

# Annual General Meeting

12 months to 30 June 2008



# *Agenda*

- Welcome
- Quorum
- Introduction of Directors
- Introduction of Auditors
- Notice of Meeting
- Chairman's Address
- CEO's Address
- Questions and Answers
- Items of Business on Notice
- Conclusion



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***Chairman's Address***  
***Neil Chatfield***



***Chief Executive's Address***  
***Brett Godfrey***



## Recap on 2008

- Underlying Net Profit after Tax \$140 million
- Revenue up 8.4%, guests carried up 9.2%, production up 7.9%
- New Initiatives completed in 2008
  - Premium Economy launched
  - Domestic New Zealand commenced flying
  - Embraer Jet platform introduced – delivering to strategy and budget
  - Velocity reaches 1.5 million members
  - [ 8 ] new routes launched
- New World Carrier strategy
  - Corporate Accounts up 14%
  - Government Accounts up 31%

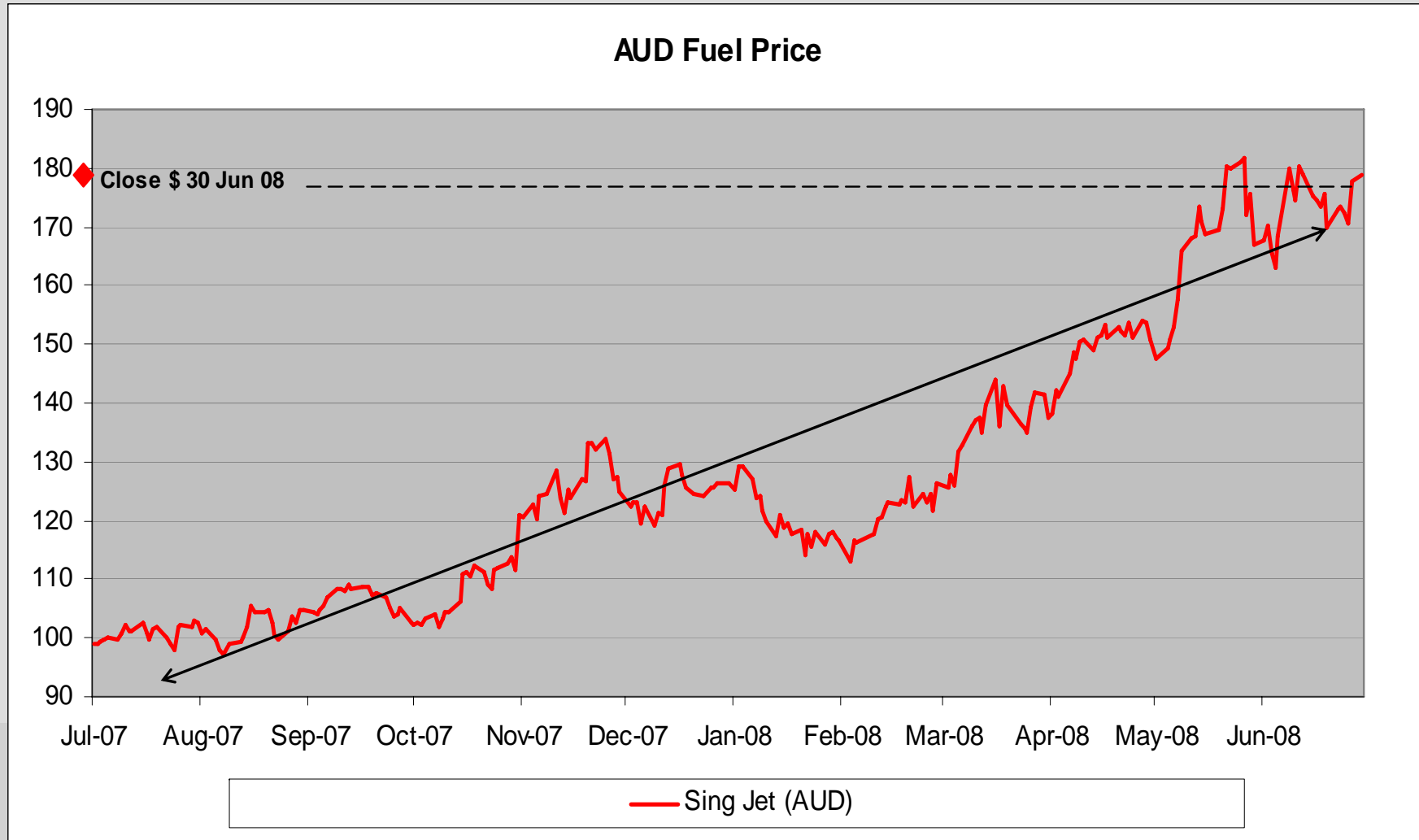
# Financial Highlights

Year ended 30 June 2008	2008 \$m	2007 \$m	Increase / Decrease
Revenue	2,352	2,169	+ 8.4 %
EBITDAR	422	548	-23.0%
EBIT	168	324	-48.1%
Net Profit after tax – Total business	98	216	-54.6%
New initiatives, after tax	43	6	n/a
<b>Net Profit after Tax – Underlying business</b>	<b>141</b>	<b>222</b>	<b>-36.5%</b>

# Operating Highlights

<b>Year ended 30 June 2008</b>	<b>2008</b>	<b>2007</b>	<b>Increase/ Decrease</b>
