



HALF YEAR 2017 RESULTS PRESENTATION

February 17, 2017



KEY FINANCIAL RESULTS



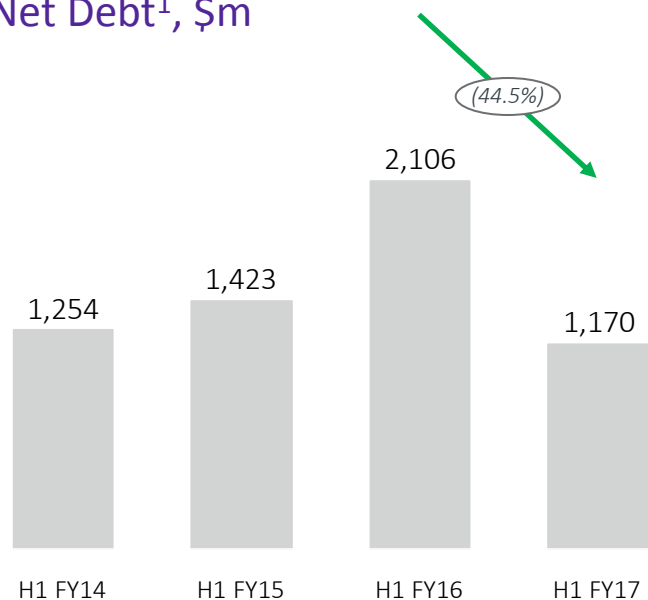
	H1 FY17	H1 FY16	Change
Underlying Profit Before Tax ¹	\$42.3m	\$81.5m	(\$39.2m)
Statutory profit / (loss) after tax	(\$21.5m)	\$62.5m	(\$84.0m)
Group revenue	\$2,633.7m	\$2,658.2m	(\$24.5m)
Group Underlying EBIT ¹	\$127.7m	\$161.4m	(\$33.7m)
Net Debt ¹	\$1,169.8	\$2,106.1m	(\$936.3m)
Financial Leverage ¹	4.5x	5.7x	(21.1%)
Total cash	\$1,595.8m	\$906.7m	\$689.1m

Note 1: Underlying Profit Before Tax, Underlying EBIT, Net Debt and Financial Leverage are non-statutory measures used by Management and VAH's Board to assess financial performance and are defined on slides 15, 16 & 17.

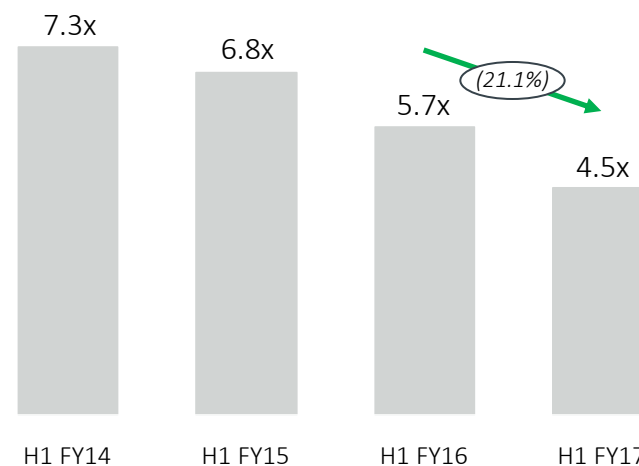
BALANCE SHEET METRICS IMPROVING

The Group is realising positive results from the program of balance sheet optimisation initiatives that commenced in FY16 following the capital structure review

Net Debt¹, \$m



Financial Leverage¹



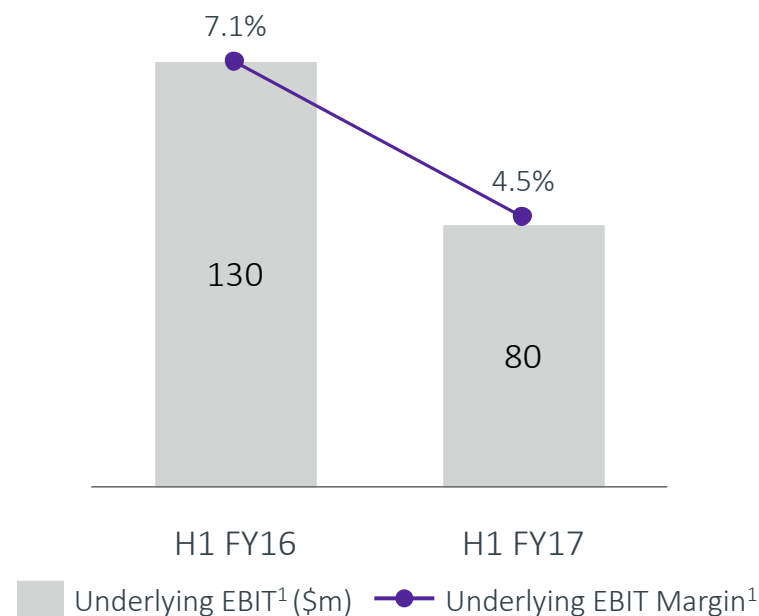
Significant reductions in both Net Debt¹ and Financial Leverage¹ over the period

