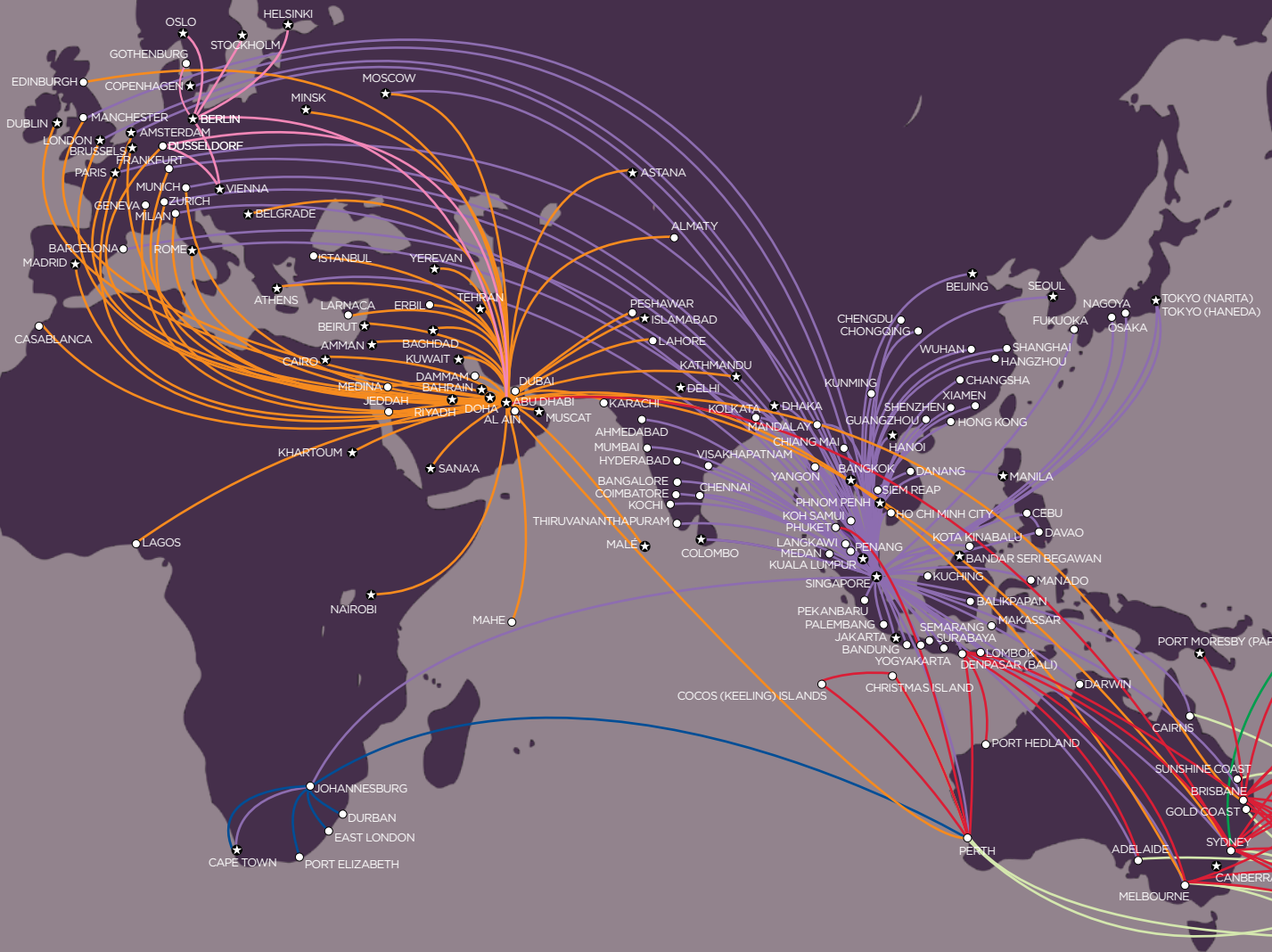


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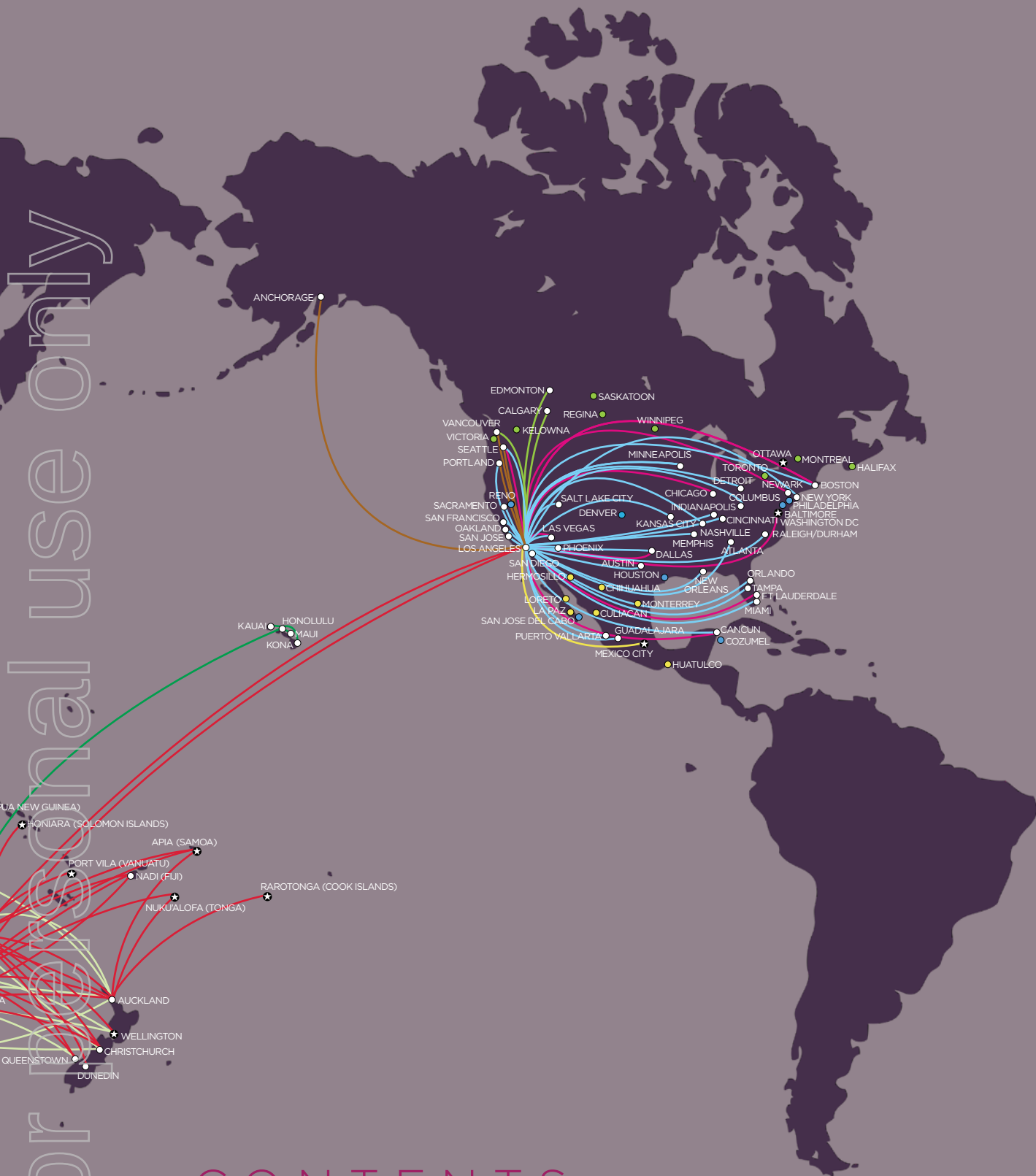
VIRGIN
AUSTRALIA
GROUP
ANNUAL
REPORT
2015



NETWORK KEY

- Virgin Australia
- Air New Zealand
- Delta Air Lines
- Etihad Airways
- Singapore Airlines/SilkAir
- South African Airways
- AeroMexico
- Air Berlin
- Alaska Airlines
- Hawaiian Airlines
- Virgin America
- WestJet Airlines

