



Virgin Australia Airlines Macquarie Investor Conference

03 May 2012

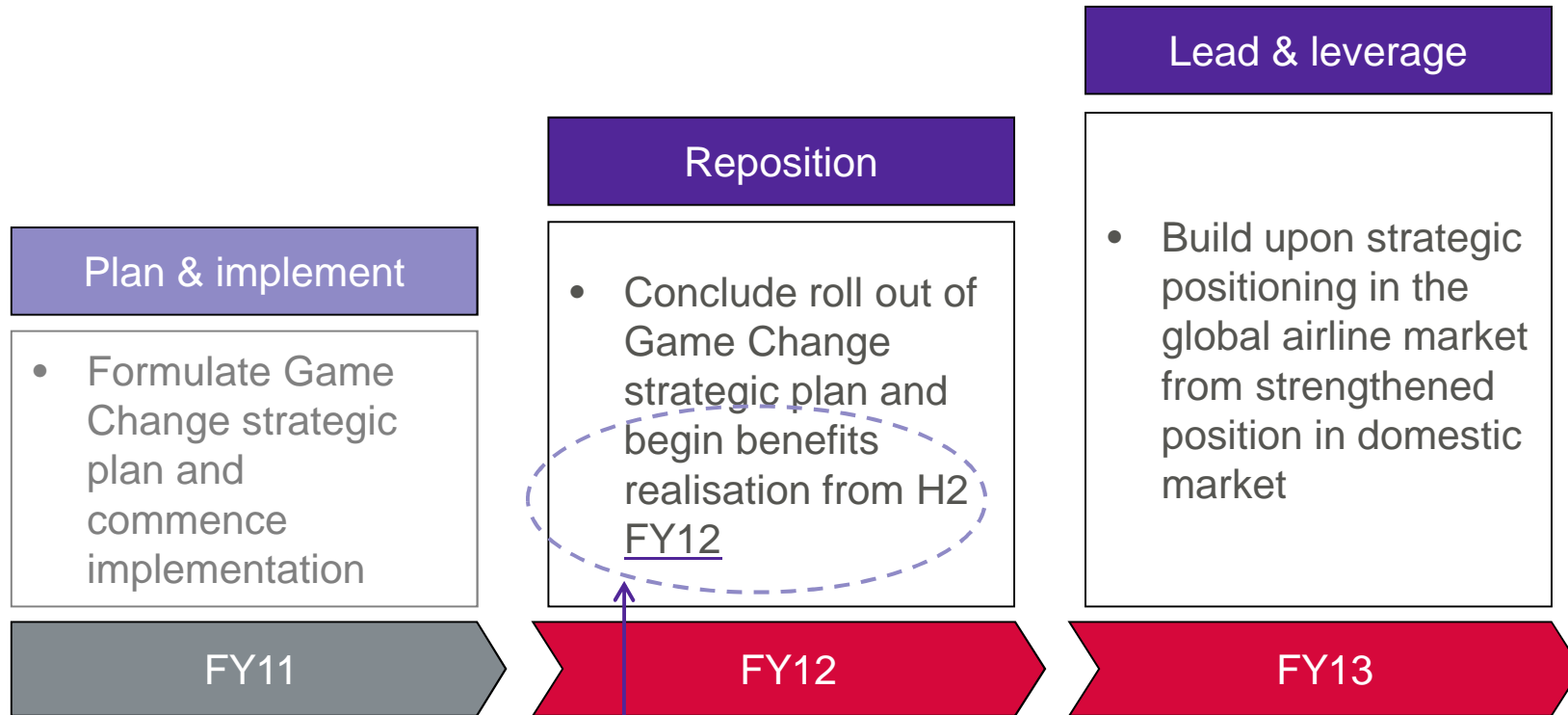


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Introduction

- Early benefits from Game Change Program continue to flow
- Successfully diversifying revenue
- Capacity plan is consistent with strategy, focused on yield and margin improvements, not a market share goal
 - Capacity growth focused on high yielding corporate and growth markets (Triangle, Trans Continental Perth and regional) which profitably supports lower loads
 - Retain flexibility to alter capacity growth with market demand and conditions
- All alliance partners' codeshares now operational
- New structure implemented to ensure ANA¹ compliance and enhance shareholder value
- Velocity Frequent Flyer will be a key driver of future growth