VA DOMESTIC: SUBDUED TRADING CONDITIONS IMPACTING REVENUE PERFORMANCE

Domestic performance

	H1 FY17	H1 FY16	Change
Underlying EBIT ¹ (\$m)	80.0	130.0	(\$50.0m)
Underlying EBIT Margin ¹	4.5%	7.1%	(2.6pts)
RASK ¹			(3.5%)
Yield ¹			(5.6%)
ASKs ¹			1.1%
Sectors flown			(4.7)%
Revenue passengers			3.0%

Underlying EBIT¹ & Underlying EBIT Margin¹



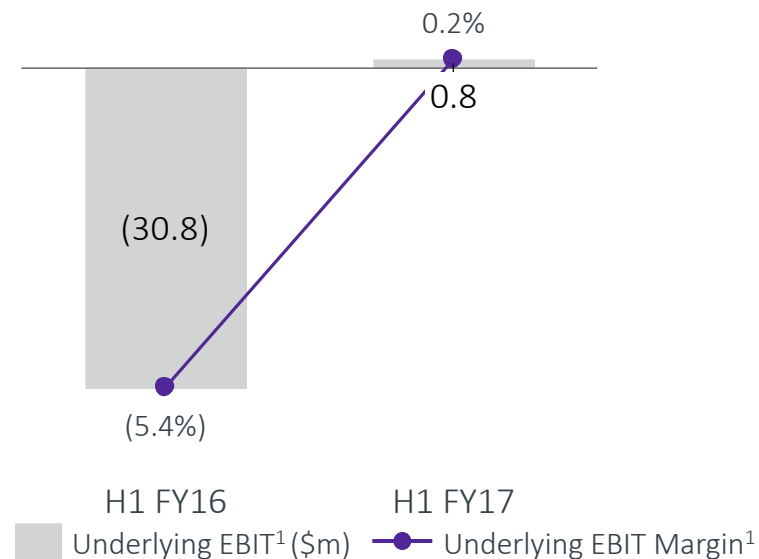
Disciplined capacity management in response to ongoing weak demand conditions

VA INTERNATIONAL: IMPROVEMENT PLAN DRIVING PERFORMANCE

International performance

	H1 FY17	H1 FY16	Change
Underlying EBIT ¹ (\$m)	\$0.8m	(\$30.8m)	\$31.6m
Underlying EBIT Margin ¹	0.2%	(5.4%)	5.6pts
RASK ¹			(0.2%)
Yield ¹			(0.7%)
ASKs ¹			(10.6%)
Revenue passengers			(7.9%)

Underlying EBIT¹ & Underlying EBIT Margin¹



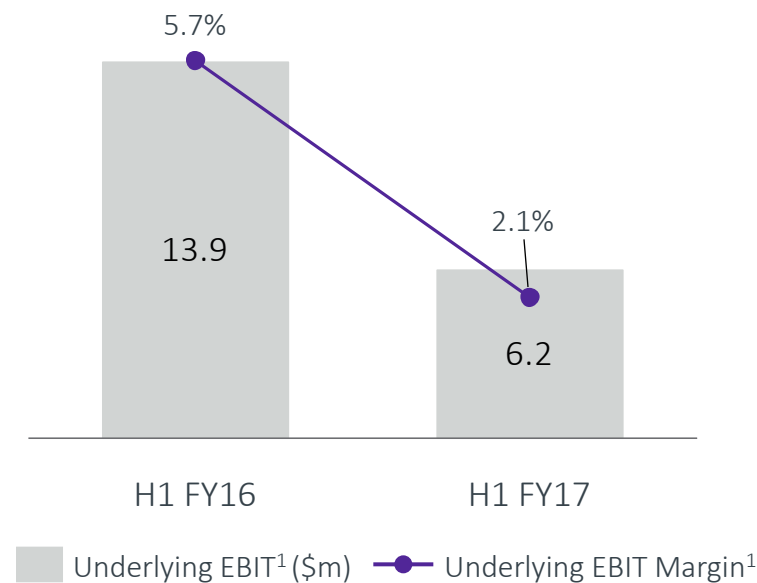
Positive momentum on the back of international turnaround strategy