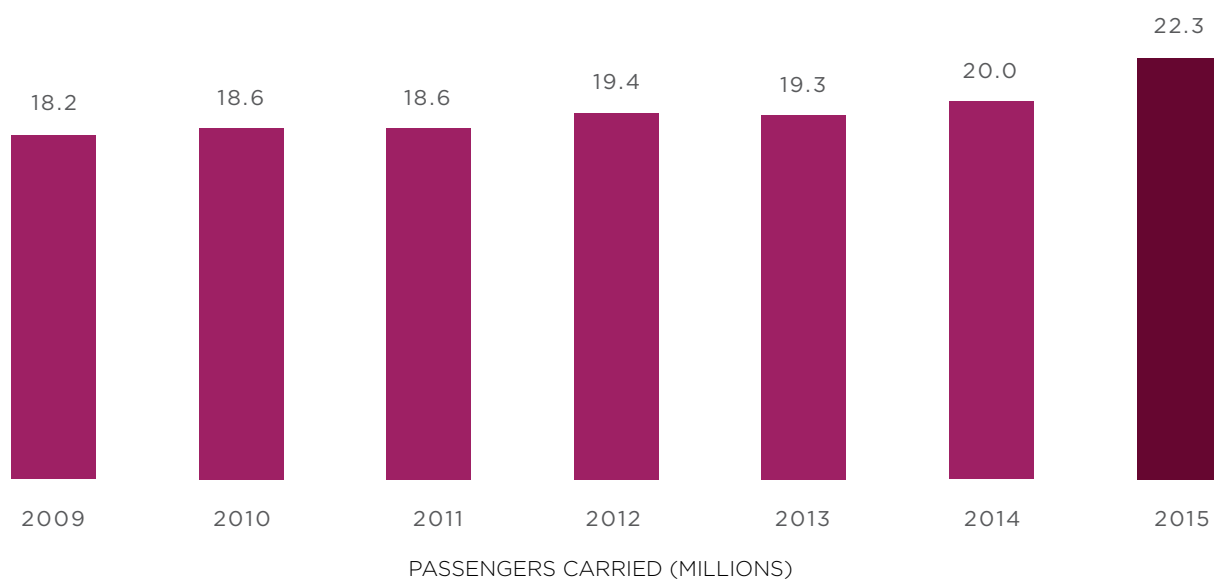
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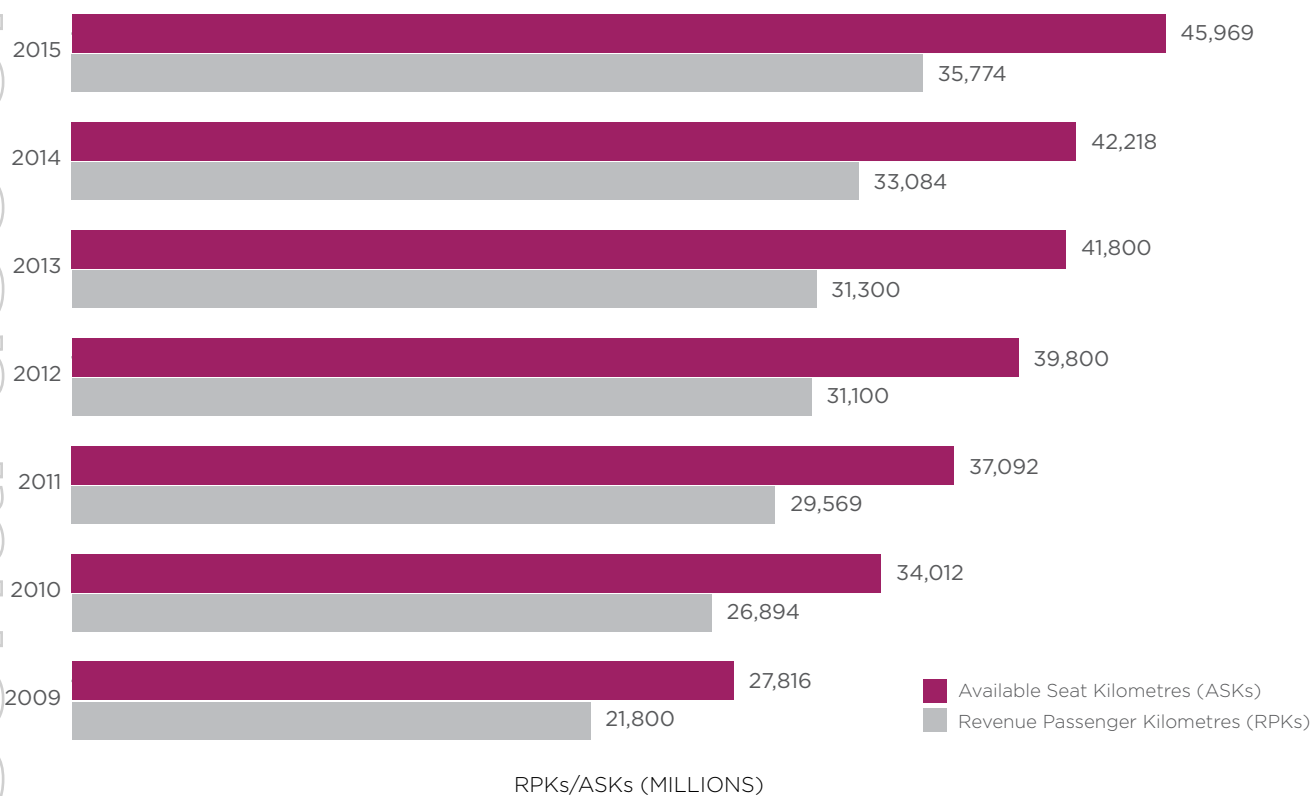


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OVERVIEW





FINANCIAL HIGHLIGHTS

	2015 (\$million)	2014 (\$million)
Total revenue and income	4,749.20	4,306.60
Statutory net profit/(loss) after tax	(93.8)	(355.6)

OPERATING STATISTICS (Group)

	2015	2014
Available seat kilometres	46.0bn	42.2bn
Passengers carried	22.3m	20.0m
Revenue load factor	77.8%	78.4%

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CHAIRMAN'S REPORT

I am pleased to present the 2015 Annual Report to shareholders, my first as Chairman of the Virgin Australia Group.

I would like to thank my predecessor Neil Chatfield for his leadership over the past nine years, guiding the company through its significant transformation as part of the Game Change Program and establishing the Virgin Australia Group as a long-term player in all key segments of the Australian aviation market.

The Group is privileged to have such strong, supportive shareholders and I look forward to working closely with my fellow Board Directors, CEO John Borghetti and the Virgin Australia Group management team to deliver on the next exciting phase of the organisation's development.

Throughout the 2015 financial year, the Virgin Australia Group has remained focussed on delivering the goals of the Virgin Vision 2017 strategy and in turn driving sustainable returns for shareholders over the long-term.

As a result of its progress in this regard, the Virgin Australia Group delivered a significant improvement in financial performance for the 2015 financial year. The Group's loss of \$93.8 million after tax for the 2015 financial year represented an improvement of \$162.7 million compared to the prior corresponding period. This improvement was primarily driven by a strong performance on revenue growth and the disciplined execution of the Group's cost reduction program.

In February 2015 the full acquisition of Tigerair Australia was completed, enabling the Group to develop further economies of scale for the benefit of both airlines. This has contributed to the Group's cost reduction efforts and supported a vast improvement in On Time Performance and Customer Satisfaction ratings for Tigerair Australia.

The customer is always at the heart of the Virgin Australia Group. During

the 2015 financial year a number of enhancements were made to the travel experience with both Virgin Australia and Tigerair Australia. Virgin Australia completed its transition to a contemporary full service airline and achieved a series of significant awards, including:

- Best Airline Staff Service in the Australia/Pacific Region for the fifth consecutive year in the 2015 Skytrax World Airline Awards;
- Best New World Carrier in the AirlineRatings.com 2015 Airline Excellence awards;
- Best Cabin Crew and Best Frequent Flyer Scheme in the 2015 Australian Business Traveller Awards; and
- Best Pacific Airline in the 2014 Travel Trade Gazette Travel Awards.

Virgin Australia continued to work closely with its world class major alliance partners Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines to enhance the customer experience during the 2015 financial year.

Tigerair Australia introduced a number of initiatives to improve the customer experience while streamlining costs, including check-in kiosks at major airports and an iPad-based mobile app that makes the check-in and boarding process more efficient while enabling additional revenue opportunities.

As a major Australian airline group, it is our duty to be a responsible corporate citizen as well as operating a sustainable business. Throughout the 2015 financial year a number of new initiatives were put in place, including the introduction of a range of recycling programs on board and throughout our supply chain. We began providing quality excess food from our aircraft to OzHarvest and began donating surplus uniforms to The Smith Family, Mission Australia and Dress for Success New Zealand. Our dedicated fuel efficiency team undertook a range of

projects aimed at increasing aircraft performance and efficiency through all phases of flight, as well as optimising our ground operations. Collectively these projects significantly reduce our fuel consumption, and the resultant combustion emissions.

The Group continues to develop a diverse and empowered workforce and actively encourage the participation of women across all areas of the business. The 2015 financial year saw initiatives introduced which promote an inclusive workplace, including the inaugural Diversity and Inclusion Week as well as a new partnership with White Ribbon Australia, allowing the Group to support victims of domestic violence by introducing family and domestic violence leave.

Supporting youth-at-risk in Australia remained a strong focus for the Group and throughout the 2015 financial year we continued to dedicate resources to our established community partners: the Starlight Children's Foundation, Surf Life Saving Australia, Brisbane Youth Service and the Australian Indigenous Mentoring Experience (AIME). This year, CARE Australia joined our portfolio of community partners and together we were able to facilitate the urgent transport of aid, personnel and much-needed supplies in the wake of Tropical Cyclone Pam which devastated Vanuatu in March 2015.

Despite the ongoing challenging economic environment, with the disciplined execution of the Virgin Vision 2017 strategy, the company is well positioned to deliver ongoing earnings growth and diversification.

As a result of the hard work of our team members, the Group is on a positive trajectory and on track to significantly improve financial performance again for the 2016 financial year.

I would like to thank all team members and our shareholders for your continued support of the Virgin Australia Group.



Elizabeth Bryan
Chairman

CEO'S REPORT

The 2015 financial year represented the first year of the company's Virgin Vision 2017 strategy, a strategy designed to maximise the Virgin Australia Group's potential by extracting value from the business and generating sustainable profitability.

The Group has already achieved significant progress in executing Virgin Vision 2017, which has seen a substantial improvement in the company's performance for the 2015 financial year. This includes:

- A strong turnaround in the Virgin Australia Domestic business with Earnings Before Interest and Tax (EBIT) up by \$210.1 million;
- A significant improvement in Tigerair Australia performance, with EBIT up by \$42.7 million;
- 18.5 per cent growth in Velocity Frequent Flyer revenue, with an average of more than 4,300 joins per day in the last quarter of the financial year;
- A marked reduction in underlying costs, with Group Underlying Cost per Available Seat Kilometre (CASK) reducing by 6.4 per cent excluding fuel and foreign exchange;
- The highest ever full year unrestricted cash balance and a \$226 million improvement in Operating Cash Flow;
- A substantial increase in On Time Performance across the Group, with Virgin Australia Domestic leading the major Australian airline brands; and
- A continued improvement in customer satisfaction, including record customer satisfaction with the end-to-end Virgin Australia customer experience¹ and a significant increase in customer satisfaction with the overall Tigerair Australia experience.