Game Change Program – consistency in strategy



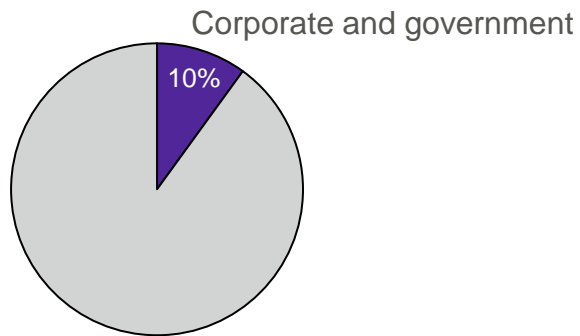
Implementation ahead of schedule – driving early benefits

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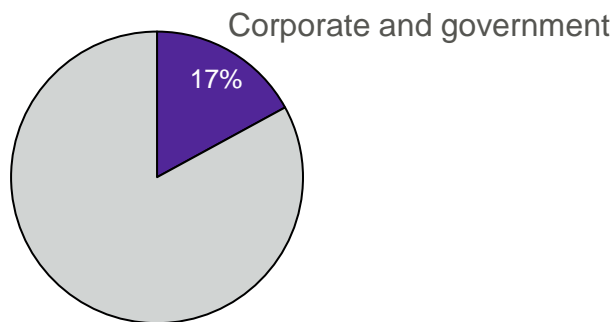
Successfully diversifying revenue base

Corporate and government share of revenue

Jul 10

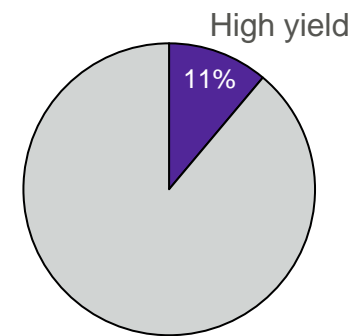


Dec 11

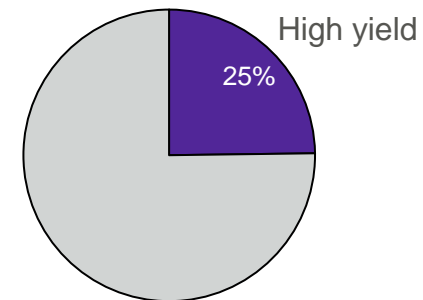


High yield fares¹ share of revenue

Jul 10



Dec 11



Note: ¹ High yield fares include Virgin Australia Business Class, Premium Economy and Flexi

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Fleet plan – as previously outlined

| | Jun 2013 (plan as at FY11 results, Aug 2011) | Jun 2013 (plan as at HY12 results, Feb 2012) | Variance | Jun 2013 (plan as at Apr 2012) |
|--------------|---|---|-----------|--------------------------------------|
| B737NG | 71 | 71 | - | 71 |
| B777-300ER | 5 | 5 | - | 5 |
| E-170/190 | 18 | 18 | - | 18 |
| A330-200 | 6 | 6 | - | 6 |
| ATR | 8 | 12 | +4 | 12 |
| Total | 108 | 112 | +4 | 112 |

Fleet growth aligned to Game Change Program strategy

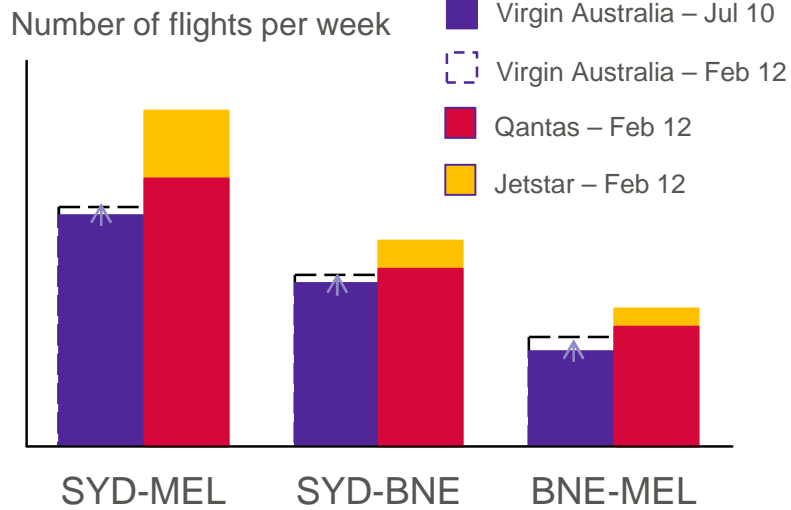
Capacity growth focused on strategic priorities