TIGERAIR: PROFITABLE DESPITE COMMENCING INTERNATIONAL OPERATIONS

Tigerair performance

	H1 FY17	H1 FY16	Change
Underlying EBIT ¹ (\$m)	\$6.2m	\$13.9m	(\$7.7m)
Underlying EBIT Margin ¹	2.1%	5.7%	(3.6pts)
RASK ¹			(5.4%)
Yield ¹			(8.4%)
ASKs ¹			27.5%
Revenue passengers			16.6%

Underlying EBIT¹ & Underlying EBIT Margin¹



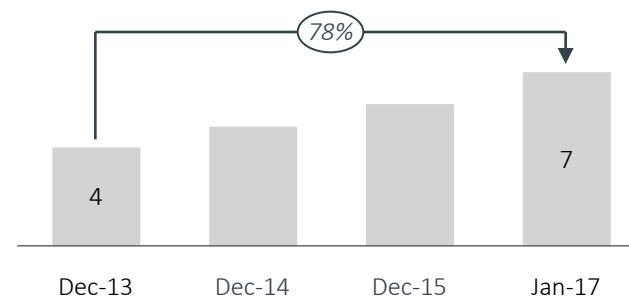
Focused on identifying growth opportunities in the domestic and short haul international markets

VELOCITY: INVESTING IN FUTURE GROWTH

Velocity performance

	H1 FY17	H1 FY16	Change
Revenue (\$m)	\$176.4m	\$154.8m	\$21.6m
Underlying EBIT ¹ (\$m)	\$66.0m	\$70.8m	(\$4.8m)
Underlying EBIT Margin ¹	37.4%	45.7%	(8.3pts)

Velocity members (m)



- **Membership:** Reached 7 million members in Jan-17, almost six months ahead of the FY17 target
 - Average membership growth rate of ~3,300 people per day during the half

Achieved target of 7 million members ahead of schedule and invested in future growth

OUTLOOK

“Due to uncertainty in external market conditions, we are unable to provide further guidance at this time.”

SUPPLEMENTARY FINANCIAL SLIDES

GROUP FINANCIAL SUMMARY



	H1 FY17 \$m	H1 FY16 \$m
Revenue and income	2,633.7	2,658.2
Statutory profit / (loss) after tax	(21.5)	62.5
<i>Add back</i> Income tax benefit	(25.4)	(49.3)
Statutory profit / (loss) before tax	(46.9)	13.2
<i>Add back</i> Impairment losses on assets classified as held for sale	-	37.5
Impairment losses on other assets	-	1.2
Onerous contract expenses	23.6	-
Business and capital restructure and transaction costs ¹	46.2	20.7
Restructuring sub-total	69.8	59.4
Share of net (profits) of equity-accounted investees	(1.5)	(0.3)
Hedging and financial instruments ¹	20.9	9.2
Underlying Profit Before Tax ¹	42.3	81.5

Underlying Performance¹ impacted by subdued trading conditions

Note 1: Business and capital restructure and transaction costs, Hedging and financial instruments, Underlying Profit Before Tax and Underlying Performance are non-statutory measures used by Management and VAH's Board to assess financial performance and are defined on slides 15, 16 & 17.

CASH FLOW

- \$45.3m or 46.1% improvement in cash generated from operating activities driven by improved cash conversion
- Includes entitlement offer of \$852.1m and top-up placement to HNA of \$89.2m
- Net investing cash flow reduction supporting free cash flow improvement

Cash flow statement

	H1 FY17 \$m	H1 FY16 \$m
Cash generated from operating activities	143.5	98.2
Transformation & net finance costs	(120.3)	(88.0)
Net cash from operating activities	23.2	10.2
Net cash used in investing activities	(156.5)	(262.8)
Net proceeds from share issue	931.4	-
Net borrowings	(331.1)	142.0
Net cash from financing activities	561.4	119.6
Net cash inflow/(outflow) incl impact of FX	472.0	(121.8)

Reduced investing cash flows and focus on balance sheet initiatives

BALANCE SHEET

- Significant progress in reducing debt and improving leverage
- Financial Leverage¹ improved by 21.1% from 5.7x to 4.5x
- Highest ever reported closing cash balance of \$1,595.8, up \$689.1m
- Unrestricted cash balance increased from \$543.7m to \$1,232.4m
- Improving debt maturity profile as a result of acceleration of total interest bearing liabilities reduction
- Delivery of first Boeing 737MAX aircraft deferred until the final quarter of the 2019 calendar year
- Capital expenditure of over \$350m associated with the Group's Boeing 737MAX program to be deferred to beyond FY19