The Virgin Australia Group also implemented several critical strategic initiatives during the 2015 financial year, including the full acquisition of Tigerair Australia, a major Velocity Frequent Flyer transaction to accelerate the program's strategy and the successful completion of Virgin Australia's first issue of unsecured notes in the international debt capital markets.

Our people have demonstrated enormous skill and dedication in their disciplined execution of the Virgin Vision strategy and as a result the overall business is on a positive trajectory.

FINANCIAL AND OPERATING PERFORMANCE

The Group reported an Underlying Loss Before Tax of \$49.0 million for the 2015 financial year, an improvement of \$162.7 million on the 2014 financial year. Taking into account 100 per cent of Tigerair Australia performance on a like-for-like basis, the 2015 financial year underlying performance represents a \$213.0 million improvement over the prior corresponding year.

The Statutory Loss After Tax for the 2015 financial year was \$93.8 million, an improvement of \$260.0 million on the prior corresponding period.

Return on Invested Capital² for the 2015 financial year was 6.1 per cent, an improvement of 4.7 percentage points on the prior corresponding period.

While Virgin Australia Domestic reported a strong Underlying EBIT of \$111.1 million for the 2015 financial year, increased competitive pressure, particularly in the South East Asian and long-haul markets, constrained Virgin Australia International yield recovery.

The Group implemented the first phase of initiatives to improve the performance of the international business during the second half of the 2015 financial year, resulting in Underlying EBIT improving by \$2.4 million during that period compared to the prior corresponding half.

The Group also continued to decrease Underlying CASK while investing in the customer experience. Additionally, the full acquisition of Tigerair Australia has given us further capability to lower the Group's unit costs.

Importantly, Virgin Australia led the major carriers in On Time Performance for the 2015 Financial Year, achieving 87.9 per cent of flights on time³, an increase of 3.9 percentage points on the year before.

SAFETY

The Virgin Australia Group is committed to ensuring a safe and secure operation.

During the 2015 financial year, the Virgin Australia Safety Management System (SMS) functioning and capability was further strengthened. The Virgin Australia Safety Culture is integral to the SMS and to the success of our Group of Airlines. We are committed to an integrated approach which utilises and develops existing systems across safety, security, emergency response, occupational health and aviation medicine to achieve the desired outcomes in other areas of the broader SMS.

Workplace Health and Safety (WHS) continued to evolve during the 2015 financial year, working towards the highest standards and best practice. A range of new WHS initiatives were implemented during the year, resulting in a 52.7 per cent reduction in lost-time injuries at Virgin Australia and 49.7 per cent at Virgin Australia Regional Airlines.

OUR PEOPLE

Our people and their dedication to going above and beyond in their day-to-day roles is central to our success in delivering on our Virgin Vision strategy. I would like to thank all of our team members for their commitment to our customers and their tireless efforts in bringing to life the Virgin Vision.

Our people have always been the key differentiator in the market and a key pillar of the Virgin Vision strategy is to support and develop our people to be their best. Across the year a number of initiatives were introduced to ensure we continue to build a supportive and inclusive workplace, with a culture of high performance and service excellence.

We continue to attract and retain the best talent and Virgin Australia was recognised as Australia's most attractive employer at the 2015 Randstad Awards.

1. Guest Satisfaction Tracker, July 2014 - June 2015. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency. Colmar Brunton specialises in scientifically rigorous market research methodologies and provides research services to leading blue chip companies, Federal, State and Council governments and has ISO-20252 quality assurance accreditation.

2. ROIC is a non-statutory measure and is defined as ROIC EBIT/ Invested Capital (as defined above), and represents a measure of the Group's Underlying Profit/(Loss) (as defined above) as a percentage of Invested capital (as defined above).

3. Refers to the BITRE's departure OTP results of Virgin Australia branded domestic airlines (Virgin Australia and Virgin Australia Regional Airlines) which averaged 87.9% for FY15 and the results of Qantas branded airlines (Qantas and QantasLink) which averaged 87.2% for FY15.



STRATEGIC PRIORITIES

Over the next two years, the Virgin Australia Group will continue to focus on the Virgin Vision 2017 priorities of capitalising on growth opportunities; driving yield enhancement; implementing a new cost program; optimising the balance sheet; setting a new standard in customer experience; and developing our people to their full potential.

Based on current market conditions, all fundamental business metrics are on track for the Group to return to profitability and report a Return on Invested Capital in line with its cost of capital for the 2016 financial year.

We expect that:

- Virgin Australia Domestic will continue to deliver margin improvement in the 2016 financial year;
- Virgin Australia International will be profitable by the 2017 financial year;
- Velocity Frequent Flyer will deliver a minimum of 15 per cent earnings growth per year for the 2016 and 2017 financial years;
- Cargo and Charter will continue to increase earnings growth; and
- Tigerair Australia will be profitable by the 2016 financial year.

I would like to thank every team member across the Virgin Australia Group for the discipline with which they have executed the Virgin Vision 2017 strategy so far. Each team member has contributed to delivering cost savings while still ensuring the customer remains at the heart of everything we do.

I would also like to thank our customers and investors for their continued support of the Virgin Australia Group and I look forward to continuing to deliver on our strategy and to delivering sustainable returns for shareholders over the long-term.



John Borghetti
CEO

SUPPORTING AUSTRALIA

Over the past five years our airline has transformed into a strong, diversified airline group, providing competition in all major sectors of the aviation market, for the benefit of all Australians.

Our responsibility is to safely connect people and transport their cargo across our vast country and around the world.

During the 2015 financial year we strengthened the role we play within Australia by investing in the growth of regional and charter services, assisting in natural disasters and promoting inbound and domestic tourism. The Virgin Australia Group is also proud to support the continued development of the Pacific Islands region, providing regular services to the Cook Islands, Fiji, Papua New Guinea, the Solomon Islands, Tonga and Vanuatu.

TOURISM

Australia has long been a popular holiday destination for international tourists, and the Virgin Australia Group plays a fundamental role in facilitating the travel aspirations of many. We work closely with Australian Government agency Tourism Australia to attract international business and leisure tourists to Australia. As the major airline partner of Tourism Australia, Virgin Australia increased its three year global marketing deal to \$20 million in October 2014 to further promote Australia in the United States and New Zealand. The expanded partnership enabled Virgin Australia to jointly host major tourism events that put Australia on the world stage and showcased our airline to important visitors, investors and decision makers. In June 2015, a landmark agreement between Tourism Australia and Virgin Australia was reached, extending the partnership to \$50 million over five years, which represents the largest ever commercial arrangement Tourism Australia has entered into with an airline partner.

In November 2014, 86 of the world's biggest food and wine influencers, with a combined audience of 400 million, travelled to Australia to taste our fresh produce, sample our signature wines and meet

our uniquely Australian chefs, winemakers, and food producers as part of Tourism Australia's Invite the World to Dinner event. Virgin Australia provided a bespoke charter flight experience for these influencers, in an event which reached an estimated audience of 1.36 billion.

Together with Tourism Australia, we launched an eight week campaign in February 2015 featuring food and wine experiences in the United States, targeting Los Angeles and other key markets across the country, as well as New Zealand. As part of the campaign, an integrated TV partnership with the American Broadcasting Company (ABC) targeted the Academy Awards and Good Morning America, showcasing our brand and airline to more than 40 million people worldwide.

SERVING THE COMMUNITY

The Virgin Australia Group is focused on strengthening our relationships to ensure we are a preferred and trusted partner and a responsible corporate citizen. We play a powerful role in bringing ideas and people together to make a difference and we're focused on serving the community and the national interest in innovative ways. Through our longstanding partnerships with the Australian Indigenous Mentoring Experience (AIME) and the Starlight Children's Foundation we are maintaining our focus on supporting charities which strive to make a positive difference in the lives of young Australians.

Virgin Australia provided more than 300 flights during the 2015 financial year, which enabled AIME to mentor over 3,000 indigenous high school students across the country. This year AIME reported its strongest high school and university conversion results ever, which is something we are extremely proud to have contributed to. During the year we also hosted Australia's first Sky High Mentoring Experience for 25 AIME students and their families.

Our partnership with the Starlight Children's Foundation enables us to use our people and our network to encourage Starlight's inspiring work in transforming the lives of seriously ill children and their families across Australia. This year, we made 250 travel wishes a reality through our role as the official wishgranting partner, and continued to support other fundraising initiatives such as the Starlight Children's Foundation Five Chefs Dinners around the country.

The Virgin Australia Group responded quickly in times of crisis during the 2015 financial year. During the January 2015 bushfires in South Australia, we provided assistance by discounting fares and transporting supplies and excess baggage for Emergency Services. We also extended support to countries in our region when they were hit by natural disasters. Together with CARE Australia, we supported victims of Tropical Cyclone Pam in Vanuatu in March 2015 by transporting emergency aid personnel and supplies to areas in need. In addition, the Virgin Australia Group mobilised its powerful network of staff and customers to fundraise in airports and lounges for those impacted by Tropical Cyclone Pam and the devastating earthquake in Nepal.

Virgin Australia also supports a number of other organisations and initiatives including Australian Defence Force Assistance Trust, Black Dog Institute, Brisbane Youth Service, St Vincent De Paul's CEO Sleepout, Surf Life Saving Australia and White Ribbon.

We continue to provide Velocity Frequent Flyer members with the option to redeem Points to support these charities, as well as a range of other charity partners, recognising that our customers support organisations operating in their communities.

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EMBRACING AUSTRALIAN TALENT

The Virgin brand is steeped in entertainment and the Virgin Australia Group is proud to support local talent to amplify their success on the world stage and promote travel with Virgin Australia to and within Australia.

We have developed progressive partnerships across art, sport, fashion, lifestyle and food, which are all areas integral to Australia's vibrant cultural fabric.

The 2015 financial year marked the third season of Virgin Australia's Principal Partnership with the Australian Chamber Orchestra (ACO) and the 40th anniversary of the Orchestra. Virgin Australia supported the ACO on 10 national, three regional and two international tours, 87 concerts, as well as two special projects and two festivals.

