refreshed Premium cabin has been reduced in size to 24 seats to create an intimate travelling environment and features more legroom than any other Australian airline. Premium customers have unlimited access to the Pantry which is replenished throughout the flight with a range of quality food and beverages and they receive a Business Class-standard meal service served on premium crockery, accompanied by a selection of wines from our Business Class cellar. On the ground, Premium passengers receive a range of benefits such as priority boarding and an increased baggage allowance.

A new Economy cabin product on the Boeing 777-300ER, Economy Space+, was also announced during the year, providing more choice and comfort for

passengers travelling in the main cabin. Economy Space+ is located in the first five rows and the exit rows of the main cabin and features:

- Extra legroom;
- Check-in via a dedicated Premium check-in counter;
- Pre-boarding;
- Preferred overhead locker;
- Guaranteed first meal choice; and
- Premium noise-cancelling headset.

During the embodiment program, Boeing 777-300ER services between Sydney and Abu Dhabi were suspended from February to August.

## GLOBAL NETWORK

Virgin Australia's virtual global network grew significantly during the 2016 financial year with 49 destinations added, making 495 international destinations available to travellers.

During the year, we welcomed Italy's national carrier Alitalia as a codeshare partner, enabling Virgin Australia customers to travel via Abu Dhabi to a number of Italian cities. The partnership allows full reciprocity between Velocity Frequent Flyer and Alitalia's MilleMiglia program, opening up lounge access and priority benefits. Members of Velocity can now earn Points and Status Credits on all Alitalia-operated services.

Air Canada, Air Serbia, All Nippon Airways, Eva Air, KLM, and Sichuan Airlines joined our network as interline partners in the 2016 financial year.

In June 2016, Virgin Australia International Airlines successfully applied to the International Air Services Commission for a capacity allocation on the Beijing and Hong Kong routes as part of our proposed strategic alliance with HNA.

## NETWORK OPTIMISATION

A number of enhancements were made to our short-haul international network during the 2016 financial year, including the addition of over 75,000 seats on Trans-Tasman routes and the introduction of our wide-body Airbus A330-200 aircraft on services to Fiji from Brisbane, Melbourne and Sydney during peak travel periods.

Virgin Australia plays an important role in the Pacific region and this continued through the year with the introduction of our seasonal weekly return Boeing 737-800 non-stop service between Christchurch and the Cook Islands, making it easy for holidaymakers from New Zealand's South Island to visit the Cook Islands.

During the year, Virgin Australia suspended services to Port Vila (Vanuatu) while emergency work was conducted to repair the runway. Flights resumed in May 2016 after our team of safety experts deemed the runway safe for the resumption of operations. We continue to work closely with the Vanuatu Government to ensure the appropriate maintenance of the runway.

In March 2016, Virgin Australia ceased operations from Adelaide, Perth and Melbourne to Denpasar, and Tigerair Australia commenced its first international operations between these ports. Virgin Australia withdrew services from Perth to Phuket in January 2016.











# ALLIANCES

During the 2016 financial year, the Virgin Australia Group entered into an agreement with HNA to form a strategic commercial alliance that will accelerate the Group's access to the rapidly growing Chinese travel market.

Under the alliance, subject to regulatory approvals, the companies will look to introduce direct flights between Australia and China and will co-operate on code-sharing, frequent flyer programs, lounge access and promotion of tourism and business travel.

## AIR NEW ZEALAND

Virgin Australia and Air New Zealand together offer unprecedented choice in flights across the Tasman and loyalty rewards through reciprocal frequent flyer programs. During the 2016 financial year, the alliance covered 22 destinations across New Zealand and we continued to deliver enhanced customer benefits.

Under the alliance, Virgin Australia increased services on the Christchurch route. We added up to three weekly return services from Sydney and during peak periods, up to two return services each week from Brisbane and Melbourne. The alliance's network teams continue to look at opportunities to expand our footprint across the Tasman.

Services between Brisbane and Dunedin were retimed to provide increased connectivity from Dunedin to Adelaide, Canberra and various ports within Queensland.