- Capacity growth has been on strategy; aligning right aircraft type for each segment
 - Upgrading B737-700 to B737-800
 - Introducing A330 aircraft on Trans Continental Perth services
 - Introducing ATR aircraft to regional network
- Increasing frequency on key corporate and government sectors
- Capacity growth focused on high yielding corporate and growth markets (Triangle, Trans Continental Perth and regional) which profitably supports lower loads
- FY12 comparable growth affected by FY11 reduced capacity due to external conditions
 - H2 FY12 capacity growth on H1 FY12 expected to be approximately 4%
 - Domestic capacity growth expected to be 9-11% for full year FY12

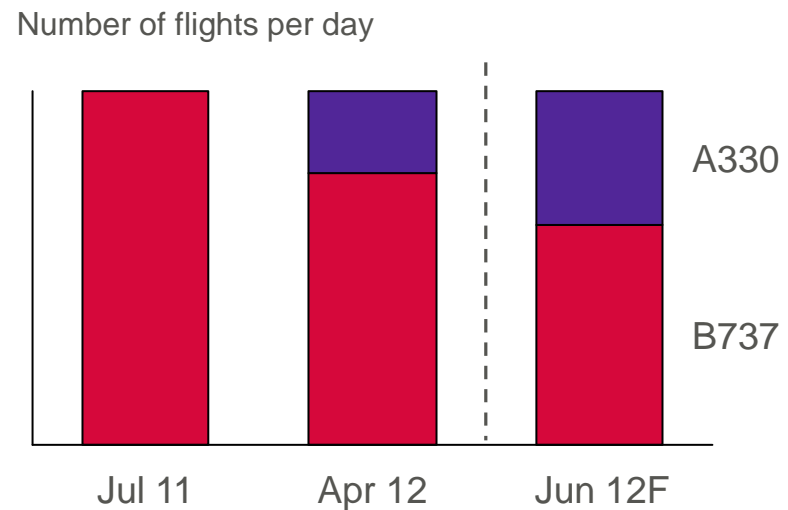
Focused on yield, not market share

Growth on key sectors aligned to strategy

Triangle frequency comparison (Feb 12)



Trans Continental Perth frequency by aircraft (Jul 11-Jun 12F)

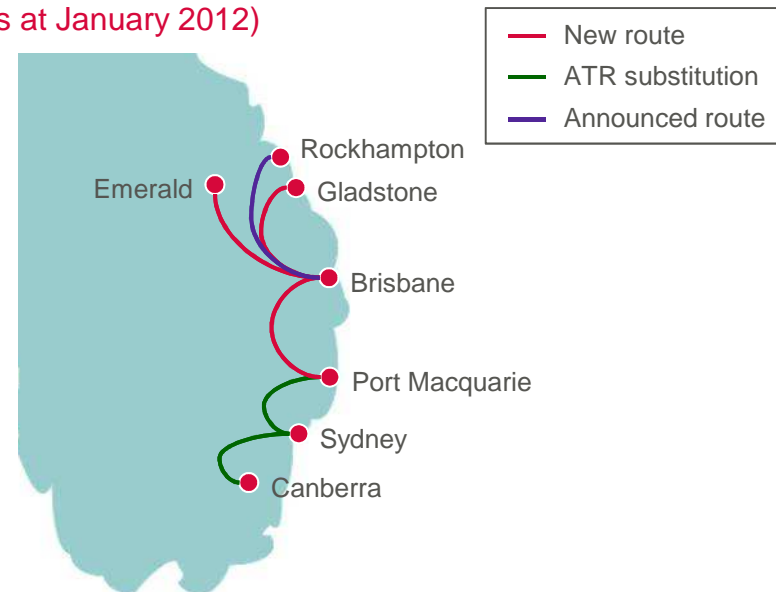


Improving competition on key corporate services

ATRs provide ability to serve new and existing regional destinations with better economics

- Bringing competition to regional routes, including entry into new markets
 - 198 ATR flights to seven ports per week
- 4 ATR in service, additional 2 in service by end of June 2012
- Strong demand supporting expansion to 12 ATR aircraft by June 2013
- ATR fuel costs approximately half of comparable E170 costs¹

ATR route network: existing and new announced routes (as at January 2012)