To celebrate the 40th anniversary of the ACO a special video was filmed of Vivaldi's Travelator featuring members of the Orchestra, which reached more than 195,000 people

through our social media channels. Throughout the 2015 financial year we directly connected top-tier Velocity Frequent Flyer, business and leisure customers to one of the world's most unique, vibrant and distinguished touring ensembles, by holding bespoke preview events at Sydney Grammar School and the Sydney Opera House.

Our second year as Principal and Naming Rights Partner of the Virgin Australia Melbourne Fashion Festival continued to cement our status as Australia's most stylish airline. The Festival is a key driver of tourism to the state of Victoria, this year attracting 392,600 people to what is considered the biggest event on the Australian fashion calendar.

AUSTRALIAN FOOTBALL LEAGUE

To celebrate the sponsorship of the Carlton Football Club, Virgin Australia created a world-class in-game experience in front of 71,000 fans at the Carlton versus Collingwood blockbuster game at the Melbourne Cricket Ground (MCG). Virgin Australia's Greatest Ever Seat Upgrade involved 22 of our cabin crew, a large fireworks display and sending an entire row of Carlton fans from the MCG to Los Angeles. The activation reached more than half a million people on our social media channels.

To launch our partnerships with the West Coast Eagles and Fremantle Dockers, Virgin Australia ran an experiential consumer promotion. Flight to the Grand Final involved the top 100 Velocity Frequent Flyers who registered their favourite club and took the most flights with Virgin Australia during the season. They won the ultimate football fan experience, including a seat on a chartered Boeing 737-800 to the 2014 Grand Final and two nights' accommodation in Melbourne.

As the official airline of the Australian Football League (AFL), Virgin Australia continues to support Australia's most popular sport by flying the teams, coaches and staff of the AFL across the country. Throughout the year, Virgin Australia provided the AFL with more than 300 flights across 452,000 kilometres and carried more than 279,000 kilograms of equipment.

This year, Virgin Australia became a major partner of the Carlton Football Club which expands our strong commitment to the AFL and enhances our connection with fans through the 637,000 devoted Carlton supporters and over 45,000 members of the club nationwide.

Virgin Australia continues to support the Gold Coast Suns, Greater Western Sydney Giants, Fremantle Dockers and West Coast Eagles.

Virgin Australia partnered with a range of other institutions and events during the 2015 financial year including; Appetite for Excellence, Australian Centre for Moving Image (ACMI), Black Swan State Theatre Company, Brisbane Festival, Circus Oz, Darwin Festival, Department of Foreign Affairs and Trade (DFAT) Anzac Day Cricket Match in Los Angeles, QAGOMA, Queensland Ballet, Sydney Dance Company, V8 Supercars, the National Basketball League and Women's Basketball League, West Australian Ballet, YWCA Rock Opera, Strictly Ballroom and the Ricky Martin One World Australian Tour.

VIRGIN AUSTRALIA MELBOURNE FASHION FESTIVAL

Held over nine days in March 2015, the second year of the Virgin Australia Melbourne Fashion Festival (VAMFF) continued to attract local, interstate and international visitors to Victoria and offer a diverse program of events from runway shows to business and cultural seminars. This year, we strengthened our partnership with the Festival by launching the Virgin Australia Fashion Channel on our in-flight entertainment system, offering a behind-the-scenes look at the industry via distinguished designers, entrepreneurs and influencers.

Virgin Australia hosted 550 guests across the Festival and our media wall captured 5,400 VIPs entering the Virgin Australia Runway Bar. The Festival's social media community increased by 78 per cent year-on-year, with more than 16 million consumers reached through Festival-owned and partner digital channels.

OUR PEOPLE

OUR PEOPLE AT THEIR BEST

The Virgin Australia Group strives to create an organisational culture that supports our people and develops them to their full potential. We have over 9,400 team members, 95% of whom are based in Australia with others spread across operating bases in New Zealand, the United States, the Asia Pacific and the United Kingdom. In 2015, Virgin Australia was recognised as Australia's most attractive employer in the Randstad Award.

At the heart of our people and culture framework is a focus on ensuring that our people are clear on the Virgin Australia Group strategy and how their team and role within the team can contribute to this. In August 2014, the Virgin Vision strategy was launched with road shows and team-based workshops conducted across the country to help team members understand the strategy and the outcomes they need to deliver to help achieve it. There has been a continued focus on embedding the Group's Values to ensure all team members understand how they are expected to go about delivering on the strategic objectives.

To provide greater clarity of the behavioural expectations which align with the Group's Values and drive a measurable improvement in leadership behaviours, Virgin Australia's new Behaviour Guide for leaders and team members was introduced in 2015. The Behaviour Guide is being rolled out to the business as a tool to support recruitment, development and reward.

ENGAGEMENT AND IDEAS

Virgin Australia is focused on continuous improvement and unlocking the diversity of thinking and ideas of our people to create value for the Group. We remain focused on increasing productivity and doing things more innovatively and more effectively.

In 2014, we launched the Ideas Lab, an internal crowd sourcing tool which captures ideas to solve business challenges. Team members can contribute by submitting their ideas as well as commenting and voting on other team member's ideas. Since the launch of the Ideas Lab in October 2014, we have seen over 1800 team members contribute more than 700 ideas. This is supported by the appointment of Innovation Champions, top performers from across the Group who are trained to support and inspire others to find new ways to add value to the business.

CAREER DEVELOPMENT

Developing people to their full potential is a key priority for Virgin Australia to help our people to be their best. Our learning and development strategy encourages on the job learning opportunities and challenging assignments. Our Career Pathways initiative was launched this year to create further awareness of internal opportunities outside immediate business units and to provide tools and training for team members applying for internal roles.

The capability of our leaders has a significant impact on our team engagement and our ability to achieve our strategic objectives. To improve our leadership effectiveness, we have developed an internal 360 degree survey tool aligned to our Behaviour Guide to support our leaders with feedback and development to be the best they can be.

DIVERSITY AND INCLUSION

Virgin Australia's Diversity and Inclusion Strategy is designed to support people to be at their best regardless of their background or personal circumstances. In 2015, we continued to implement initiatives which promote an inclusive workplace including the inaugural Diversity and Inclusion Week. This included multicultural celebrations and the launch of a new partnership with White Ribbon Australia, including the introduction of family and domestic violence leave for all of our people.

Virgin Australia continues to focus on the representation of women across all areas of the business, particularly encouraging women to consider working in non-traditional areas of our business such as engineering and flight crew⁸.

8. The Workplace Gender Equality Agency recently confirmed our compliance for the 2015 financial year reporting period. To obtain a copy of the report email publicaffairs@virginaustralia.com.

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Photo courtesy of Luke O'Donnell

SAFETY

Virgin Australia is committed to ensuring a safe and secure operation.

SAFETY MANAGEMENT SYSTEM

The functioning and capability of the Virgin Australia Safety Management System (SMS) was further strengthened during the 2015 financial year. The SMS is a multi-layered approach overseen by Management, Executives and the Board, to manage, control and reduce operational and occupational safety and security risks.

During the 2015 financial year, development of SMS Safety Performance Indicators (SPIs) commenced across the Group ahead of a mandatory IOSA requirement in 2016. The implementation of the SPIs is centred on a risk-based approach by prioritising those events for monitoring that

are considered potentially detrimental to flight safety.

The transfer of aircraft from the Virgin Australia New Zealand (VANZ) Air Operators Certificate (AOC) onto the Virgin Australia International AOC was completed during the 2015 financial year. Work will continue across the SMS to ensure safety assurance of the New Zealand-based operations continues and to drive a positive and consistent safety culture across all locations.

FATIGUE RISK MANAGEMENT SYSTEM

The Fatigue Risk Management System (FRMS) provides the framework for the management of individual and organisational fatigue risk as it affects flight and cabin crew, and is a

fundamental component of Virgin Australia's SMS.

A number of definitive FRMS strategies and objectives were finalised in the 2015 financial year. These complement the new Civil Aviation Safety Authority (CASA) regulations regarding the management of Flight Crew fatigue risk that come into effect in April 2016.

Fatigue Avoidance Scheduling Tool (FAST) is a computer-based application that predicts changes in cognitive performance based on the sleep/wake schedule and the body's internal clock. By processing crew rosters through the system, FAST is able to predict instances where individual performance may be affected so that appropriate

action may be taken. Testing of the system was undertaken throughout the previous financial year and FAST is being progressively implemented to identify potential fatigue risks.

FLIGHT DATA MANAGEMENT

The Virgin Australia Group Flight Data Analysis Program (FDAP) is a proactive program for gathering and analysing data recorded during routine flight operations. FDAP primarily provides greater insight into and a more holistic view of the total flight operations environment, thus enhancing flight safety.

It forms an essential part of the SMS assurance processes. Specific aspects of flight operations are examined proactively from a risk perspective both prior to introducing operational change and subsequently to confirm the effectiveness of the change, and also retrospectively to identify issues so that these can be addressed.

SAFETY PERFORMANCE

The Virgin Australia Safety Culture is integral to the SMS and to the success of the Group. We are committed to an integrated approach which utilises and develops existing systems across safety, security, emergency response, occupational health and aviation medicine to achieve the desired outcomes in other areas of the broader SMS.

The Virgin Australia Safety Culture is characterised by five key elements that must be actively supported by all team members, managers and contractors: flexible, informed, learn, report, just. The five elements of our Safety Culture are recognised and supported throughout the global aviation community. Collectively, these elements form a commitment

that each team member of the Virgin Australia Group makes to ensure the safety and security of our business.

During September and October 2014, members of the Group's Operations Divisions participated in the Virgin Australia Safety Climate Survey which is a regulatory requirement of CASA every two years.