In March 2016, Air New Zealand opened the doors to its expansive new lounge at Brisbane International Airport which caters for nearly 200 people. The airline also opened its flagship international lounge in Auckland in September 2015, which accommodates 375 customers and offers a range of exclusive areas in which they can relax prior to departure. Eligible Virgin Australia customers and Velocity Frequent Flyer members can access both lounges for applicable journeys.

## DELTA AIR LINES

The trans-Pacific alliance with Delta Air Lines (Delta) continues to connect Virgin Australia passengers to more than 235 destinations in North and Central America.

During the year, Delta unveiled a \$US229 million refurbishment of Terminal 5 at Los Angeles International Airport. The

improvements include: new aerobridges, an expanded check-in area, four additional security screening checkpoints, new baggage carousels and international baggage recheck facilities, a renovated Sky Priority lobby, and upgraded Delta Sky Club. The lounge now has 100 additional seats, new shower suites and renovated bathrooms, and an updated food area with café seating and fresh artwork by Los Angeles artists. Eligible Virgin Australia customers can access these facilities.

During the 2016 financial year, Delta's maintenance division, Delta TechOps, began performing engine maintenance, repair and overhaul services for Virgin Australia's Boeing 737 Next Generation fleet at its Atlanta and Minneapolis/St. Paul facilities. The new 13-year CFM56-7B engine maintenance contract provides the opportunity for Virgin Australia and Delta to collaborate on aircraft engineering, reliability and other maintenance-related activities.

## ETIHAD AIRWAYS

In December 2015, the strategic alliance partnership between Virgin Australia and Etihad Airways (Etihad) received ACCC re-authorisation for a further five years until December 2020. The re-authorisation recognises the benefit the alliance brings the travelling public.

During the year, two new codeshare destinations were added to the partnership, Mahé Island (Seychelles) and Entebbe (Uganda). This expands the number of codeshare and interline destinations to 80 across Africa, Australia, Europe and the Middle East.

In August 2015, Etihad commenced a second daily service from Abu-Dhabi to Melbourne which later resulted in the airline's flagship four-class A380 aircraft flying to Melbourne for the first time, enabling alliance customers to fly in The Residence - the world's first three-room private suite on a commercial aircraft. To complement the new services to Melbourne, Etihad opened a new Premium Lounge, which became the airline's largest Premium Lounge outside

of Abu Dhabi. The lounge is accessible to all eligible Virgin Australia passengers.

In June 2016, Etihad introduced its luxurious Boeing 787 Dreamliner on Abu-Dhabi to Perth services, which increased its capacity on the route by 14 per cent. Etihad now operates Boeing 787 Dreamliners or Airbus A380s to all of its Australian gateways.

## SINGAPORE AIRLINES

In January 2016, Singapore Airlines announced it would become the first international airline to operate regularly scheduled international flights from Canberra, subject to regulatory approval. The airline's 'Capital Express' will commence on 20 September 2016, operating four times a week providing two direct international routes, Canberra to Singapore, and Canberra to Wellington. Through the alliance partnership, Virgin Australia looks forward to offering these new codeshare destinations to our customers when services commence.

SilkAir, Singapore Airlines' regional airline, de-linked all of its services from Singapore to Cairns and Darwin on 30 May 2016, enabling customers to fly nonstop between Singapore and Cairns, and Singapore and Darwin, and resulting in shortened travel times.

The alliance offers travellers access to 75 destinations globally through the Singapore and SilkAir networks, reciprocal frequent flyer benefits and a premium ground experience.

## VIRGIN SAMOA

In partnership with the Government of Samoa, the Virgin Australia Group founded the joint-venture airline Virgin Samoa and we are committed to making flying more affordable for those visiting family and friends overseas as well as for those travelling for leisure to destinations in Australia, New Zealand and the South Pacific.

Virgin Samoa offers non-stop Boeing 737-800 services from Samoa to Auckland, Brisbane, and Sydney.



Boeing 777-200ER



Airbus A380



Airbus A350







## CHARTER & CARGO

### CHARTER

Virgin Australia's charter division displayed resilience and agility during the 2016 financial year against the backdrop of a contracting resources market. Significant cost reductions were also achieved through the completion of an extensive business and fleet optimisation program.