Balance sheet

	H1 FY17 \$m	H1 FY16 \$m
Cash and cash equivalents	1,595.8	906.7
Total assets	6,701.4	5,848.7
Current interest-bearing liabilities	317.6	626.2
Non-current interest-bearing liabilities	2,448.0	2,386.6
Interest-bearing liabilities	2,765.6	3,012.8
Total liabilities	4,847.0	4,914.7
Total equity	1,854.4	934.0
Unrestricted cash balance	1,232.4	543.7

Realising positive results from balance sheet optimisation initiatives

HEDGING UPDATE

- The Group continues to benefit favourably from lower oil prices
- During 2016, the Group accelerated its FY17 hedging program in light of opportunistic market conditions

FY17 hedging update

	FY17 ¹
	Hedge Position
Fuel (AUD Brent/bbl)	95%
FX (AUD/USD)	100%

Benefit of lower fuel prices realised in FY16 partially offset by movements in exchange rates

VIRGIN AUSTRALIA GROUP OPERATING FLEET



Group operating fleet ¹	As at 31 Dec 2016	As at 31 Dec 2016		As at 30 Jun 2016
		Leased	Owned	
B737-700/800	75	38	37	75
E190	11	6	5	16
A330	6	6	-	6
B777	5	1	4	5
ATR72-500/600	14	14	-	14
Mainline fleet	111	65	46	116
F100	14	7	7	14
A320 (Charter & Tigerair)	16	15	1	16
B737-800 (Tigerair)	4	-	4	3
Virgin Australia Group	145	87	58	149

Note 1: Excludes aircraft that have been removed from operational service.

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE

Disclaimer

The non-IFRS information has not been audited or reviewed by KPMG.

This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the Virgin Australia Holdings Limited Interim Financial Report for the half year ended 31 December 2016 that has been reviewed by KPMG.

Definitions

Underlying Profit / (Loss) Before Tax: is a non-statutory measure that represents statutory profit / (loss) before tax excluding the impact of impairment losses on assets classified as held for sale, impairment losses on other assets, onerous contract expenses, business and capital restructure and transaction costs (as defined below), share of net profits/(losses) of equity-accounted investees and the impact of hedging and financial instruments (as defined below). This is a measure used by Management and Board of Virgin Australia Holdings Limited (VAH) to assess the financial performance of VAH.

Underlying Performance: is a non-statutory measure that refers to earnings or returns calculated based on Underlying Profit / (Loss) Before Tax (as defined above).

Business and capital restructure and transaction costs: is a non-statutory measure that includes business and capital restructure and transaction costs.

Hedging and financial instruments: is a non-statutory measure that includes the following items outlined in Note 2 of the VAH Interim Financial Report for the half year ended 31 December 2016: time value movement on cash flow hedges (loss of \$21.0m), unrealised ineffectiveness on cash flow hedges and non-designated derivatives (gain of \$0.1m). For the half year ended 31 December 2015, this item includes: time value movement on cash flow hedges (loss of \$11.0m) and unrealised ineffectiveness on cash flow hedges and non-designated derivatives (gain of \$1.8m).

Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR): is a non-statutory measure per Note 2 of the VAH Interim Financial Report for the half year ended 31 December 2016. 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) excluding the impact of depreciation, amortisation, aircraft rentals and net finance costs.

Underlying Earnings Before Interest & Tax or Underlying EBIT: is a non-statutory measure per Note 2 of the VAH Interim Financial Report for the half year ended 31 December 2016. 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) excluding the impact of net finance costs.

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE

Definitions (continued)

Underlying Earnings Before Interest & Tax Margin or **Underlying EBIT Margin**: is a non-statutory measure derived from Underlying Earnings Before Interest & Tax (as defined above) divided by total segment revenue.

RASK: is a non-statutory measure derived from segment revenue normalised for Cargo operations on a consistent basis divided by Available Seat Kilometres (defined below) of the Regular Passenger Transport business.

Yield: is a non-statutory measure derived from segment revenue normalised for Cargo operations on a consistent basis divided by Revenue Passenger Kilometres of the Regular Passenger Transport business.

ASK or Available Seat Kilometre: Available Seat Kilometres or ASKs is a non-statutory measure derived from total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

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 from Net Debt (as defined below) adding 7 times annual aircraft rentals.

Net Debt: is a non-statutory measure derived from interest bearing liabilities less cash and cash equivalents.

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE

Definitions (continued)

Forward Looking Statements: This document contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', '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 document 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, Virgin Australia Holdings Limited is required to make a clear statement about whether information disclosed in documents other than the Virgin Australia Holdings Limited Interim Financial Report for the half year ended 31 December 2016 has been audited or reviewed in accordance with Australian Auditing Standards.

The above non-IFRS information has not been audited or reviewed by KPMG. This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the Virgin Australia Holdings Limited Interim Financial Report for the half year ended 31 December 2016 that has been reviewed by KPMG.



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