The airline's third annual Operational Safety Forum was held in October 2014 and focused on Safety Accountability. The event encouraged robust discussion and participation across the business along with our alliance partners to mitigate risks and hazards.

Workplace Health and Safety (WHS) continued to evolve during the 2015 financial year, working towards the highest standards and best practice. A range of new WHS initiatives were implemented including:

- Group Executive WHS Site Inspections;
- A revised Workplace, Health and Safety Management System (WHSMS) aligned to Australian/New Zealand Standard (AS/NZS) 4801;
- A new WHS Strategic Plan based on the pillars of Strategic Vision, Operational Leadership and Tactical implementation;
- A suite of new training programs for new joiners, Supervisors, Managers, General Managers and the Executive team;
- Established the Work, Health and Safety Executive Review Committee (WHSERC) which monitors Group WHS performance and ensures the strategic and co-ordinated approach to WHS. The WHSERC also acts as

advisors and the escalation point to the Chief Executive Officer and Board on WHS strategy, policy, training and development, systems oversight, monitoring and corporate governance; and

- Created the VA Care Program, a 24 hour triage hotline to assist in early intervention and also aid expedited reporting for safety.

It is through these initiatives and many others that Virgin Australia reduced lost-time injuries during the 2015 financial year by 52.7 per cent and 49.7 per cent at Virgin Australia Regional Airlines.

As a result of an incident in 2013, Virgin Tech entered into an enforceable undertaking with WorkSafe ACT in the 2015 financial year, to carry out specific activities designed to enhance worker health and safety as well as deliver benefits to industry and the broader community. The enforceable undertaking is published on the WorkSafe ACT website.

SUSTAINABILITY

The Virgin Australia Group remains committed to reducing the impact of our business on the environment and supporting the communities in which we operate. This year we have made progress across a number of key areas both in the air and on the ground.

IN THE AIR

The Virgin Australia Group takes an active role in reducing the impact we have on the environment. As an airline group, fuel combustion emissions are our largest environmental impact and account for over 98 per cent of our direct CO₂ emissions. As a result we take a multi-faceted approach to addressing this issue.

The most important way we can reduce our emissions is by maintaining a young and fuel efficient fleet. Compared to global industry averages Virgin Australia's mainline fleet is very young with an average age of 5.5 years⁴. Our dedicated fuel efficiency team undertakes a range of projects aimed at increasing aircraft performance and efficiency through all phases of flight, as well as optimising our ground operations. Collectively these projects significantly reduce our fuel consumption, and the resultant combustion emissions.

During the 2015 financial year, the Virgin Australia Group continued its focus on the development of the sustainable aviation fuel industry through direct partnerships which undertake research into key supply chain issues, such as our Brisbane BioPort project, as well as through advocacy and policy development. Virgin Australia is a member of the Sustainable Aviation Fuel Users Group and the Roundtable on Sustainable Biomaterials as these organisations remain at the

forefront of the development of a sustainable aviation fuel industry globally.

Our business is also focused on managing the impact of noise from our operations on communities. The Group works closely with a range of stakeholders including Government, Airservices Australia, airport operators and the community to develop and implement strategies to balance operational requirements and measures which address key noise impacts associated with our operations.

FLY CARBON NEUTRAL

As the first airline in the world to launch a government-certified carbon offset program, Virgin Australia remains committed to ensuring our customers have the opportunity to offset the emissions associated with their flights. Throughout the year we continued purchasing carbon abatement from Australian-only projects. We strengthened our key partnership with the Tasmanian Land Conservancy, whose important work helps preserve and manage over 30,000 hectares of land in Tasmania with high biodiversity and conservation value.

ON THE GROUND

Our focus on the ground during the 2015 financial year has been on improved resource efficiency and a reduction in our waste streams. This year we introduced a range of new recycling

programs on board our aircraft and throughout our supply chain. These programs significantly reduced the amount of waste produced by our operations and created some great opportunities for our business to support the community.

During the 2015 financial year we began providing quality excess food from our aircraft to the food rescue charity OzHarvest, which delivers food free of charge to charities that provide much needed assistance to the vulnerable around Australia. More than 53 tonnes of food was donated to OzHarvest during the 2015 financial year. We began donating our surplus uniforms to The Smith Family, Mission Australia and Dress for Success New Zealand to assist them with raising funds and support the important work they undertake.

The Virgin Australia Group also recognises the importance of energy efficiency in reducing our environmental footprint and we continue to introduce programs to reduce electricity usage in a number of our key facilities. A key project involved the installation of highly efficient lighting in our Brisbane maintenance hangar which has significantly reduced energy usage in that facility. Our business has also continued to focus on sustainable design principles, particularly relating to energy and water efficiency, as a key feature of our expanded lounge portfolio.

4. Mainline fleet is defined as Boeing 777-300ER, 737-800, 737-700, Embraer E190, ATR72 and Airbus A330-200. Age as at 30 June 2015.

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The Tasmanian Land Conservancy's Skullbone Plains Reserve, and adjoining Tasmanian Wilderness World Heritage Area. Photographer: Matthew Newton

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VIRGIN AUSTRALIA - DOMESTIC

Virgin Vision 2017 was launched at the beginning of the 2015 financial year, outlining our mission to become Australia's favourite airline group by building on our loyal customer base.

Virgin Australia's domestic operations are pivotal to achieving this aim, as they carry the vast majority of our customers.

The Virgin Australia Group now operates an expansive domestic network covering 47 destinations and offers convenient flight schedules to and from all major Australian ports. We understand how important punctuality is to our customers and our business has remained focussed on delivering strong On Time Performance (OTP) results across the 2015 financial year. Virgin Australia Domestic led the major carriers in OTP for the 2015 financial year, achieving 87.9 per cent of flights on time⁵; an improvement of 3.9 percentage points compared to the prior corresponding period.

We continue to invest in our people to ensure we deliver the customer service for which we are renowned. As a testament to our people and their exceptional customer service, in June 2015 we were awarded Best Airline Staff Service Australia/Pacific by the Skytrax World Airline Awards for the fifth consecutive year.

NETWORK

In the 2015 financial year Virgin Australia broke decade-long monopolies by introducing two new destinations to our network - Alice Springs in the Northern Territory and Tamworth in New South Wales.

We launched direct services connecting Alice Springs to both Darwin and Adelaide. The thrice weekly services commenced in March 2015 and provide a vital link through Central and Northern Australia, resulting in improved air access for local residents and a boost for the local tourism industry.

In March 2015, Virgin Australia announced that there would be competition in the air between Tamworth and Sydney for the first time in over a decade.

As a commercial, education and tourist hub, Tamworth is a thriving regional centre, and our six weekly services will support its ongoing development as an important regional destination.

Virgin Australia optimised its schedule to support major sporting events such as the AFL Final Series. In 2014 we added more than 50 extra flights over four weeks to facilitate teams and fans travel to the finals. These flights provided an additional 8,000 seats to meet increased demand.

5. Refers to the BITRE's departure OTP results of Virgin Australia branded airlines (Virgin Australia and Virgin Australia Regional Airlines) which averaged 87.9% for FY15 and the results of Qantas branded airlines (Qantas and QantasLink) which averaged 87.2% for FY15.

VIRGIN AUSTRALIA - DOMESTIC

We continued to review and optimise our network during the 2015 financial year and adjusted capacity to match demand in certain markets. As two of our older wide-body Airbus A330-200 aircraft exited the fleet, we increased the number of Boeing 737-800 services between Perth and Brisbane to meet demand. We also added extra flights between Adelaide and Perth, Sydney and the Gold Coast, and Melbourne and the Gold Coast, and introduced our internationally-configured Airbus A330-200 aircraft on select Sydney - Melbourne services to meet demand during business travel peaks and major sporting events such as the Australian Grand Prix.

Limited demand in some markets resulted in a strategic reduction in capacity and, in some cases, withdrawal of select routes. During the 2015 financial year, Virgin Australia reduced capacity between Albany - Perth and Esperance - Perth and withdrew from the Learmonth - Perth route.

CUSTOMER EXPERIENCE

Over the past five years, we have been working hard to ensure an exceptional Virgin Australia experience both in the air and on the ground. The customer experience at our airport terminals is as essential as the on board experience in ensuring a seamless, comfortable journey.

Virgin Australia's transition to a contemporary full service airline was officially completed during the 2015 financial year, with the

rollout of complimentary food, baggage and entertainment across the mainline domestic network. During the 2015 financial year, we announced the next evolution in domestic Business Class travel to be rolled out on our wide-body fleet. The redesign on our Airbus A330 fleet will see Business Class suites installed, representing a major enhancement to the travel experience on board, as well as the first major product innovation announced under our Virgin Vision 2017 strategy. We continued to enhance our lounges, in-flight entertainment and premium ground product offering throughout the 2015 financial year, with key highlights including:

- The completion of in-flight entertainment wireless technology rollout across the entire Boeing 737-800 and Embraer E190 fleets, allowing passengers to stream more than 300 hours of entertainment to their own devices.
- Opening our first lounges in Darwin and Alice Springs bringing luxury to the Northern Territory. Both lounges were designed to make the most of the space they are created in. The Darwin Lounge has views over the airport precinct, and customers using our Alice Springs Regional Lounge can observe the striking landscape of Central Australia.
- Australia's first Premium Exit at Melbourne Domestic Airport, providing easy and seamless access to the departure pier directly from the Melbourne Lounge via a dedicated security screening point.
- Finalising significant stages of the Lounge expansion at Brisbane Domestic Airport. Once complete, it will feature valet parking, Premium Entry with a dedicated security screening point, a Wine and Espresso Bar, and capacity will increase from 320 to 430 guests.
- The introduction of a new Business Class service on board the Airbus A330 aircraft. The service offering is of an international quality and standard, featuring a completely cart-free dining experience and an express tray option for customers who prefer to maximise their sleep time.
- A strong focus on catering with significant improvements created for all cabins on our aircraft. The menu is now determined by flight length instead of aircraft type and more premium meal options have been added to the retail cart. The Pantry is also now on offer to all Business Class customers, which provides a range of gourmet in-flight snacks for those preferring an alternative to the a la carte service.
- The painting of the last red Virgin Blue aircraft in the new Virgin Australia livery.



