Virgin Australia Holdings HY13 half year results

26 February 2013

Introduction

- Delivered solid result despite market dynamics and economic environment
  - Economic uncertainty
  - Strong competitive capacity growth in the market
  - Introduction of carbon tax
- Group yield[1] outperformed the market
- International business maintained strong performance
- Strong cost control, even with major product and service enhancements

Delivery of consistent strategy to drive sustainable and resilient earnings

Note: [1] Group yield is based on passenger revenue, which includes earned revenue and ancillary revenue such as baggage and change fees

Significant progress on consistent strategy – next phase on track

- Transformation of the business with proposed strategic investments
  - Received ACCC clearance for Skywest acquisition[1]
  - Received shareholder approval for Tiger Australia joint venture[2]
- Successful implementation of Sabre system
- Singapore Airlines strategic investment completed – confidence in strategy
- Business efficiency program on track to deliver over $60m in FY13
- Velocity Frequent Flyer membership of 3.5m, up by around 500k on H1 FY12
- Interline and codeshare revenue increased 56.1% on H1 FY12

Note: [1] Subject to certain conditions, including approval by Skywest shareholders, the Foreign Investment Review Board and the Singapore High Court; [2] Subject to certain conditions, including approval by ACCC and the Foreign Investment Review Board

Financial highlights

- Statutory Profit After Tax of $23.0 million
- Underlying Profit Before Tax[1] of $61.0 million
- Revenue growth of 5.4% on H1 FY12, building on 18.0% growth achieved on H1 FY11
- Outperformed the market on group yield[2] growth
- Highest number of passengers in any half, up around 200k on H1 FY12 to over 10 million for the first time
- Strong cost control, even with major product and service enhancements – underlying CASK[3] (excluding fuel) reduced by 1.5%
- Strengthened balance sheet with good liquidity, including existing debt pay-down of $151 million and free cash balance of $430 million

Note: [1] Underlying Profit / (Loss) Before Tax (PBT) is a non-statutory measure used by Management and VAH's Board. Refer to page 4 for a reconciliation of statutory and underlying PBT; [2] Group yield is based on passenger revenue, which includes earned revenue and ancillary revenue such as baggage and change fees; [3] Underlying Cost per Available Seat Kilometre (CASK) is defined on page 30

Group Profit and Loss summary

6 months ended 31 December	2012 $m	2011 $m
Revenue	**2,106.0**	**1,997.4**
Underlying Profit / (Loss) before Tax[1]	**61.0**	**96.1**
Business transformation	(36.0)	(10.5)
Hedging ineffectiveness[2]	3.2	(8.3)
Statutory Profit / (Loss) before Tax	**28.2**	**77.3**
Income tax (expense) / benefit	(5.2)	(25.5)
Statutory Profit / (Loss) after Tax	**23.0**	**51.8**

Note: [1] Underlying Profit / (Loss) Before Tax (PBT) is a non-statutory measure used by Management and VAH's Board; [2] Hedging ineffectiveness is a non-statutory measure and is defined on page 30

Domestic – EBIT summary

6 months ended 31 December	2012 $m	2011 $m
External revenues and other income	1,512.0	1,454.4
Domestic EBIT[1]	49.3	87.0
ASKs (m)	13,055	11,983
Passengers carried (m)	8.7	8.6

Note: [1] Domestic EBIT is a non-statutory measure per note 6 of the Virgin Australia Holdings interim financial report for the half-year ended 31 December 2012 and reflects the allocation of ineffective cash flow hedges and non-designated derivatives to the segment

International – EBIT summary

6 months ended 31 December	2012 $m	2011 $m
External revenues and other income	595.4	551.7
International EBIT[1]	35.4	32.2
ASKs (m)	8,148	7,960
Passengers carried (m)	1.4	1.3

Note: [1] International EBIT is a non-statutory measure per note 6 of the Virgin Australia Holdings interim financial report for the half-year ended 31 December 2012 and reflects the allocation of ineffective cash flow hedges and non-designated derivatives to the segment

