

VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX: VAH)

2017 ANNUAL GENERAL MEETING ADDRESS BY CHAIRMAN ELIZABETH BRYAN

8 November 2017

Introduction¹

I'd now like to make some remarks about the Group's performance over the 2017 financial year and our focus for the year ahead.

Over the past year, the Group made significant progress towards building a strong financial foundation. The Group did so while maintaining our reputation for offering safe and rewarding travel experiences.

The aviation industry is always complex, and this year was no exception. Stakeholders had to contend with subdued trading conditions, changes in passenger dynamics and the impact of geopolitical events.

One constant through this time was the role that this airline group played in keeping Australian aviation strong. By offering an extensive flight network and choice and innovation to travellers, we provide important infrastructure that is critical to competitive aviation here in Australia. This has clear benefits for the travelling public and the Australian economy. Our work in attracting passengers and consolidating our position in the Australian aviation market is also essential to delivering value to shareholders.

2017 Financial Year Outcomes

Turning now to our performance in the 2017 financial year, the Board and senior management of the Virgin Australia Group have been firmly focused on improving our financial base.

Over the year, we have improved our balance sheet and our free cash flow performance. We have also introduced efficiencies in our business that will deliver significant long-term savings. Importantly, we are building a foundation that will support future sustainable profitability.

Looking at our 2017 financial year performance, we delivered the first positive Free Cash Flow result since the 2012 financial year, which was a \$126.4 million improvement on the 2016 financial year.

We maintained a strong cash balance and reduced Net Debt by \$839 million.²

The business also made progress in implementing our major program of capital and operational initiatives, which we call our Better Business program. As outlined at our 2017 financial year results, we

¹ For disclaimers and definitions of non-statutory financial terms and other capitalised terms, refer to page 5. This document should be read in conjunction with the Group's ASX Appendix 4E and Preliminary Final Report for the financial year ended 30 June 2017 and the document entitled '2017 AGM Presentation', which were released to the Australian Securities Exchange on 10 August 2017 and 8 November 2017 respectively.

² As at 30 June 2017, compared to the prior corresponding period.

are ahead of schedule in implementing this program. The program is on track to deliver \$350 million per year in annualised net free cash flow savings by the end of the 2019 financial year. This is \$50 million per annum higher than the original savings target.

We reported an Underlying Loss Before Tax of \$3.7 million. However, the Group's underlying result for the fourth quarter showed a \$38.4 million improvement compared to the fourth quarter of the 2016 financial year.

On a statutory basis, loss after tax for the 2017 financial year was \$185.8 million. While this was an improvement of \$38.9 million on the previous financial year, it contained upfront restructuring costs from implementing the Better Business cost and productivity program.

Importantly, as we move through this three year program, these restructuring costs will subside and the company will benefit from the ongoing, sustainable savings that the program is on track to deliver.

In addition to improving the health of our business this year, we continued to provide an important service to our passengers and communities.

In the 2017 financial year, we carried more than 24 million passengers and flew more than 46 billion available seat kilometres. We offered more than 480 destinations in our virtual global network, and provided extensive benefits to our 8 million Velocity members.

The Virgin Australia Group also believes that supporting the communities we serve and protecting our environment is the right thing to do for both our business and our country.

During the year, we focused our efforts on the areas of youth at risk, mental illness, humanitarian aid and protecting our natural resources. We did so through our strong partnerships with the Australian Indigenous Mentoring Experience, the Black Dog Institute, CARE Australia, the Starlight Children's Foundation and other organisations.

The Group also took action to ensure our environmental footprint is sustainable. We supported Greening Australia's Reef Aid Project to help restore one of Australia's greatest assets, the Great Barrier Reef. Recently, we announced that we are leading an initiative to supply biofuels made from sustainable sources to Brisbane Airport's fuel supply system. This will be the first time this has been done in Australia and is an important step in ensuring these fuels can be used and produced in this country.

All of the Virgin Australia Group's achievements in the 2017 financial year are the result of hard work and dedication from our workforce of nearly 10 000 people.

They are outstanding ambassadors and strong advocates for our business. Together, they are responsible for maintaining our position as a world-class airline group, and they truly deserve the industry awards given to the Group during the year. These include:

- 'Best Airline' and 'Best Airline Staff' in the Australia/Pacific region at the World Airline Awards;

- ‘Best Business Class’ at the Airline Ratings ‘Airline of the Year’ awards; and
- ‘Best Domestic Airline’ at the National Travel Industry Awards.