VIRGIN AUSTRALIA - DOMESTIC

SERVICE

Virgin Australia's customer service is what sets us apart from our competitors. Throughout the 2015 financial year, we continued to invest in this important area of our business. Focus on service was heightened for frontline teams through the introduction of a new service framework for many of our customer-facing teams. VA Style places emphasis on how our brand comes to life through the service experience we offer our customers.

Alongside this important training, Virgin Australia simplified and consolidated its inflight service routines to allow more time for cabin crew to engage with customers inflight. We further invested in the tools and support available to our team members when they are assisting our customers during periods of disruption, acknowledging the heightened importance of service at these times.

We continue to acknowledge our high performers for their service and other achievements through recognition programs such as the Brand Ambassador Program, which surpassed 200 Ambassadors during the 2015 financial year. This highly competitive program rewards those who display all the core elements of our brand and our values. Our service winners continue to inspire their colleagues and our leadership team with their incredible service stories of delighting our customers and going the extra mile.

INNOVATION AND TECHNOLOGY

Innovation is at the core of Virgin Australia's DNA and throughout the 2015 financial year we focused on ways to enhance the customer experience through innovative technology.

In August 2014, Virgin Australia became the first Australian airline to allow passengers to use personal hand-held electronic devices from gate to gate throughout their flight journey, after approval from the Civil Aviation Safety Authority (CASA). Virgin Australia worked with CASA on an exemption to previous rules which prohibited the use of personal electronic devices other than at cruising altitude.

An enhanced online check-in system for domestic flights was also launched early in the 2015 financial year, giving customers more information and greater control over their check-in experience when doing so via smart phone, tablet or computer. The new system, developed to integrate with the SabreSonic booking and check-in system, offers a simplified design, more functionality and tailored destination information including weather and tourism sights. This was recognised at the 2014/2015 Travel Website Consumer Recommendation and Loyalty Study which named the Virgin Australia website Best Website for Online Flight and Travel Bookings in Australia.

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AWARDS

Virgin Australia was recognised with a number of awards during the 2015 financial year which could not have been achieved without the hard work and dedication of our team members. These include:

- **Australia's Most Attractive Employer**
Randstad Awards
- **Best Pacific Airline**
Travel Trade Gazette Awards
- **Best Airline Staff Service Australia/Pacific**
Skytrax World Airline Awards
- **Most Respected Companies, #1 in aviation sector and #6 in Australia**
Australian Financial Review
- **Best Website for Online Flight and Travel Bookings in Australia**
2014/2015 Travel Website Consumer Recommendation and Loyalty Study
- **Top 10 World's Best Airlines for Business Travel**
Condé Nast Traveler Readers' Choice Awards

VIRGIN AUSTRALIA - INTERNATIONAL

Virgin Australia continues to work closely with our strategic alliance partners to strengthen our virtual global network of more than 450 destinations.

Throughout the 2015 financial year, we added eight new codeshare destinations to our expansive international network, making overseas travel more accessible for Australians.

We continued to optimise our network and the enablement of our fleet throughout the year, with our Airbus A330-200 aircraft deployed internationally for the first time, operating between Sydney and Nadi, Fiji, to meet increased demand during peak travel and school holiday periods. These flights are part of our broader strategy to ensure we have a flexible and responsive fleet.

Strong demand from the Queensland market resulted in flights from Brisbane to Los Angeles increasing to daily services in October 2014. The introduction of daily services provides greater choice and flexibility to business travellers, supports trade and investment links between Queensland and the United States, and further boosts the Queensland tourism sector. In order to increase services on the Brisbane route, services between Melbourne and Los Angeles ceased in October 2014.

Virgin Australia's important role in the Pacific region continued in the 2015 financial year, with increased flights on a number of routes including Brisbane

– Port Moresby (Papua New Guinea) and Brisbane – Honiara (Solomon Islands). We continue to review schedules in order to align them with market demand and conditions and adjusted flights to Port Vila (Vanuatu) following Tropical Cyclone Pam, and Denpasar (Indonesia).

Throughout the year Virgin Australia responded dynamically to support demand for major international sporting events. As the official airline partner of the AFL, we added extra services from Melbourne to Wellington to support the Anzac Day AFL match between St Kilda and Carlton. We also operated additional trans-Tasman services in response to demand from fans attending the 2015 Cricket World Cup Final between Australia and New Zealand in Melbourne.

CUSTOMER EXPERIENCE

Virgin Australia's premium service offering on all trans-Tasman and Pacific Island routes was greatly enhanced during the 2015 financial year with the rollout of our award-winning Business Class product. The entire international fleet of 10 Boeing 737s were refitted with a 2-2 Business Class configuration, including luxury leather seating. A gourmet food and beverage service designed by resident chef Luke Mangan was introduced, as well as exclusive ground services such as priority check-in and boarding. These

enhancements strengthen the customer proposition we offer in conjunction with our alliance partner Air New Zealand.

During the 2015 financial year we announced a significant investment in our long-haul international fleet of Boeing 777 aircraft, with the unveiling of revolutionary new Business Class suites which will service our long-haul destinations, Abu Dhabi and Los Angeles. A new Business Class bar will also be installed, creating an exclusive space for our premium customers to relax in during their flight.

A refresh of the Premium Economy cabin on the Boeing 777 fleet was also announced, with the size of the cabin reduced to create a more intimate travel environment and the longest Premium Economy seat pitch of any Australian airline. There will also be a significant enhancement to the food and beverage service, which will be a Business Class-inspired full a la carte dining experience.

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Air New Zealand's new lounge at
Sydney International Airport



Etihad Airways' The Residence on
board the Airbus A380



Singapore Airlines' new Business Class
cabin product being fitted on new long-haul
aircraft entering the SIA fleet



Delta Air Lines' The Sky Deck at
John F. Kennedy International Airport



ALLIANCES

AIR NEW ZEALAND

Virgin Australia and Air New Zealand's alliance continues to deliver benefits for travellers. During the 2015 financial year we worked closely with our partner to deliver an enhanced customer experience on both sides of the Tasman.

The alliance retimed flights and responded to customer demand during seasonal peak periods, including increasing services from Australia's East Coast to Christchurch and Queenstown during the ski season, and operating seasonal services from New Zealand into the Sunshine Coast and Christchurch to Perth. These additions built on the existing comprehensive alliance network, which now covers 25 destinations across New Zealand.

In May 2015, Air New Zealand opened its brand new lounge at Sydney International Airport, offering a contemporary space for 300 guests. The lounge is accessible to eligible Virgin Australia guests travelling across the Tasman and Pacific Islands.

During the 2015 financial year, a joint alliance brand campaign was launched in Australia and New Zealand. One Tasman Team highlighted the alliance's extensive network across the Tasman, with images featured on outdoor billboards across major cities in New Zealand and across digital assets in Australia.

DELTA AIR LINES

During the 2015 financial year, the Virgin Australia and Delta Air Lines trans-Pacific joint venture received final reauthorisation for a further five years until September 2020. The reauthorisation recognises the significant public benefit the alliance delivers to Australian and North American travellers. The alliance currently offers Australian travellers access to around 240 destinations across North and Central America.

During the 2015 financial year we expanded codeshare services to Nashville, Kansas City and Raleigh/Durham.

The alliance has continued to invest in new technology and joint process advancements, further improving the experience for customers connecting through Los Angeles. Increasing the market's awareness of the benefits of the alliance was a strong focus and in December 2014 a marketing campaign was launched in Australia highlighting the United States as a destination.

ETIHAD AIRWAYS

The 2015 financial year was one of the most significant for the alliance since Etihad Airways (Etihad) began flying to Australia. During the year, the alliance expanded its codeshare and interline network to 57 destinations worldwide including two new codeshare destinations, Edinburgh and Madrid. The alliance's growth has been supported by a significant increase in Etihad capacity. In June 2015, Etihad introduced its new Airbus A380 on the Abu Dhabi to Sydney route and introduced direct Abu Dhabi to Brisbane services using its state-of-the-art Boeing 787 Dreamliner. The airline also commenced Abu Dhabi to Perth services in July 2014, connecting international customers onto Virgin Australia's intrastate and trans-continental services. These new and upgraded services offer more choice and luxury to the Australian market. The airlines launched a two-phased joint marketing campaign with activity in May 2014 and May 2015 to highlight the benefits of the alliance and expanded networks.

SINGAPORE AIRLINES

In November 2014 Virgin Australia and Singapore Airlines further enhanced their partnership when

Velocity Frequent Flyer and KrisFlyer launched a world-first conversion initiative, which allows members to convert Points and Miles between programs. The initiative has delivered greater access to Reward Seats and flight upgrades on both airlines. To align with this launch, we jointly launched a national brand campaign focussing on both airlines' reward propositions.

Australian customers can access 75 destinations globally through the Singapore Airlines and SilkAir networks. Their schedules expanded during the year including the commencement of direct flights to Cairns and increase in services between Darwin and Singapore. We also expanded our codeshare onto services from Singapore to Mandalay and Yangon.

Singapore Airlines launched its new Premium Economy cabin on services between Sydney and Singapore in August 2015. Singapore Airlines and Virgin Australia continue to work closely to enhance the premium guest experience.

VIRGIN SAMOA

Virgin Samoa is a joint venture between the Virgin Australia Group and the Samoan Government. The 2015 financial year marked the first full year of a new schedule that better aligns capacity to the variation in passenger demand throughout the year. The airline continued to support the local community through the provision of vital air services and marketing initiatives. In conjunction with the Samoan Government, Virgin Samoa implemented monthly tactical Pacific Island sale activity in Australia and New Zealand and undertook cooperative marketing campaigns with the Samoan Tourism Authority.