ASK's – capacity	23.3bn	21.6bn	+7.9%
Sector Length – average kms	1,115	1,157	-3.6%
Aircraft – average in fleet	59.4	53.0	+12.1%
RPK's – demand	18.8bn	17.6bn	+6.8%
Guests carried	16.7m	15.3m	+9.2%
Revenue Load factor	80.5%	81.2%	-0.7pts
RASK	10.09	10.02	+0.7%
CASK – 737 Operations	9.05	8.53	+6.1%
Fuel US\$bbl – average	95.07	81.23	+17.0%

# Fuel – set the agenda for 2008





# New World Carrier Strategy Update

- **Investment in New Initiatives during 2008** **Completed**
  - Pacific Blue Domestic Launch Nov 07
  - Embraer fleet - 4xEMB 170, 5xEMB 190 Feb 08
  - Premium Economy Mar 08
  - Lounge expansion Jun 08
  - VAustralia W.I.P.
  
- Total cost in FY08 **\$42.8m**, compared to prior year **\$6.5m** (pre tax cost \$61.1m and \$9.6m respectively)
  
- **Existing Initiatives**
  - Velocity - As at 30 June 2008 1.5 Million members.
  - Network



# Virgin Blue – Domestic Market

- Market share maintained at around 31%
- Fleet re-deployment (6x Boeing 737) effective 1H09, including market withdrawals
- Capacity growth forecast – domestic market
  - FY09 Planned 20% now 8.1% (but under further review)
  - FY10 4.5% (now under review)
- New 'Go Fares' - launch 18 August, in conjunction with baggage charges
- \$50 million Opex cost savings identified and on track for FY09.