Competition in profitable regional segments – largely uncontested in the past







Note: ¹ Based on actual savings on a substitution route

Dismantling entrenched monopolies

- Competition for the first time in over a decade in corporate and government market, business class and regional sectors
- Market environment should promote genuine competition and choices for customers, rather than allow for arbitrary measures to protect entrenched monopolies
- New Virgin Australia services will increase competition on historically uncontested or under-serviced segments
- Virgin Australia now offers the corporate and government markets, and regional sectors a competitive alternative in product, service and price

Competition driving a new market structure

Successful international alliance network – all alliances now operational

| Alliance partner | Approval received | Commenced code share: domestic | Commenced code share: international | Benefits realised in H1 FY12 |
|--------------------|-------------------|--------------------------------|-------------------------------------|---|
| Etihad | ✓ | ✓ | ✓ |  |
| Air New Zealand | ✓ | ✓ | ✓ |  |
| Delta Air Lines | ✓ | ✓ | ✓ |  |
| Hawaiian Airlines | n/a | n/a | ✓ |  |
| Singapore Airlines | ✓ | ✓ | ✓ |  |
| Virgin Atlantic | n/a | ✓ | ✓ |  |

- Implementation of Sabre reservation system and ticketing environment will further enhance benefits realisation from alliances

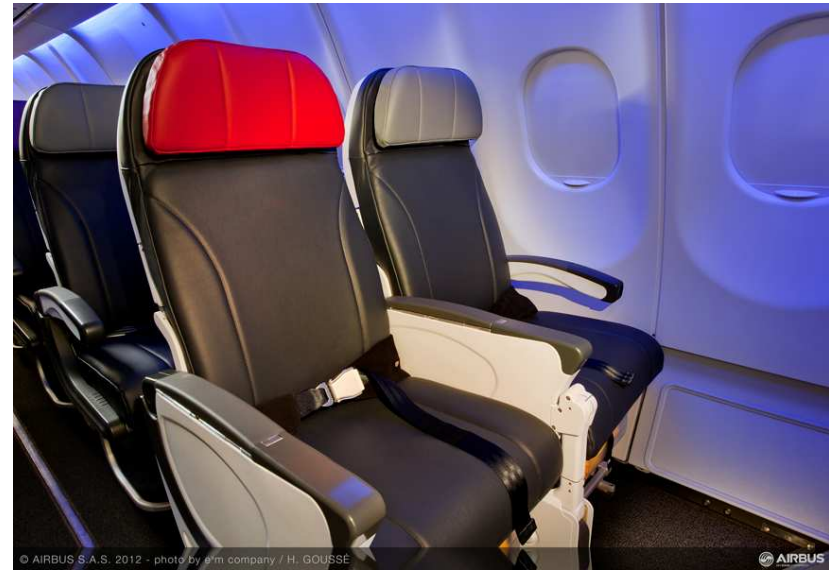
Over 400 international destinations in alliance network – further benefits to flow

New international B777 interior



Continuing product innovation to drive yield growth

New domestic A330 interior



Continuing product innovation to drive yield growth

Velocity Frequent Flyer Program focused on growth

- Membership now over 3 million members – three months ahead of target
- In a position to build off the solid foundation established over the past 18 months
- Ambitious growth plans for Velocity Frequent Flyer
- Appointed Neil Thompson as Chief Executive Officer for Velocity

Velocity Frequent Flyer Program key performance metrics (FY YTD¹)

| Performance metric | FY YTD ¹ (growth %) |
|-------------------------|--------------------------------|
| Member acquisition rate | +49% |
| Billings (\$) | +72% |
| Points burned | +34% |

Velocity is a key growth driver

Note: ¹ 9 months to 31 March

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Transitioning to Sabre reservations system

- Strong incremental revenue and profit potential
- Critical step in realising strategic objectives
 - Consolidation of two reservation systems and designator codes with company-wide consistent processes
 - Elevated level of recognition for our customers with a consistent experience
 - Expanded distribution capability with a more efficient and industry standard GDS¹ process
 - Support integrated ticketing and a seamless experience with global airline alliance partners
- Minimal capital cost
- Minimal incremental operating costs