I want to thank each member of our Board of Directors and the Group’s senior management team, led by John. They have continued to display outstanding leadership and dedication.

We have had some changes to the board over the past 12 months:

- JP Moorehead, who was nominated by Virgin Group, resigned and was replaced by Warwick Negus.
- Mr Bruno Matheu, who was nominated by Etihad Group, resigned and was replaced by Harsh Mohan.
- Dr Lu Chien-tsung, who was nominated by Nanshan Group, resigned and was replaced by Mr Lan Xiang.
- Ken Dean joined us as an independent director.
- David Baxby, an independent director, also departed the Board in August

I thank all of the directors who departed over the past 12 months for their service to the Board.

I would also like to welcome our new directors, who are up for election to the Board today and will address the meeting shortly.

The Virgin Australia Group recognises that it is important to have an independent Board and that renewal of the Board is important as the company evolves. Today we have announced to the Australian Securities Exchange that Mr Trevor Bourne and Mr Mark Chellew will be appointed to the Board as independent directors and will commence their roles in January 2018. They both have much to bring to the Virgin Australia Group from their extensive and diverse experiences as board members and senior executives. My fellow Board members and I look forward to working closely with them when they begin as Directors.

I would also like to take this opportunity to once again thank all of our shareholders for their continued support.

The support of our major shareholders Etihad Airways, HNA Aviation Group, Nanshan Group, Singapore Airlines and the Virgin Group has played an important role in the positive results that have been achieved.

I would also like to acknowledge our smaller shareholders for their continued support.

Consideration of Listing

I would like to note that there has been speculation over the past year about the Group's status as a publically listed company.

The Group has a small free float and many have asked the question of whether it is appropriate to remain listed, or to become a privately held company.

As an independent chair with a large and varied shareholder base, I am particularly conscious of what a small free float means for our minority shareholders.

It is my responsibility, and that of all our directors, to ensure that the interests of the minority shareholders are represented at the Board. We have a responsibility to ensure that we act in the best interests of all shareholders and in the long-term interest of the company.

As part of fulfilling this responsibility, the Board has held discussions about privatisation, however there is no outcome to report to the market at this stage.

Looking Forward

I'd now like to turn now to our areas of focus for the 2018 financial year.

I am pleased to say that we enter the year ahead knowing that the future of the Virgin Australia Group is strong.

Over the next year, we will remain firmly focused on executing our plan to improve our financial performance.

The Group will continue to implement the Better Business program. We expect this program to continue to track ahead of schedule in its implementation.

We will also continue to work on improving our balance sheet and maintaining the Group's positive momentum on cash and debt performance.

John and his team will build on the established position we have in the Australian domestic market and continue to leverage growth opportunities, particularly in the Asian and North American markets.

Through these actions, we are targeting sustainable earnings growth and, most importantly, the delivery of value for our shareholders.

So thank you for your attention.

ENDS

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Disclaimer

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

This presentation has not been audited or reviewed by KPMG; however, data has been derived from the annual consolidated financial statements that have been audited by KPMG.

Definitions

Underlying Profit / (Loss) Before Tax: is a non-statutory measure that represents statutory (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 of equity-accounted investee 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 Financial Report. For the year ended 30 June 2017: time value movement on cash flow hedges (loss of \$43.5m), unrealised ineffectiveness on cash flow hedges and non-designated derivatives (gain of \$0.7m). For the year ended 30 June 2016, this item includes: time value movement on cash flow hedges (loss of \$28.5m) and unrealised ineffectiveness on cash flow hedges and non-designated derivatives (gain of \$0.7m).

Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR): is a non-statutory measure per Note 2 of the VAH Financial Report for the year ended 30 June 2017. 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 Financial Report for the year ended 30 June 2017. 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.

Free Cash Flow: is a non-statutory measure derived from cash generated from operating activities (excluding finance costs and finance income) less cash payments for business restructuring expenses less net cash used in investing activities less equity distributions paid to non-controlling interests.

Unit 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.

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.

RPK or Revenue Passenger Kilometre: Revenue Passenger Kilometre is a non-statutory measure derived from number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

Revenue Load Factor: is a non-statutory measure derived from RPKs as a percentage of ASK.

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.

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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For further information on definitions please refer to the VAH Financial Report for the 2017 Financial Year.

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 has been audited or reviewed in accordance with Australian Auditing Standards.

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