Embraer 170

# Pacific Blue

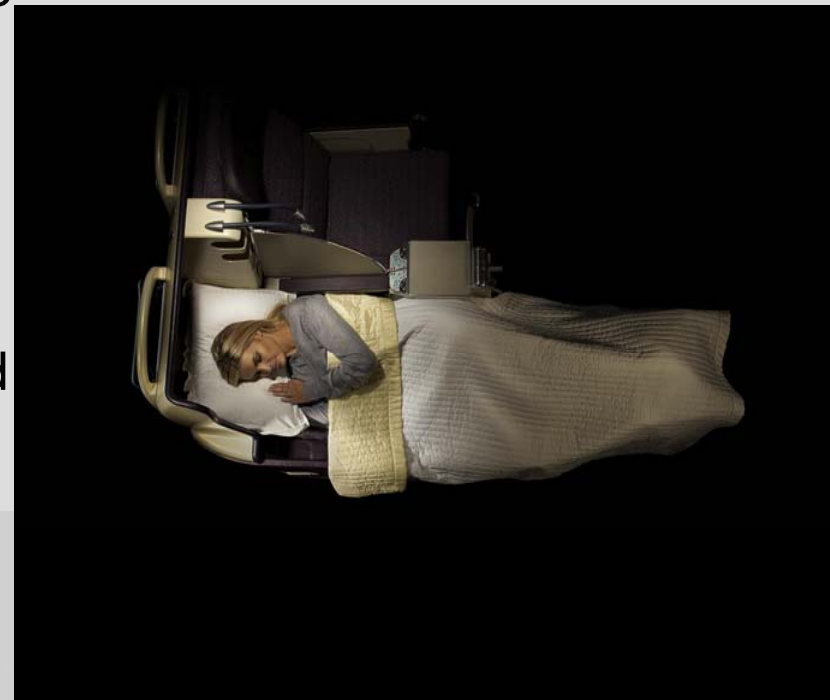
- Domestic Operations
  - Performance in line with budget
- International Operations
  - Expansion into new markets and higher frequency
  - Pacific Islands and Trans Tasman up well
  - Four 737's redeployed into new routes by end of Q4 2008
- Cost Base
  - Over 25% lower than VBA 737 operation



# V Australia



- Scheduled launch date 15 December 2008 delayed as direct consequence of 58 day Boeing strike
- Launch date confirmed as [28]th of February SYD-LAX.
- Operationally, program on target and on budget for revised launch date
- Aircraft financing secured –
  - 1st aircraft operating lease
  - Aircraft 2, 3 and 4 under ExIm Bank guaranteed debt facility



# 2009 Challenge – Capacity Management

- FY09 capacity growth budgeted at +20%, reflecting aircraft delivery profile secured in 2005/6 & consistent with major competitor.
  
- Capacity redeployed in 1H09 in response to market conditions, reducing domestic growth to 8%.
  - 4 x 737-800's assigned to new and international markets
  - 2 x 737-800 re allocated to maintenance and operational spares
    - On-Time-Performance improvement
    - Enhanced fleet and schedule flexibility
    - Optimised maintenance strategy
  - Deferred 2 x EMB 190's into fiscal 2010.
  - No redundancies to date.
  
- Domestic growth currently planned at 

	FY10	FY11
	4.5%	1.7%
  
- 3rd Phase Capacity Plan - developed to reduce further FY09 & FY10 growth.





# Fleet Update



At 30 June

**2007**

**2008**

**2009**

**Future\*  
Deliveries**

737- 700 NG

22

22

21

-

737- 800 NG

31

37

38

19

EMB-170 LR

-

4

6

-

EMB-190 LR

-

5

13

5

777-300ER

-

-

4

3

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53

68

82

Virgin Blue

49

62

67

Pacific Blue

4

6

11

V Australia

4

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53

68

82

\* 2009-2013



# Aircraft Financing

- Existing aircraft debt facilities - \$1.7 billion
  - No covenants
  - No refinancing obligations
  
- 777's
  - ExIm Bank guaranteed debt facility, funding committed.
  - Covers first three direct buy aircraft, delivering fiscal 2H09
  - 12 year term
  
- 737/Embraer deliveries
  - 6 aircraft in 2009 -10, offers under evaluation.

# Capital Management

- Cash management is a key focus for business
  - No final dividend for FY08
  - No dividend forecast for FY09 based on current outlook
  - Non core capex deferred
  
- Capital expenditure 2H09 will be reduced from \$605m - US\$530 m
  - Aircraft – US\$455 million
  - Other Aeronautical assets – US\$70 million
  - Other CAPEX – vast majority deferred
  
- Balance Sheet remains strong
  - Potential to release a further \$100m+ of cash to operations if required, through options to liquidate unencumbered non core assets.
  
- No equity or capital raising required.