CHARTER AND CARGO

CHARTER

The Virgin Australia Group has continued to enhance and expand the charter business acquired through the purchase of Skywest Airlines (now rebranded as Virgin Australia Regional Airlines) in 2013. Virgin Australia Regional Airlines has the largest share of the Western Australian fly-in fly-out market and plans to expand this presence nationally.

During the 2015 financial year, the charter business won three significant new resources clients from its competitors with a total value of over \$15 million. In addition, demand from our existing blue chip client base has continued to grow despite the slowdown in the resources

industry. This growth has been supported by the addition of four Fokker 100 aircraft to the fleet, which expanded our dedicated charter fleet from 20 to 24 aircraft. Access to Virgin Australia's mainline fleet provides scalability and versatility to our charter offering.

A number of high profile ad-hoc charters were also operated for a variety of clients including musicians, sporting teams, and government and corporate clients during the 2015 financial year. These ad-hoc charters require a high level of customisation and logistical support which Virgin Australia Regional Airlines is uniquely positioned to provide.



The key to the ongoing success of the charter business, particularly in the current economic environment, is to deliver a reliable and cost-effective service to our charter clients. A number of initiatives were implemented across the charter business to improve On Time Performance. During the 2015 financial year, we also invested in aligning the charter customer experience with our mainline operations while retaining the flexibility that charter clients require. We installed check-in kiosks and gate scanners at three of our largest charter airports, minimising check-in and boarding time by creating a more efficient passenger processing system.

Our dedicated regional terminal at Perth Airport also features a regional lounge to further enhance the charter customer experience.

CARGO

Virgin Australia Cargo is the Group's newest business division. From 1 July 2015, Virgin Australia Cargo will offer more than 3,400 flights per week across Australia and the Asia-Pacific region through access to the Virgin Australia Group's extensive domestic and international network.

During the 2015 financial year, the Group's dedicated cargo team implemented a state-of-the-art IT system, which will enable the division to optimise

cargo capacity and provide tracking and customised reporting to customers.

Virgin Australia Cargo will provide services for a range of customers including major freight distributors, corporate shippers and individuals, and the division represents a major growth opportunity for the Group.

The establishment of Virgin Australia Cargo is a key component of the Group's Virgin Vision 2017 strategy.

VELOCITY FREQUENT FLYER

The Velocity Frequent Flyer (Velocity) business achieved rapid growth and added valuable new benefits for its expanding membership base during the 2015 financial year.

Velocity's network opens up all four corners of the globe to its members, extending to more than 600 destinations through its 12 airline partners.

In October 2014, a minority 35 per cent stake of the Velocity business was acquired by leading Asia Pacific investment firm and fund manager, Affinity Equity Partners. This partnership is enabling Velocity to accelerate its strategy to become one of the world's leading loyalty businesses.

Velocity continued to be recognised by the industry during the 2015 financial year, including winning three prestigious accolades at the Freddie Awards, which are considered the highest honour a loyalty program can receive worldwide. Velocity was also recognised as having Best Reward Seat Availability in the Asia-Pacific region and number two globally in the Ideaworks SwitchFly Survey.

PROGRAM GROWTH

During the 2015 financial year, Velocity reached a significant milestone by surpassing five million members – a major achievement for the program and the wider Virgin Australia Group.

In May 2015 the highest number of new members joined Velocity since the program first launched in 2005, supported by our Australian-first partnership with one of the country's largest fuel retailers, BP. More than 160,000 people joined the program during the month, and daily join rates were the highest recorded in the program's 10 year history.

PARTNER GROWTH

Throughout the 2015 financial year, Velocity continued to create market-leading value for its members by forging innovative new partnerships. Aussie Home Loans and BP Australia were added as partners, allowing members to earn Points and be rewarded for their everyday household expenditure. Our partnership with BP is the first time an Australian airline loyalty program has brokered a direct partnership with a fuel retailer.

Our extensive portfolio of hotel partners continues to grow, providing our members with opportunities to earn Points at 600,000 hotels worldwide. The Shangri-La Group encompasses more than 80 properties around the world and during the 2015 financial year it was added to our extensive range of hotel partners.

During the year, Velocity expanded its flight network into Africa, adding South African Airways as an airline partner. This agreement provides both Velocity and Voyager members with full reciprocity privileges where available, such as lounge access, priority check-in and boarding, and extra baggage allowance.

Velocity continues to offer more credit card options than any other Australian frequent flyer program, as Points can be transferred and earned through 60 credit or charge cards available from all major banks and financial institutions. In March 2015, Bank of Queensland joined the portfolio as an indirect

earn credit card partner offering members unique redemption benefits with the bank's Q Rewards program.

INNOVATION

Velocity continues to break new ground through technology and innovation. In November 2014, a world-first points conversion initiative was launched with Singapore Airlines allowing Velocity and KrisFlyer members to convert their Miles and Points between programmes. The initiative gives members greater access to upgrades and reward seats across the combined Virgin Australia and Singapore Airlines domestic and international networks.

Our Global Wallet was Australia's first combined frequent flyer membership and prepaid travel money card and during the 2015 financial year it was awarded a five-star rating from CANSTAR in the Travel Money Cards category for the second consecutive year. A third of Velocity members now have a membership card with Global Wallet Visa prepaid functionality and cards have been used in 137 countries to date.

AWARDS

- Freddie Awards (Middle East & Asia/Oceania region Airline category):
 - o Best Redemption Availability
 - o Best Customer Service
 - o Program of the Year
- Best Reward Seat availability in the Asia-Pacific region and #2 globally – IdeaWork's SwitchFly Survey
- Outstanding Value, Travel Money Card - CANSTAR



**VELOCITY
GLOBAL
WALLET
A CANSTAR
WINNER**

Awarded for the second consecutive year



**WORLD-FIRST POINTS
CONVERSION WITH
SINGAPORE AIRLINES.**

Members can now convert Miles and Points between Velocity Frequent Flyer and KrisFlyer.



**PROGRAM
OF THE YEAR**

Middle East & Asia/Oceania region at the 2015 Freddie Awards.

163,900

**NEW MEMBERS IN MAY.
THE HIGHEST MONTHLY
JOINS IN VELOCITY HISTORY.**

FILL UP AND FLY

Australian-first partnership with BP Australia. Our members can now earn Points every time they fill up with fuel.

GLOBAL NETWORK OF OVER 600 DESTINATIONS



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TIGERAIR AUSTRALIA

In February 2015 the Virgin Australia Group completed the acquisition of the remaining 40 per cent of Tigerair Australia (Tigerair).

During the year, Virgin Australia has worked closely with Tigerair to leverage further synergies and support their goal of becoming an effective and sustainable competitor in Australia's budget travel market segment.

CUSTOMER EXPERIENCE

As a result of the renewed focus on customer experience, the airline remains committed to delivering enhanced On Time Performance (OTP) and driving continual improvement in the area of customer satisfaction, while maintaining a low-cost operation.

A number of process improvements and product innovations put in place over the year have delivered a significant improvement in customer satisfaction. The most recent independent survey results in April 2015 show 75 per cent of passengers were satisfied with their Tigerair experience, up from 64 per cent in October 2014⁶. Further to this, enhancements are currently underway at Melbourne Airport for a new low cost terminal which will open in the first half of the 2016 financial year and greatly improve the customer experience at Tigerair's busiest port.

In May 2015, Tigerair introduced an iPad-based mobile app focussed on improving the customer experience. Max Airport delivers a step change in customer interaction at the airport and mobilises ground staff to move from behind a desk and engage with customers around the terminal with real time interface to the booking engine. The new technology streamlines the check-in and boarding processes, increases ancillary revenue opportunities and helps further enhance the airline's OTP. Airport

Max is being progressively rolled out across every port to which Tigerair flies.

Throughout the 2015 financial year, Tigerair announced a number of innovative customer initiatives including:

- Express Fares product which combine a fare, forward seat selection and queue jump priority boarding.
- New Cabin+ product which is an industry-first, enabling customers to purchase up to 12kg of carry-on luggage. At the same time, the standard free of charge carry on allowance changed to 7kg in line with all the major domestic airlines.
- Pre-recorded inflight announcements and inflight background music to deliver a more consistent on board experience.
- A modern and customer-friendly online booking engine launched to improve and streamline the online booking experience.
- Educational 'How to fly Tigerair' video launched which leveraged the association as official airline partner for the Melbourne Storm National Rugby League team.
- A number of other creative marketing initiatives have been delivered to enhance brand and reputation and drive database acquisition.

ON TIME PERFORMANCE

The 2015 financial year saw a significant improvement in Tigerair's On Time Performance (OTP), particularly in the second half. This was the result of strong management focus in this area, improved processes, enhanced infrastructure access at key ports and new customer innovations.

Significant milestones during the year included:

- An OTP enhancement of 6.4 per cent for on time departures and 7.9 per cent improvement in on time arrivals year-on-year⁷.
- A consistently lower cancellation rate than its key competitor since January 2014. Tigerair cancelled 0.9 per cent of flights in this period, compared to 1.4 per cent for the key competitor.
- Self-serve check-in kiosks and automated bag drop facilities in key ports which have directly contributed to a stronger OTP result.
- Working closely with Sydney Airport to gain access to improved infrastructure which resulted in a noticeable upswing in OTP out of Sydney.

NETWORK

During the 2015 financial year, Tigerair carried more than 3.5 million passengers and operated more than 23,000 flights across 12 destinations and 18 domestic routes while increasing its average yields and revenue load factor.

Throughout the year, Tigerair worked closely with Virgin Australia on its network strategy and the optimisation of the flying program, including increased aircraft utilisation.

Tigerair Australia will continue to focus on maintaining an efficient cost to income ratio for a sustainable future by securing synergies with Virgin Australia and Tiger Airways, improving yields and margin while providing safe, consistently reliable value for money travel options, for the growing budget market.