Operating cash flow

6 months ended 31 December	2012 $m	2011 $m
EBITDA[1]	158.0	233.3
Working capital movements	(93.3)	37.8
Net interest	(22.1)	(17.6)
Cash flow from operations	42.6	253.5

- Working capital primarily driven by movements in unearned revenue
  - Reduced schedule and loads due to Sabre migration in January temporarily impacted forward bookings
  - Shorter term bookings due to competitive environment and change in business model
- December 2011 comparative period influenced by market disruptions

Note: [1] EBITDA is a non-statutory measure and excludes ineffective cash flow hedges and non designated derivatives, depreciation and amortisation, and net interest

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Net cash flow

6 months ended 31 December	2012 $m	2011 $m
Cash flow from operations	42.6	253.5
Gross capital expenditure (including aircraft)	(315.6)	(406.8)
New capital expenditure funding	196.5	403.8
Debt reduction	(151.4)	(113.8)
Proceeds from share issue	105.3	-
Other items	4.0	(10.3)
Net cash inflow / (outflow)	(118.6)	126.4

- Proceeds from share issue have been used to reduce debt and limit new borrowings

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Balance sheet summary

As at	31 Dec 2012 $m	30 Jun 2012 $m
Cash and cash equivalents	685.1	802.6
Property, plant & equipment, and intangible assets	3,047.7	2,870.0
Other assets	332.1	322.6
Total Assets	**4,064.9**	**3,995.2**
Interest bearing liabilities	1,707.1	1,674.1
Unearned revenue	624.0	691.9
Other liabilities	648.3	699.5
Total Liabilities	**2,979.4**	**3,065.5**
Net assets	**1,085.5**	**929.7**
NTA[1] per share (AUD cents)	**38.2**	**37.8**

Reduction in gearing levels

Note: [1] Net tangible asset backing per ordinary share

Treasury & capital management

- Good liquidity profile and low refinancing risk as at 31 December 2012
  - Cash balance of $685m with free cash of $430m
  - No debt facilities require refinancing
  - Credit approved financing for all 2013 aircraft deliveries
- Hedging policy provides short term certainty in a volatile environment

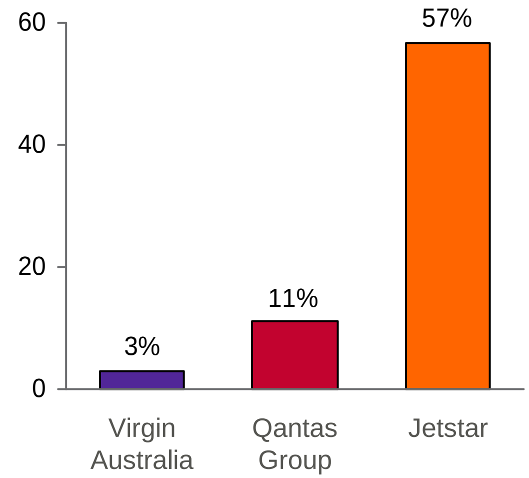
Hedging summary	Brent
Remainder of FY13[1]	
Operating requirements hedged	87%
Participation in favourable price movements	52%
Worst case hedged rate (inclusive of option premium)	AUD 108/bbl

Note: [1] Figures as at 25 February 2013

Domestic market capacity

- Highest total market capacity growth since the launch of Jetstar in 2004 – 10.8% in 1H FY13
- Virgin Australia capacity growth as planned based on strategic objectives
- Increased competitor capacity to maintain market share goal
  - Market Sydney-Melbourne growth was 15.1%, comparatively Virgin Australia grew 2.8%
- Aggressive competitive pricing due to capacity growth above passenger demand growth