The charter business successfully retained and extended contracts with its existing blue chip client base by maintaining its strong focus on reliability and cost, both of which are key drivers of choice in the charter market. Following a competitive tender process, the Federal Government announced Virgin Australia's charter division as the preferred provider of air services to Christmas and Cocos Islands. Virgin Australia has delivered air services to the islands since 2010 under contract with the Federal Government.

During the year the charter division completed a business simplification and fleet optimisation program ensuring the business remains competitive in the context of the resources downturn. The Fokker 50 fleet was decommissioned in response to declining demand for 50 seat turbo-prop aircraft, delivering significant cost savings with minimal impact on staff numbers. Two additional Fokker 100 jet aircraft were acquired to support increased demand for larger gauge charter aircraft, taking the charter division's F100 fleet to 14 aircraft.

A proposed long-term strategic partnership with Queensland-based charter operator, Alliance Airlines was announced in February 2016. The partnership is subject to competition law approval and, if approved, will allow both charter businesses to leverage each other's strengths to build more competitive businesses and improve their customer proposition.

### CARGO

Virgin Australia Cargo launched on 1 July 2015, bringing genuine competition to the airport cargo market for the first time since 2001. The establishment of a cargo business is a key component of the Group's Virgin Vision 2017 strategy.

Virgin Australia Cargo has been on a rapid growth trajectory since launch, with over 100 accounts now trading with the business. To support this growth, an extensive cargo handling network was rolled out across the domestic and Asia Pacific region, including the construction of a new cargo shed in Sydney. A state of the art IT system, iCargo, was also implemented and Virgin Australia Cargo became the first cargo business to make the portal available on mobile devices. This enables drivers to make bookings while on the road, reducing the need for trips to and from the depot and consequently cutting down on





time, money, fuel and other resources. The iCargo system is fully automated and linked directly to the airport teams, facilitating the urgent delivery of high value cargo, including live organs for transplant surgeries and parts for urgent medical equipment repairs.

In March 2016, Virgin Australia Cargo signed an exclusive five year agreement with TNT Express, the second largest cargo customer in the Australian domestic market. The agreement, which came into effect on 1 July 2016, sees Virgin Australia Cargo as the exclusive provider of domestic air cargo services for TNT Express.



# VELOCITY FREQUENT FLYER

The 2016 financial year marked 10 years since Velocity Frequent Flyer (Velocity) entered the market in Australia and single-handedly changed the airline loyalty landscape.

The program reached a major milestone during the year with the six millionth member joining the program and Velocity is well on track to reach its Virgin Vision goal of seven million members by 2017.

In July 2015, Velocity acquired 100 per cent of leading data and analytics company Torque Data. The acquisition has enabled Velocity to expand its data analytics capabilities and deliver more value to members and partners.

Velocity was again recognised on the world stage, collecting three accolades at the prestigious Freddie Awards, including Program of the Year for the fourth consecutive year. The Freddie Awards are considered the highest honour a loyalty program

can receive worldwide. Velocity was also recognised as having Best Reward Seat Availability in the Asia-Pacific region and as number two globally in the Ideaworks SwitchFly Survey. The program launched its first television commercial in five years in collaboration with Virgin Australia, focussing on its unrivalled reward seat availability. The campaign targeted TV, digital, radio and traditional media and ran for six weeks.

## PARTNER GROWTH

The accelerated and rapid growth of the program continued throughout the 2016 financial year, and the following partners were added to the Velocity program, creating a range of new ways to earn Velocity Points:

- Accor Hotels
- HSBC
- Laithwaite's Wine
- Pacific Smiles Dental
- Presto
- Red Balloon
- Sendl
- Virgin Money Home Loans
- Wilson Parking

During the year, Tigerair Australia became a new airline redemption partner of Velocity, allowing members to book a Tigerair flight and pay for it with Velocity Points.

Velocity also welcomed Italy's national carrier, Alitalia, into its portfolio of airline partners, enabling members to

earn and redeem Points and Status Credits on 13 world-class airlines and opening up travel to more than 600 international destinations. In addition to this, Velocity and Alitalia's MilleMiglia program announced a reciprocal frequent flyer partnership. The agreement allows Velocity members to earn Points and Status Credits on all Alitalia-operated flights, and MilleMiglia members to earn Miles on all Virgin Australia-operated flights. Eligible members of both programs now enjoy lounge access as well as priority check-in and boarding, while Platinum, Gold and Silver members receive an increased baggage allowance.