6. Source: Tigerair Customer Satisfaction Survey April 2015 vs October 2014. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency.

7. Refers to the BITRE's departure OTP results of Tigerair Australia for H2 FY15, which averaged 84.7% in comparison to Jetstar which averaged 82.4% for the period.

FLEET



BOEING 777-300ER

Maximum guests 361
Maximum take-off weight 351,530kg
Maximum range 14,490km
Typical cruising speed 892km/h
Wing span 64.80m
Overall length 73.90m



AIRBUS A330-200

Maximum guests 279
Maximum take-off weight 230,000kg
Maximum range 13,400km
Typical cruising speed 918km/h
Wing span 60.30m
Overall length 58.82m



BOEING 737-800

Maximum guests 176
Maximum take-off weight 79,010kg
Maximum range 5,765km
Typical cruising speed 833.7km/h
Wing span 35.80m
Overall length 39.50m



AIRBUS A320

Maximum guests 168
Maximum take-off weight 77,000kg
Maximum range 5,700km
Typical cruising speed 890km/h
Wing span 34.10m
Overall length 37.57m



BOEING 737-700

Maximum guests 128
Maximum take-off weight 70,080kg
Maximum range 6,370km
Typical cruising speed 833km/h
Wing span 35.80m
Overall length 35.53m



FOKKER F100

Maximum guests 100
Maximum take-off weight 45,810kg
Maximum range 3,170km
Typical cruising speed 845km/h
Wing span 28.08m
Overall length 35.53m



EMBRAER E190

Maximum guests 98
Maximum take-off weight 47,800kg
Maximum range 3,200km
Typical cruising speed 890km/h
Wing span 28.72m
Overall length 36.25m



ATR 72-500/600

Maximum guests 68
Maximum take-off weight 22,500kg
Maximum range 1,363km
Typical cruising speed 511km/h
Wing span 27.05m
Overall length 27.17m



FOKKER F50

Maximum guests 46
Maximum take-off weight 20,820kg
Maximum range 2,750km
Typical cruising speed 530km/h
Wing span 29.00m
Overall length 25.25m



AIRBUS A320

Maximum guests 180
Maximum take-off weight 77,000 kgs
Maximum range 6,500km
Typical cruising speed 833.4km/h
Wing span 34.10m
Overall length 37.57m

BOARD OF DIRECTORS



MS ELIZABETH BRYAN AM BA (Econ), MA (Econ) Independent Non-Executive Director

**Member, Audit and Risk Management Committee; Chair, Nomination Committee;
Member, Remuneration Committee; Member, Safety and Operational Risk Review Committee**

Ms Elizabeth Bryan was appointed Company Chairman to the Virgin Australia Board on 20 May 2015.

Elizabeth brings extensive leadership, strategic and financial expertise to the Board. She has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations.

In addition to her role as Chairman of Caltex Australia, Elizabeth is also currently a Director of Westpac Banking Corporation and Deputy Chairman of Insurance Australia Group. Elizabeth has held a range of different board roles including Chairmanship of UniSuper Limited, as well as directorships of Ridley Corporation Limited and Australia Pacific Airports Corporation.



MR JOHN BORGHETTI Managing Director and Chief Executive Officer

Member, Safety and Operational Risk Review Committee

Mr John Borghetti was appointed to the Virgin Australia Board on 8 May 2010.

John has more than 40 years' experience in the aviation sector having previously held a number of senior positions at Qantas, leaving the company in May 2009. John is a director of Energy Australia, the Australian Chamber Orchestra and the New South Wales Customer Advisory Board.

He was previously a director of CARE Australia (2005-2011), The Australian Ballet (2009-2011) and Piper Aircraft (USA) (2009-2010).



MR DAVID BAXBY B.Com (Acct), LLB (Hons) Independent Non-Executive Director

Member, Nomination Committee; Member, Remuneration Committee

Mr David Baxby was appointed to the Virgin Australia Board on 30 September 2004.

David is Advisor to the Board of Global Blue SA. David was previously the Co-CEO of the Virgin Group until 30 June 2013 and his past directorships include Virgin Atlantic Ltd, Virgin Holidays Ltd, Virgin America Inc and Air Asia X. David was also an investment banker for ten years with Goldman Sachs.



MR JOSHUA BAYLISS LLB (Hons.), BA Non-Executive Director

Member, Nomination Committee

Mr Joshua Bayliss was appointed to the Virgin Australia Board as a director on 6 April 2011 and resigned on 22 September 2015.

Joshua is Chief Executive Officer of the Virgin Group, based in Geneva.

In his role as CEO he is responsible for managing the Group's global investment portfolio, development and licensing of the Virgin brand and incubation of new Virgin businesses.

Joshua has extensive experience as both an executive and non-executive director of a large number of companies across the Virgin Group globally in all of Virgin's industry sectors including aviation, financial services, telecoms and media, health and wellness and entertainment.

He has been with the Group since 2005, previously serving as the Group's General Counsel before taking on the CEO role in 2011.



MR GOH CHOON PHONG MS (EE & CS), BS (CSE), BS (Management), BS (Cognitive Science) Massachusetts Institute of Technology Non-Executive Director

Member, Nomination Committee

Mr Goh Choon Phong was appointed to the Virgin Australia Board on 4 July 2014.

Choon Phong is a Director and Chief Executive Officer of Singapore Airlines. Prior to his appointment as Chief Executive Officer, Choon Phong held senior management positions in various divisions in Singapore Airlines, ranging from Marketing to Information Technology, Finance and Cargo. Choon Phong also served as President of Singapore Airlines Cargo Pte Ltd from 2006 to 2010. Choon Phong is also a director of SIA Engineering Company Limited. He is a member of the Board of Trustees of the National University of Singapore and a member of the Board of Governors of the International Air Transport Association of which he is a member of the Strategy and Policy Committee. Choon Phong has a Master of Science in Electrical Engineering and Computer Science as well as three Bachelor of Science degrees in Computer Science & Engineering, Management Science and Cognitive Science from the Massachusetts Institute of Technology.



MR CHRISTOPHER LUXON (MCom, Canterbury University) Non-Executive Director

Member, Audit and Risk Management Committee; Member, Nomination Committee

Mr Christopher Luxon was appointed to the Virgin Australia Board on 4 July 2014.

Christopher is Chief Executive Officer of Air New Zealand, which is a major shareholder of Virgin Australia. Prior to joining Air New Zealand, he was President and Chief Executive Officer at Unilever Canada. This was one of several senior leadership roles Mr Luxon held during an 18 year career at Unilever where he worked in New Zealand, Australia, Asia, Europe and North America.

Christopher has a Master of Commerce in Business Administration from the University of Canterbury.



MR BRUNO MATHEU Non-Executive Director

Member, Nomination Committee

Mr Bruno Matheu was appointed to the Virgin Australia Board on 18 February 2015.

Bruno Matheu joined Etihad Airways in December 2014 in the new role of Chief Operating Officer, Equity Partners.

He is responsible for strategic developments to optimise business performance, revenues and cost synergies between Etihad Airways and its equity partner airlines, and provide strategic leadership support for partners in which Etihad Airways has management responsibility.

Bruno brings to the group almost 30 years of senior management experience in the global aviation industry. He most recently served as Chief Long Haul Officer at Air France, and prior to that held senior executive roles across Air France, being a member of Air France and Air France-KLM Executive Boards for 17 years. He has also served on the Boards of Air France, Alitalia and the global distribution company Amadeus.



MS SAMANTHA MOSTYN BA, LLB Independent Non-Executive Director

Member, Nomination Committee; Chair, Remuneration Committee; Member, Safety and Operational Risk Review Committee

Ms Samantha Mostyn was appointed to the Virgin Australia Board on 1 September 2010.

Samantha is a non-executive director and corporate advisor and has previously held senior executive positions at IAG, Optus and Cable & Wireless Plc. Samantha became a director of the Transurban Group in December 2010, Citibank Australia in July 2011, Cover-More Group Ltd in December 2013 and Mirvac Group in March 2015. Samantha is a board member of the Australia Council for the Arts, Australian Volunteers International, the Climate Council and Carriageworks. She is President of ACFID and Deputy Chair of the Diversity Council of Australia. Samantha is an AFL Commissioner and a director of the GO foundation. She has previously served as a Commissioner with the National Mental Health Commission and served on the Review into the Treatment of Women in the Australian Defence Force.



MR ROBERT THOMAS B.ECON, MSAA, SF FIN Independent Non-Executive Director

Chair, Audit and Risk Management Committee; Member, Nomination Committee; Member, Remuneration Committee

Mr Robert Thomas was appointed to the Virgin Australia Board on 8 September 2006.

Robert has more than 40 years' experience in the securities industry. He is the Chairman of Starpharma Holdings Ltd and Aus Bio Ltd. He is a director of Heartware International Inc, O'Connell Street Associates Pty Ltd, Grahger Capital Securities Pty Ltd, REVA Medical, Inc, and Biotron Ltd.



THE HON. MARK VAILE AO Independent Non-Executive Director

Member, Audit and Risk Management Committee; Member, Nomination Committee; Chair, Safety and Operational Risk Review Committee

The Hon. Mark Vaile was appointed to the Virgin Australia Board on 22 September 2008.

He is Chairman of Whitehaven Coal Ltd, Palisade's Regional Infrastructure Fund and Australia Korea Business Council and was previously Chairman of CBD Energy Ltd. Mark is a director of Stamford Land Corporation Ltd, HostPlus Superfund Ltd and Servcorp Ltd. In 2012 Mark was appointed an Officer in the Order of Australia in the Queen's birthday honours list.

Mark was a Member of the Australian Parliament from 1993 to 2008. He was Deputy Prime Minister (2005-2007), Minister for Trade (1999-2006), Minister for Transport and Aviation (1997-1998, 2006-2007) and Minister for Agriculture (1998-1999).

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