Sydney-Melbourne capacity growth by airline (1H FY13)
Percent



Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE); Diio Mi

Domestic business – continuing to enhance guest experience

- Roll out of business class on E190 fleet complete
- Wireless IFE roll-out on domestic jet fleet – 80 aircraft by end of 2013
- New Cairns, and upgraded Melbourne and Sydney Lounges in 2013
- Opened new pier extension in Sydney domestic
- Opening new Canberra terminal in March
- Launching inclusive F&B on flights over 2:45 hrs from April
- Consideration for next domestic business trip up 7ppt[1]

Note: [1] Domestic airline consideration – next business trip, 12 monthly moving average
Source: Roy Morgan Research

Leading major brand for OTP

6 months ended 31 December 2012	Departures	Arrivals
'Mainline' operations		
Virgin Australia[1]	83.8%	79.9%
Qantas	84.4%	81.8%
Regional operations		
Virgin Australia – ATR turboprop operations	84.5%	81.9%
QantasLink	78.0%	74.6%
Total brand operations		
Total Virgin Australia	83.9%	80.1%
Total Qantas[2]	81.4%	78.5%

Note: [1] Includes F100 operations; [2] Excludes Jetstar
Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE)

Expanding the domestic footprint – entering monopoly markets

- Brisbane-Perth: double daily weekday A330 services from May
- Brisbane-Moranbah: 3 per weekday ATR services from April (current monopoly route)
- Brisbane-Bundaberg: daily ATR services from May (current monopoly route)
- Additional 11 ATR-72s delivered by end of FY15
- Proposed Skywest acquisition[1] will add 20 aircraft to regional fleet
- H2 FY13 – domestic capacity growth of between 5-7%

Growth plans on strategy – focus on yield and RASK improvements, not market share

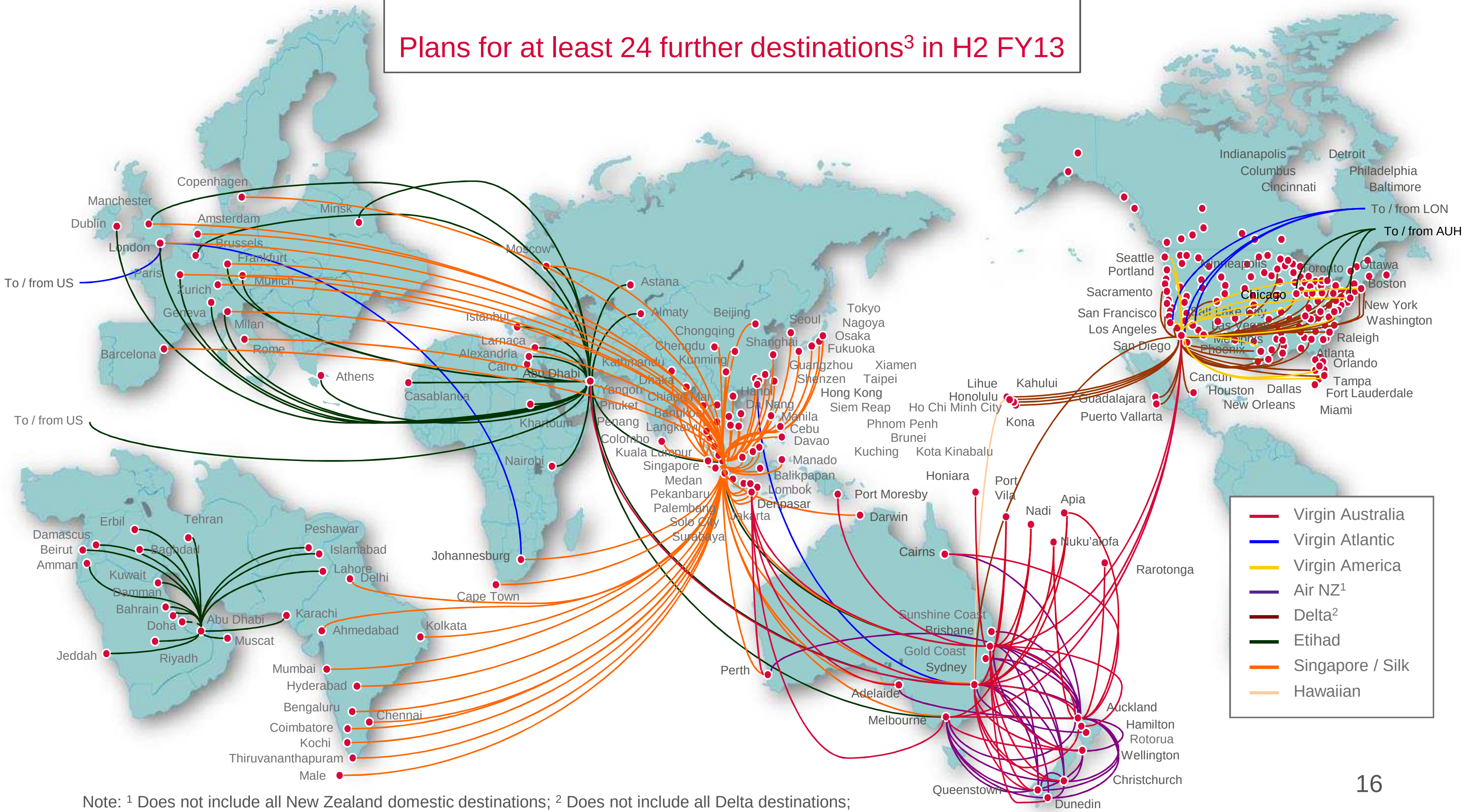
Note: [1] Subject to certain conditions, including approval by Skywest shareholders, the Foreign Investment Review Board and the Singapore High Court