Our Australian-first partnership with BP continued to drive member engagement and acquisition throughout the 2016 financial year. Since the partnership launched in April 2015, more than one million unique members have swiped their Velocity card at BP. Customers value the ability to be rewarded for everyday purchases such as fuel and in store items, and BP Australia has seen a positive increase in fuel sales.

Throughout the year Velocity launched successful marketing campaigns with our partners, offering unprecedented Points offerings and driving member acquisition. National Australia Bank (NAB) offered 250,000 Points to members who took out a home loan and chose NAB as their main bank. The campaign was so successful it was extended twice and generated an increase in customers taking out home loans with NAB and moving their banking to NAB.

IBISWorld and Aussie Home Loans departed the program as partners during the 2016 financial year.

### PROGRAM ENHANCEMENTS

Throughout the year, Velocity made a number of enhancements to the program, including the addition of new benefits and increased flexibility, in order to improve the member experience. Velocity Points Booster was introduced to allow members to purchase Points on Reward Seats if they have 80 per cent of the total required Points in their account at the time of the purchase.

UpgradeMe Points Request Waitlist was introduced during the 2016 financial year. It allows members on Saver and Flexi fares who are unable to secure a confirmed upgrade using Velocity Points to request an upgrade at any time following confirmation and ticketing of the booking up until four hours prior to departure.

The Platinum tier was reviewed during the year and benefits were added to create a superior travel experience. Platinum members can now use their UpgradeMe Platinum Member Offer on Virgin Australia short-haul international flights, as well as request same day upgrades at the Virgin Australia lounge.

During the 2016 financial year, the program's terms and conditions were changed to reduce the expiry of Points balances in inactive accounts from three years to two. Velocity continues to provide its members with more time to use their Points than any other airline loyalty program.



# TIGERAIR AUSTRALIA

The 2016 financial year was the most successful for Tigerair Australia (Tigerair) since the airline's entry into the Australian low cost market in 2007, with the airline reporting its first full year Underlying EBIT profit of \$2.2 million.

The airline reached a major milestone during the 2016 financial year, launching its international operation to Denpasar (Bali). Tigerair flies daily from Melbourne and Perth, and five times weekly from Adelaide, using three rebranded and reconfigured Boeing 737-800 aircraft formerly operated by Virgin Australia.

In May 2016, Tigerair joined with seven other leading Asia Pacific low cost airlines to form the Value Alliance, the world's largest low cost carrier alliance. Tigerair customers will be able to view, select and book the best available fares and optional extras such as meals and seat selection from any partner airline in a single transaction, directly from the Tigerair website.

Tigerair continues to provide travellers with choice and competition in the low cost market and during the 2016 financial year the airline continued its focus on maintaining its position as an effective and sustainable competitor in the Australian market.

## CUSTOMER EXPERIENCE

Tigerair remains committed to enhancing the customer experience, driven by strong on time performance (OTP), a friendly personalised service, and new, enhanced and innovative customer facilities and products. A number of process improvements and product innovations implemented during the financial year have delivered record high levels of customer satisfaction<sup>10</sup>.

The new dedicated low cost terminal at Melbourne Airport which opened in August 2015 has provided a significant step-change for Tigerair customers at the airline's busiest port. The terminal features self-service check-in facilities to streamline the check-in and boarding processes and customer feedback has been overwhelmingly positive. The final stage of the development will see a new terminal pier built at Melbourne Airport and is scheduled for completion in early 2017.

Throughout the 2016 financial year, Tigerair introduced a number of other initiatives aimed at improving the customer experience including:

- Enhanced customer communications, such as SMS flight notifications and improved flight itineraries;
- New cabin crew and check-in staff uniforms;
- A new booking and check-in system with a customer friendly and fully-responsive website, as well as a new mobile app designed to make the booking process seamless and more convenient;
- Direct access to accommodation provider Booking.com on the Tigerair website, giving customers the ability to book fares and accommodation at the same time from the convenience of the Tigerair website;
- The introduction of a new ancillary product, MoveMe, which allows customers who arrive at the airport early or late the option of transferring to another service on the same route without incurring any additional change fees;
- Velocity Frequent Flyer members can now use their Points to pay for any Tigerair base fares, optional extras and taxes across the airline's network; and
- A new three year strategic partnership with Flight Centre which sees the two parties join forces to coordinate sales and marketing efforts, significantly growing the distribution channels for Tigerair's airfares and a broad range of ancillary products.