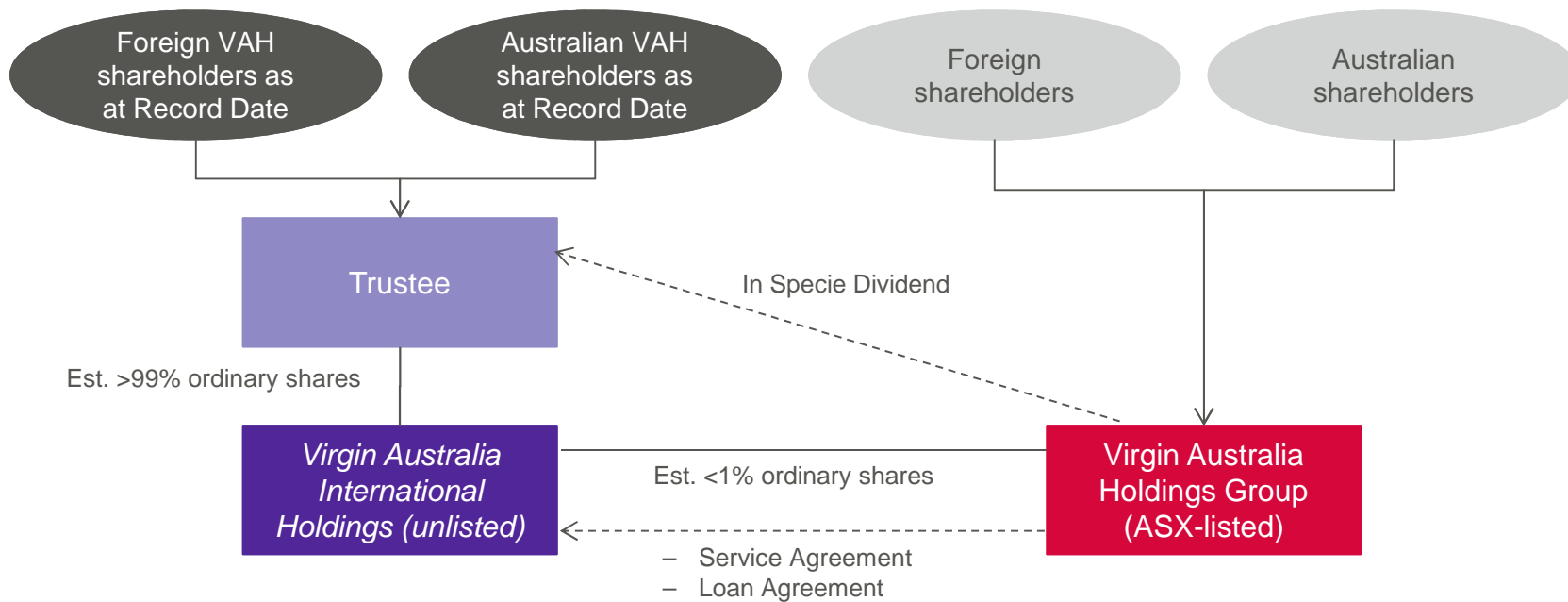
Hedging policy

- Hedging policy is providing business with certainty in the short term and medium term risk management
- Direct AUD hedging of fuel exposure

| Hedging summary | Brent AUD |
|---|-----------|
| Remainder CY12¹ | |
| Operating requirements hedged | 74% |
| Participation in favourable rate / price movements | 76% |
| Effective hedged rate (inclusive of option premium) | A\$115 |

New structure finalised and now in place

- Ensures ongoing compliance with the Air Navigation Act
- Distribution of In Specie Dividend occurred on 30 March 2012



Brand reputation index – Virgin Australia climbed 7 places from last year

2011 reputation ranking

| Ranking | Company |
|-----------|--------------------------|
| 1 | JB Hi-Fi |
| 2 | Australia Post |
| 3 | Toyota Motor Corporation |
| 4 | Nestle Australia |
| 5 | Wesfarmers |
| 6 | ING Direct |
| 7 | Qantas Airways |
| 8 | Air New Zealand |
| 9 | Aldi Australia |
| 10 | Myer |
| 11 | Woolworths |
| 12 | GM Holden |
| 13 | Virgin Blue |
| 14 | Mazda Australia |
| 15 | Good Guys |