International business – maintaining strong performance

- All strategic alliance partnerships online since start of FY13 – benefits flowing
- Strong interline and codeshare revenue growth of +56%
- Commenced codeshare to Europe via Singapore from Adelaide, Perth and Darwin – expanding to Sydney, Melbourne and Brisbane in Q3 FY13
- Enhanced food and beverage offer across all international services
- Access to global network of over 150 lounges
- Launched Round the World and Circle Pacific fares with Singapore Airlines – more to follow
  - Round the World fares cover 85 destinations in 35 countries, and Circle Pacific fares cover 36 destinations in 13 countries

Added 73 new codeshare destinations in H1 FY13

Plans for at least 24 further destinations[3] in H2 FY13



Note: [1] Does not include all New Zealand domestic destinations; [2] Does not include all Delta destinations;
[3] Some destinations subject to regulatory approval

Partnerships continue to expand

Air New Zealand	*412 operated and codeshare services across New Zealand per week[1], connecting to 23 destinations across New Zealand*
Delta	*21 operated and codeshare services to Los Angeles per week[1], connecting to 179 destinations in North America*
Etihad	*28 operated and codeshare services to Abu Dhabi per week[1], connecting to 17 destinations in Asia and 42 across Europe, the Middle East and Africa*
Singapore Airlines	*112 codeshare services to Singapore per week[1], connecting to 64 destinations throughout Asia and 14 across Europe and Africa*

Full reciprocal frequent flyer earn & burn, and status recognition around the world

Note: As at December 2012; [1] Total Virgin Australia operated and partner codeshare services from all Australian ports

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Fleet – 4.2 years average age at 30 June 2013

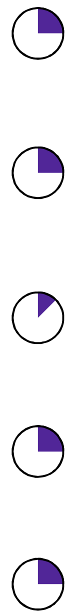
	Dec 2012	Deliveries	Retirement / lease return	Jun 2013	Jun 2015
Narrow body					
B737-700	4	0	1	3	2
B737-800	68	1	1	68	76
E170	0	0	0	0	0
E190	18	0	0	18	18
Wide body					
A330-200	5	1	0	6	8
B777-300ER	5	0	0	5	5
Turboprop					
ATR-72	8	4	0	12	19