## ON TIME PERFORMANCE

Tigerair continued to build on the airline's strong On Time Performance (OTP) throughout the year. The airline recorded an OTP score of 85.5 per cent for departures and 84.4 per cent for arrivals, and achieved the lowest cancellation rates in the industry<sup>11</sup> during the 2016 financial year.

## ON TIME PERFORMANCE DOMESTIC FLIGHTS



**11.9%**

**POINTS HIGHER  
THAN COMPETITOR  
FOR DEPARTURES**

**7.5%**

**POINTS HIGHER  
THAN COMPETITOR  
FOR ARRIVALS**

Source: BITRE Airline On Time Performance 2015-16 Financial Year Report.

This was the result of continued strong management focus, the implementation of improved processes, and enhanced infrastructure access at key ports.

Tigerair entered into a 30 month contract with SIA Engineering Company (SIAEC) to perform heavy maintenance services for the airline's A320 fleet. SIAEC brings a depth of experience providing heavy maintenance to a high standard with precision and efficiency, and will help underpin Tigerair's strong OTP performance.

## NETWORK

During the 2016 financial year, Tigerair carried more than four million passengers and operated more than 26,000 flights across 12 destinations and 21 routes, at the same time increasing its average yields and revenue load factor.

Throughout the year, Tigerair worked closely with Virgin Australia to optimise the schedule and to develop and grow its network in response to consumer demand, increasing fleet utilisation.

To facilitate additional domestic services a new Airbus A320 aircraft was added to the Tigerair fleet. A new Melbourne to Coffs Harbour route was launched, while additional services were added on existing popular routes including Sydney to Adelaide, Cairns and Whitsunday Coast, and Melbourne to Coolangatta.

Tigerair's new Denpasar services added over 6,800 additional seats weekly to the Tigerair network and through Denpasar Airport. Over 100 jobs were created in Melbourne to facilitate the airline's additional domestic and international services launched during the past year.

10. Source: Tigerair Customer Satisfaction Survey June 2016. Data has been collected and analysed by Colmar Brunton, a leading Australian market research agency.

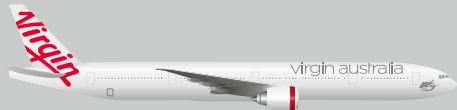
11. Refers to BITRE's cancellation rates of Tigerair Australia for FY16, which averaged 1.0% in comparison to Jetstar which averaged 2.1% for the period.





# FLEET

In the 2016 financial year, the Group continued to simplify its fleet by completing the decommissioning of all Fokker 50 aircraft and commencing the removal of Embraer 190 aircraft. The Group announced that over the next three years, all Embraer 190 aircraft will be removed and ATR-72 aircraft will be reduced. All Tigerair Australia-branded Airbus A320 aircraft will also be removed from the fleet and replaced with Boeing 737 aircraft over the same time period.



**BOEING 777-300ER**

**Maximum guests** 339  
**Maximum take-off weight** 351,530kg  
**Maximum range** 14,490km  
**Typical cruising speed** 892km/h  
**Wing span** 64.80m  
**Overall length** 73.90m



**AIRBUS A330-200**

**Maximum guests** 275  
**Maximum take-off weight** 230,000kg  
**Maximum range** 13,400km  
**Typical cruising speed** 918km/h  
**Wing span** 60.30m  
**Overall length** 58.82m



**BOEING 737-800**

**Maximum guests** 176  
**Maximum take-off weight** 79,010kg  
**Maximum range** 5,765km  
**Typical cruising speed** 833.7km/h  
**Wing span** 35.80m  
**Overall length** 39.50m



**AIRBUS A320**

**Maximum guests** 168  
**Maximum take-off weight** 77,000kg  
**Maximum range** 6,100km  
**Typical cruising speed** 890km/h  
**Wing span** 34.10m  
**Overall length** 37.57m