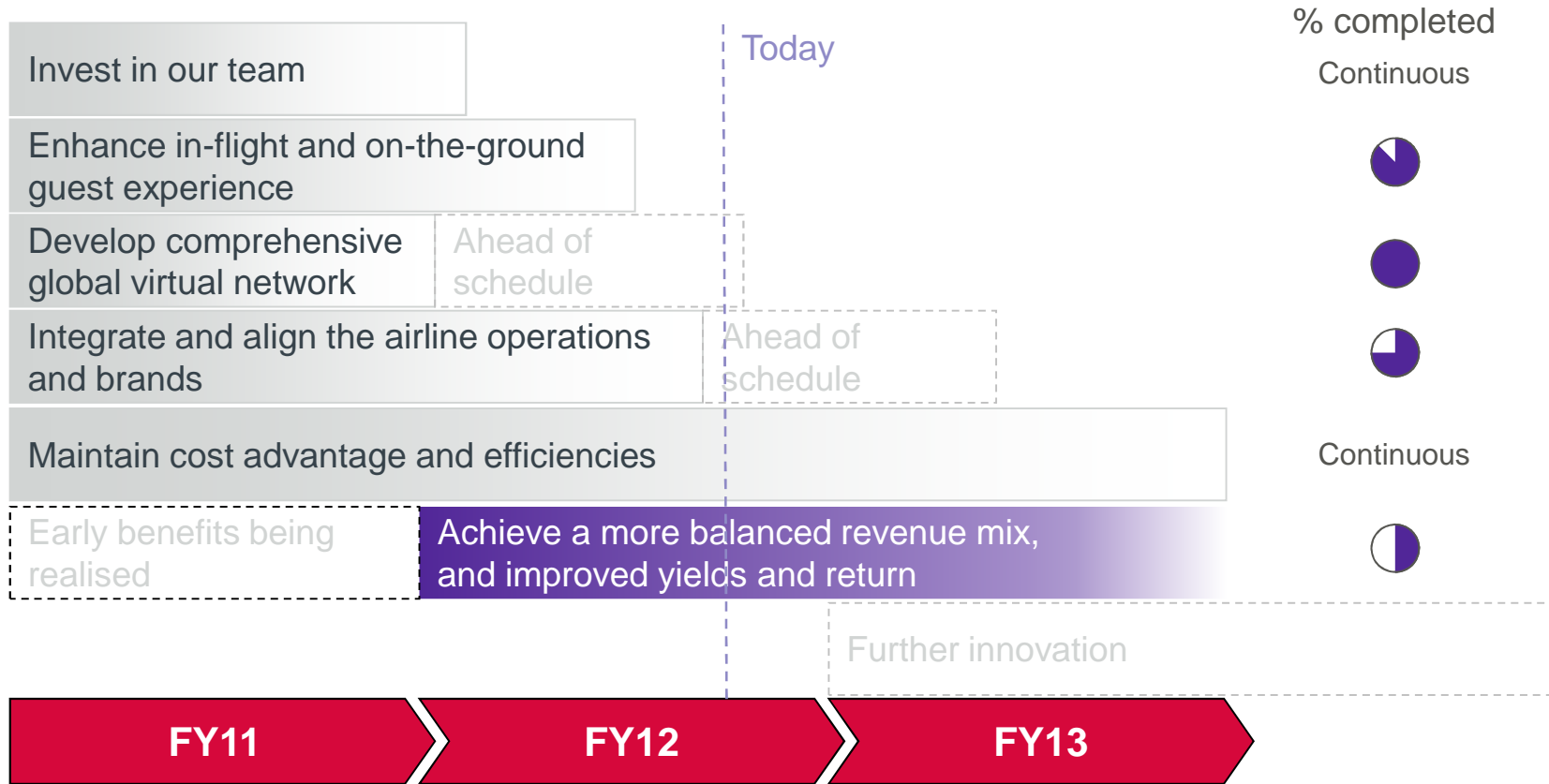
2012 reputation ranking

| Ranking | Company |
|----------|-------------------------|
| 1 | Apple Australia |
| 2 | Australia Post |
| 3 | JB Hi-Fi |
| 4 | Toyota Motor Corporate |
| 5 | Nestle Australia |
| 6 | Virgin Australia |
| 7 | GM Holden |
| 8 | ING Direct |
| 9 | Myer |
| 10 | Mazda Australia |
| 11 | Air New Zealand |
| 12 | The Good Guys |
| 13 | Woolworths / Safeway |
| 14 | David Jones |
| 15 | Nissan Australia |

Virgin Australia ranked 3rd for Governance, up from 5th last year

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Game Change Program scorecard



Strong delivery on a consistent strategy

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Conclusion

- Confident in the strength of our strategy – benefits are flowing ahead of schedule
- Capacity and schedule growth consistent with Game Change Program
- Strategic objectives aligned to improve profitability, not fixated on market share – focused on yield and margin improvement
- Successfully introducing commercially sustainable competition, bringing an alternative choice to the market
- Have the right strategy in place to profitably grow Virgin Australia

Past market paradigms no longer relevant

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