

VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX: VAH)

2019 ANNUAL GENERAL MEETING ADDRESS BY CHAIRMAN, ELIZABETH BRYAN

6 November 2019

I'll start by saying the 2019 financial year was challenging for our business.

The external environment was challenging and clearly demonstrated the need to do more to increase the resilience of our business.

In terms of financial outcomes, the Group delivered an underlying loss of \$71.2 million. At the statutory level, including restructure costs, accounting adjustments and impairment, the business reported a loss of \$315.4 million.

These results are very disappointing – for your Board and management, employees and, of course, you, our shareholders.

The Board acknowledges that these losses have been ongoing.

This year, we have made a change at the CEO level. The appointment of a new CEO was a critical one for the Board and our focus was on ensuring the person had a strong ability to improve our business.

That person was Paul Scurrah, who has a proven record of driving profitability.

We set him a clear mandate to return the company to a profitable position and the Board is very pleased with his early decisions.

In his first week in the role, Paul was faced with the Boeing 737 MAX issue.

He worked quickly to defer the MAX order, which not only provided a longer timeline for the Boeing 737 MAX delivery, it also deferred a significant amount of capital expenditure. We were pleased to see how fast he acted to deliver a positive outcome for our company.

He was then able to turn his attention to the organisation.

He restructured the executive leadership team to enhance accountability and create a simplified structure with reduced complexity.

The renewed executive team, who are in the room this morning, are high calibre and possess the capabilities and experience to drive change and inspire the organisation through its next phase.

He announced a program to remove 750 roles from the workforce: a difficult but necessary decision that ensures the size of the team matches the scale of our operations.

Paul also undertook a fleet, capacity and network review, and is making progress on its full review of suppliers.

Most importantly, Paul has been leading a comprehensive review to clarify the Group's focus and drive profitability. He will share his focus shortly.

Paul, welcome to your first AGM. I am sure the shareholders will enjoy hearing from you soon.

Business improvements

Moving to other important matters.

This year, we continued to deliver excellence in terms of safety and customer satisfaction.

Safety is the underlying imperative of our business and will always come first.

In terms of customer experience, there have been a number of achievements over the past year.

Virgin Australia was the most reliable major airline in the country for departures and the least likely to cancel a flight. We know on-time performance is the biggest driver of customer satisfaction and this is something we should be very proud of.

Virgin Australia placed fifth in the Airline Ratings Top Airlines Awards globally, won World's Best Cabin Crew by Airline Ratings, and was awarded a five-star rating by the Airline Passenger Experience Association, putting us in the top nine per cent of airlines worldwide based on passenger feedback.

And Velocity Frequent Flyer won Best Redemption Ability in the Middle East and Oceania, an incredibly important measure for our loyal Velocity members.

These achievements are testament to the hard work of the Virgin Australia Group's employees.

Sustainability and community

Now, moving to sustainability and our community contribution.

For all companies, there is a wide customer and stakeholder concern with sustainability issues.

For Virgin, as it is for all major companies, climate is top of mind. Technological change to reduce the aviation industry's impact is underway but will take time.

Right now, we are working to manage our impact in three ways.

First, we are more efficient with fuel.

Our Group-wide methodical approach to fuel efficiency has reduced our fuel consumption by nine million kilograms, or 28,000 tonnes of carbon per annum. That's equivalent to planting 420,000 trees.

In August, we became the first local airline to install split scimitar winglets to reduce drag on the wing. They will save more than 160,000 kilograms of fuel and reduce carbon emissions by around 515 tonnes – per aircraft, per year.

Secondly, one of the most promising opportunities for airlines to reduce our emissions remains low carbon alternative fuels.

In 2019, we also worked with partners to deliver the country's first trial of sustainable aviation fuel at Brisbane Airport. More than 700 flights flew with low-carbon, sustainable fuels.

Finally, we continue to improve our carbon offset programs.

These support important projects with Greening Australia, the Tasmanian Land Conservancy, and South East Arnhem Land Fire Management.

To date, Virgin Australia and Tigerair have offset more than 550,000 tonnes with these programs.

In addition, we are continuing to reduce waste across our network through a number of initiatives.

We've improved the sustainability of our inflight product and, through our partnership with OzHarvest, donated a significant amount of food and beverages to people in need that would otherwise have gone to waste.

We also remained focused on our role as a corporate citizen and continued our community programs.

We work with a number of community partners making a difference to Australians dealing with serious illness, hardship and mental health challenges.

A highlight was operating a special charter flight for Starlight Children's Foundation's Starlight recipients and their families on the occasion of its 30th anniversary.

We are Starlight's official wish-granting partner and have helped grant more than 1,200 wishes since we began.

Importantly, Virgin has also been there to support communities impacted by natural disasters including support for rural families impacted by drought through food relief and fundraising.

These contributions reflect Virgin Australia's commitment to be an active member of our community and these efforts will continue.

Board renewal

Now, to the Board. I have reported changes previously and there has been ongoing renewal this year.

We have an exceptional depth of talent in our directors. Some with deep commercial experience and others with strong knowledge of aviation and the technical side of our business.

In terms of the independent directors, we welcomed Sir Angus Houston. He's given us some unique insights from a very distinguished history in aviation.

I'm delighted to welcome Judith Swales. She has some very deep experience in digital and customer roles.

There were some changes to nominee directors for our major shareholders.

We welcomed Ray Gammell, who is the nominee director for Etihad Aviation.

Mr Hou Wei also joined us as a Non-Executive Director nominated by HNA, and Mr Du Ming as an alternate Director for Mr Hou.

The changes to the Board follow a number of directors stepping down, including Mark Vaile, Sam Mostyn, Mr Zhang Kui, Luo Jiagi and Robin Kamark.

I extend my sincere thanks to all of our outgoing directors on behalf of the Board and our shareholders for their outstanding counsel and commitment.

This morning, you'll have the opportunity to hear from our new directors standing for election, as they introduce themselves and share some detail about their skills and experience.

As Chairman, I'm confident we have the right diversity of skills and experience to guide our company through its next phase.

Closing remarks

In closing, I want us to remember the important contribution of our business.

Air travel plays a crucial role in Australia, socially and economically.

Virgin Australia transports more than 25 million passengers a year, providing important competition and choice for consumers, ensuring the market is not a monopoly one.

In this sense, it's vital for travellers – and the economy – for our business to have a strong future.

This strong future must be underpinned by a profitable business.

A strong future enables us to continually invest in our product and customer experience.

It means we have a solid and sustainable earnings base on which we can grow.

It delivers greater value for our shareholders.

It's a future your Board, management and the Group's employees continue to pursue.

To all our shareholders, thank you for your support and commitment to the Virgin Australia Group.

Importantly, I want to acknowledge and thank everyone in the Virgin Australia Group for their effort and commitment. Many of them are the face of our business, and our success relies on the exceptional customer experience they deliver.

To my fellow directors, thank you for your contributions, guidance and counsel.

I'll now invite Paul to provide further detail around the key focus areas of the Group.

Thank you.