**BOEING 737-700**

**Maximum guests** 128  
**Maximum take-off weight** 70,080kg  
**Maximum range** 6,370km  
**Typical cruising speed** 833km/h  
**Wing span** 35.80m  
**Overall length** 35.53m



FOKKER 100

**Maximum guests** 100  
**Maximum take-off weight** 45,810kg  
**Maximum range** 3,170km  
**Typical cruising speed** 845km/h  
**Wing span** 28.00m  
**Overall length** 35.53m



EMBRAER E190

**Maximum guests** 98  
**Maximum take-off weight** 51,800kg  
**Maximum range** 3,200km  
**Typical cruising speed** 890km/h  
**Wing span** 28.72m  
**Overall length** 36.25m



ATR 72-500/600

**Maximum guests** 68  
**Maximum take-off weight** 23,000kg  
**Maximum range** 1,363km  
**Typical cruising speed** 511km/h  
**Wing span** 27.05m  
**Overall length** 27.17m



BOEING 737-800

**Maximum guests** 180  
**Maximum take-off weight** 79,010kg  
**Maximum range** 5,765km  
**Typical cruising speed** 833.7km/h  
**Wing span** 35.80m  
**Overall length** 39.50m



AIRBUS A320

**Maximum guests** 180  
**Maximum take-off weight** 77,000kg  
**Maximum range** 6,500km  
**Typical cruising speed** 833.4km/h  
**Wing span** 34.10m  
**Overall length** 37.57m

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# BOARD OF DIRECTORS



**MS ELIZABETH BRYAN**  
– AM, BA (ECON),  
MA (ECON)  
**CHAIRMAN AND  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR**

Ms Elizabeth Bryan was appointed Company Chairman and to the VAH Board on 20 May 2015.

Elizabeth brings extensive leadership, strategic and financial expertise to the Board. She has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations.

Elizabeth is currently a Director of Westpac Banking Corporation and Chairman of Insurance Australia Group. Elizabeth has held a range of different board roles including Chairmanship of UniSuper Limited and Caltex Australia Limited, as well as Directorships of Ridley Corporation Limited and Australia Pacific Airports Corporation.



**MR JOHN BORGHETTI**  
– MANAGING DIRECTOR  
AND CHIEF EXECUTIVE  
OFFICER

Mr John Borghetti was appointed to the VAH Board as a Director on 8 May 2010.

John has more than 40 years of experience in the aviation sector having previously held a number of senior positions at Qantas, leaving the company in May 2009. John is a Director of Coca-Cola Amatil Limited, the Australian Chamber Orchestra and the New South Wales Customer Advisory Board.

He was previously a Director of CARE Australia (2005-2011), The Australian Ballet (2009-2011), Piper Aircraft (USA) (2009-2010) and Energy Australia (2012-2015).



**MR BRUNO MATHEU**  
MASTER OF SCIENCE,  
ECOLE CENTRALE PARIS  
**NON-EXECUTIVE  
DIRECTOR**

Mr Bruno Matheu was appointed to the VAH Board as a Director on 18 February 2015.

Bruno joined Etihad Airways in December 2014 as COO, Airline Equity Partners. In May 2016, he was appointed as CEO, Airline Equity Partners of Etihad Airways. He is responsible for strategic developments to optimise business performance, revenues and cost synergies between Etihad Airways and its equity partner airlines, and provide strategic leadership support for partners in which Etihad Airways has management responsibility.

Bruno brings to the Group almost 30 years of senior management experience in the global aviation industry.

He most recently served as Chief Long Haul Officer at Air France. Prior to that he held senior executive roles across Air France, and has been a member of Air France and Air France-KLM Executive Boards for 17 years. He has also served on the Boards of Air France, Alitalia and the global distribution company Amadeus.



**MR DAVID BAXBY**  
B.COM (ACCT),  
LLB (HONS)  
**INDEPENDENT NON-  
EXECUTIVE DIRECTOR**

Mr David Baxby was appointed to the VAH Board as a Director on 30 September 2004.