# Risk Management

- Fuel Hedging
  - FY09 – 80% hedged using mainly options (collars) with participation from mid US\$80's.
  - If the current spot price prevails it will require recognition of fair value at 31 December of cash flow hedges deemed “ineffective” under IFRS accounting rules, however no cash flow impact – accounting adjustment recognises unrealised mark to market losses of future open contracts, against current spot price. Realised cost (or benefit) will depend on future movement in fuel price.
- Currency Hedging for FY09
  - OPEX – 77% cover using mainly swaps at rates no less than 0.88 cents.
  - CAPEX – 86% or USD452 m of commitments secured at 0.85 cents

# Outlook for 2008/9

- Weakening demand noticed and will likely overtake fuel as the prime industry risk in 2009.
  
- Demand P&L impact will be somewhat off-set by :-
  - (i) falling jet fuel prices,
  - (ii) a noticeable 'flight to value' particularly in the corporate sector and
  - (iii) reduced exposure to the long haul international markets likely to convert into improved local demand.
  
- Cost reduction initiatives will deliver full value, with further plans for 2H09 onwards.
  
- "Down-side" contingency plan prepared.
  
- Clear business focus on cash management and preservation of cash position. Cash balance at 31 October 2008 was \$602m and steady with June 30, 2008 at \$605m.



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# *Questions and Answers*



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# *Items of Business on Notice*



*Item 1*  
*Receipt of Financial Statements*  
*and Reports*



## Summary of Proxies for Resolution 2 – Adopt Remuneration Report

In favour	236,212,148
Discretionary votes in favour*	279,991,256
Total in favour	516,203,404
Against	60,126,974
Abstain	17,697,415
Discretionary	1,114,714

\* Board Members will vote all valid undirected proxies in favour of this resolution.

*Item 2*  
*Remuneration Report*



*Item 3*  
*Election of Directors*





## Summary of Proxies for Resolution 3(a) – Elect as Director, Mr Mark Vaile

In favour	309,103,811
Discretionary votes in favour*	280,178,296
Total in favour	589,282,107
Against	3,533,145
Abstain	1,244,739
Discretionary	1,095,240

\* Board Members will vote all valid undirected proxies in favour of this resolution.

## Summary of Proxies for Resolution 3(b) – Elect as Director, Mr. Neil Chatfield

In favour	306,202,075
Discretionary votes in favour*	280,197,483
Total in favour	586,399,558
Against	6,125,596
Abstain	1,396,747
Discretionary	1,133,330

\* Board Members will vote all valid undirected proxies in favour of this resolution.

## Summary of Proxies for Resolution 3(c) – Elect as Director, Mr. David Baxby

In favour	251,121,604
Discretionary votes in favour*	280,222,353
Total in favour	531,343,957
Against	61,254,530
Abstain	1,426,541
Discretionary	1,128,803

\* Board Members will vote all valid undirected proxies in favour of this resolution.

*Item 4*  
*Issue of Performance Rights*  
*and Shares*



*Item 4(a)*  
*Approval of Issue of Performance*  
*Rights to Brett Godfrey*



## Summary of Proxies for Resolution 4(a) – Approval of Issue of Performance Rights to Brett Godfrey

In favour	149,143,790
Discretionary votes in favour*	281,174,990
Total in favour	430,318,780
Against	161,392,541
Abstain	2,071,473
Discretionary	1,009,605

\* Board Members will vote all valid undirected proxies in favour of this resolution.

*Item 4(b)*  
*Approval of Issue of Fully Paid  
Ordinary Shares to Brett Godfrey*



## Summary of Proxies for Resolution 4(b) – Approval of Issue of Fully Paid Ordinary Shares to Brett Godfrey

In favour	149,895,034
Discretionary votes in favour*	279,720,885
Total in favour	429,615,919
Against	161,972,594
Abstain	2,184,746
Discretionary	1,018,075

\* Board Members will vote all valid undirected proxies in favour of this resolution.



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*Meeting Concluded  
Thank You*