Note: Figures up to end of December 2012 – firm deliveries only and excludes additional options and purchase rights

On track for delivery on a consistent strategy

"Game On" phase

% completed



- Implement business efficiency project
- Build a transformational loyalty business
- Increase access to global markets
- Further enhance guest experience through innovation inflight and on-the-ground
- Continue to develop our people and service excellence – our key differentiator

FY13 → **FY14** → **FY15**

Implementing business efficiency project

- Early efficiency savings are being realised – on track for FY13 goals
- Focused on structural change as opposed to short term business as usual efforts
- Twelve key metrics have been identified to drive efficiencies and measure performance
  - Achievement of KPI's will drive cost outcomes

Business efficiency project run rate targets (FY13-FY15)

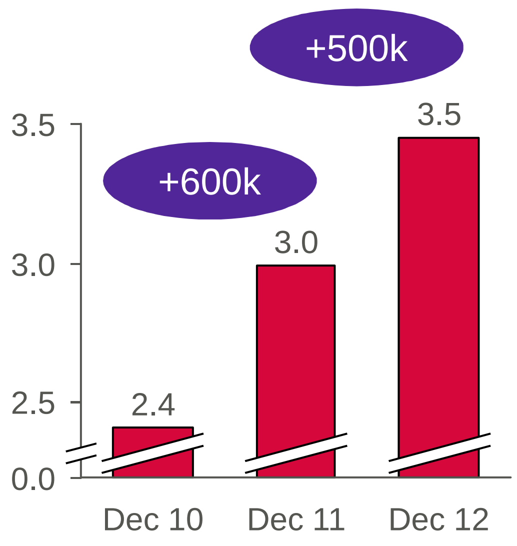
Annual run rate targets	
FY13	$60+ m
FY14	$120m
FY15	$200m

Business efficiency project delivered gains of $25 million in H1 FY13, on track to deliver over $60 million for FY13

Building a transformational loyalty business

- Membership continues to grow – 3.5m as at December 2012, up ~500k members from December 2011
- Program of 400 global partners – new partners include Morgans Hotel Group and ASOS
- Rewards redemption continues to grow strongly – points redeemed growth of +48% on H1 FY12
- Full commencement of reciprocal earn and burn on international partner airlines
  - 113% growth in points earned on airline alliance partners

Velocity membership base (Dec 10-Dec 12)
Millions of members

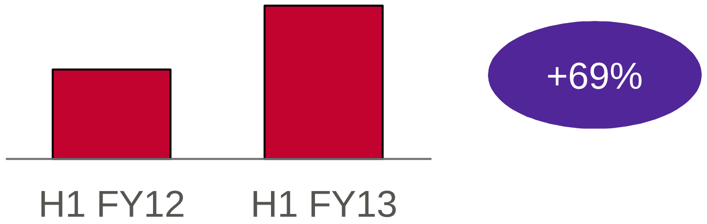


Interline and codeshare revenue

- Substantial growth in revenue supported by continued growth in passenger volumes and yield
- Interline and codeshare[2] revenue growth of +56%
- Interline and codeshare[2] passenger growth of +37%
- Alliance partner airlines key to growth performance

Strategic alliances[1] revenue growth (H1 FY12-H1 FY13)
Millions of dollars

Strategic alliances[1] passenger growth (H1 FY12-H1 FY13)
Thousands of passengers



Note: [1] Includes Air New Zealand, Delta, Etihad and Singapore Airlines; [2] Interline and codeshare on Virgin Australia domestic and short haul international services only, excludes Virgin Australia long haul international services

Sabre reservation system implemented Jan 2013

"This has been one of our most complex migrations. Transitioning to a ticketing environment , moving from two reservation systems to a third, retiring the DJ code AND achieving it all in just over 12 months."