David is the Chairman of Frontier Digital Ventures Limited and a Non-Executive Director of Unlocked Limited, Workpac Limited and Velocity Frequent Flyer Holdco Pty Ltd and its subsidiaries. David is also a Councillor of Bond University Limited. Previously David was the Global CEO and President of Global Blue and the Co-CEO of the Virgin Group, Richard Branson's holding company. His past Directorships include Virgin Atlantic Ltd, Virgin Holidays Ltd, Virgin America Inc and Air Asia X. David was also an investment banker for nine years with Goldman Sachs.



**MR JOHN PATRICK (JP)  
MOORHEAD**  
MA, MENG  
**NON-EXECUTIVE  
DIRECTOR**

Mr JP Moorhead was appointed as Alternate Director for Mr Joshua Bayliss from 25 August 2014 to 22 September 2015 and appointed as a Director on 22 September 2015.

JP is the COO of Eight Roads, the proprietary investment arm of Fidelity International Limited.

JP was previously CFO of the Virgin Group and responsible for the Virgin Group's overall financial and risk positions as well as accounting, financing, tax, treasury and certain portfolio matters. JP served as a Director of various Virgin Group operating companies including Virgin Atlantic and Virgin Rail as well as a number of Virgin Group holding companies.

Prior to joining the Virgin Group, JP spent eight years at Goldman Sachs in London and Sydney where he worked on a broad range of strategic advisory, M&A and capital markets transactions.



**MS SAMANTHA MOSTYN**  
B.A, LLB.  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR

Ms Samantha Mostyn was appointed to the VAH Board as a Director on 1 September 2010.

Samantha is a Non-Executive Director and corporate advisor and has previously held senior executive positions at IAG, Optus and Cable & Wireless Plc. Samantha became a Director of the Transurban Group in December 2010, Citibank Australia in July 2011, Cover-More Group Ltd in December 2013 and Mirvac Group in March 2015. Samantha is a board member of the Australia Council for the Arts, the Climate Council and Carriageworks. She is President of ACFID and Deputy Chair of the Diversity Council of Australia. Samantha served as an AFL Commissioner until March 2016 and has previously served as a Commissioner with the National Mental Health Commission and served on the Review into the Treatment of Women in the Australian Defence Force.



**MR ROBERT THOMAS**  
B.ECON, MSAA, SF FIN  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR

Mr Robert Thomas was appointed to the VAH Board as a Director on 8 September 2006.

Robert has more than 40 years of experience in the securities industry. He is the Chairman of Starpharma Holdings Ltd, Aus Bio Ltd and Grahger Retail Securities Pty Ltd. He is a Director of O'Connell Street Associates Pty Ltd, REVA Medical, Inc and Biotron Ltd. Robert was previously a Director of Heartware International, Inc.



**MR MARVIN TAN**  
B.A INTERNATIONAL  
RELATIONS, STANFORD  
UNIVERSITY  
NON-EXECUTIVE  
DIRECTOR

Mr Marvin Tan was appointed as Alternate Director to Mr Goh Choon Phong from 4 July 2014 to 1 January 2016 and appointed as a Director on 1 January 2016.

Marvin is the Senior Vice President Product and Services of Singapore Airlines. Marvin joined Singapore Airlines in 1996 and has held various appointments both in Singapore and overseas, most recently as Senior Vice President Cabin Crew and, prior to that, on secondment to SilkAir, Singapore Airlines' regional subsidiary, as the airline's Chief Executive. Marvin holds a Bachelor of Arts degree in International Relations from Stanford University.



**THE HON. MARK VAILE**  
AO  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR

The Hon. Mark Vaile was appointed to the VAH Board as a Director on 22 September 2008.

Mark is Chairman of Whitehaven Coal Ltd, Palisade's Regional Infrastructure Fund and Australia Korea Business Council and was previously Chairman of CBD Energy Ltd. Mark is a Director of Stamford Land Corporation Ltd, HostPlus Superfund Ltd, SmartTrans Holdings Ltd and Servcorp Ltd. In 2012 Mark was appointed an Officer in the Order of Australia in the Queen's birthday honours list. Mark was a Member of the Australian Parliament from 1993 to 2008. He was Deputy Prime Minister (2005-2007), Minister for Trade (1999-2006), Minister for Transport and Aviation (1997-1998, 2006-2007) and Minister for Agriculture (1998-1999).







Image courtesy of Virgin Australia team member Tim Bowrey