Hugh Jones, President Sabre Airline Solutions

- Ongoing work to improve systems and introduce enhancements to occur over the next couple of months
- Access to global GDS – allows travel agencies worldwide to book on Virgin Australia
  - Activation of Travelsky GDS in China on track for implementation by end of FY13

Benefits already seen – proportion of bookings through GDS have increased five-fold
Bookings though GDS channels typically have a 10% yield premium to average

Note: GDS: Global Distribution System

Proposed transactions update

Proposed Skywest acquisition[1]

- Received ACCC clearance
- Accelerated expansion and earnings growth in the fly-in-fly-out (FIFO) and regional markets
- Anticipated completion by end of April 2013

Proposed Tiger Australia joint venture[2]

- Received Tiger Airways shareholder approval
- Will increase competition to the benefit of Australian consumers
- Proposed ACCC's findings announcement – 14 March 2013

Corporate / government & leisure	Regional & charter	Budget
Virgin australia	Virgin australia Skywest	tiger airways.com

Will be the lowest cost operator in all market segments

Note: [1] Subject to certain conditions, including approval by Skywest shareholders, the Foreign Investment Review Board and the Singapore High Court; [2] Subject to certain conditions, including approval by ACCC and the Foreign Investment Review Board

A leader in customer service and satisfaction

Domestic Airline of the Year – Roy Morgan Customer Satisfaction Awards

Skytrax World Airline Awards

- 'Best Airline' in the Australia Pacific region
- 'Best Staff Service' in the Australia Pacific region – second consecutive year

CSIA Australian Service Excellence Awards

- National Division of a Large Business – Virgin Australia Lounge
- National Customer Service Team of the Year – Virgin Australia Cabin Crew

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Continuing consistent growth strategy and plan

FY11	FY12	FY13	FY14	FY15
✓	✓			
Plan & implement	Reposition	Lead & leverage	Growth	Sustainability
• Formulate Game Change strategic plan and commence implementation	• Conclude roll out of Game Change strategic plan and begin benefits realisation from H2 FY12	• Build upon strategic re-positioning on a strengthened domestic market position and commence Game On phase	• Drive future earnings growth through Game On phase	• Positioned to continue sustainable and resilient earnings growth

What will drive Virgin Australia forward?

- Fully formed global alliance network
- Sabre – expanded global distribution and reach
- Rapidly expanding loyalty program
- Innovative domestic product introduced
- Strong embedded cost disciplines
- Lowest cost operator in all market segments[1]
- Award winning customer service

Strong shareholder base

Note: [1] Proposed Skywest acquisition and Tiger Australia joint venture subject to certain conditions as outlined on page 24

Outlook

Consistent with the guidance provided at our Annual General Meeting on 20 November 2012, while we currently expect an improved underlying Profit Before Tax in Financial Year 2013 compared to Financial Year 2012 (excluding the impact of the proposed Skywest Airlines acquisition and Tiger Australia joint venture), the uncertainty in economic conditions and the competitive environment precludes us from providing a profit guidance for the year.

Definitions

Definitions:

Underlying Cost per Available Seat Kilometre (CASK): Total revenue less underlying Profit Before Tax and the following: fuel, carbon tax, hedging ineffectiveness, third party loyalty redemption costs and revenue relating to non-ticket or nil margin activities. This revenue is not included in the definition of yield.

Hedging ineffectiveness: H1 FY13 excludes the $10.8m benefit of time value ineffective hedges which is included in underlying profit / (loss) before tax. The time value for H1 FY12 was an expense of $13.5m which is excluded from the underlying profit / (loss) before tax.

ASIC guidance

ASIC guidance:

In December 2011 ASIC issued Regulatory Guide 230. In order to comply with this Guide, Virgin Australia is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards. The following non-IFRS information has not been audited or reviewed by KPMG: underlying Profit Before Tax, domestic EBIT, international EBIT, segment EBIT and other items. This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the interim financial statements that have been reviewed by KPMG.