

Virgin Atlantic and the Caribbean

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CTO European Marketing Forum

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Today's presentation

- 1** Virgin Atlantic's 10 years in the Caribbean
- 2** Short-term outlook: an airline perspective
 - impact of a downturn on Leisure demand
 - the price of jet fuel
- 3** Longer term plans
 - new aircraft opportunities

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Barbados, 27th September 1998



10 years of inaugural parties in the Caribbean

2003: Tobago



2005: Cuba



2006: Jamaica



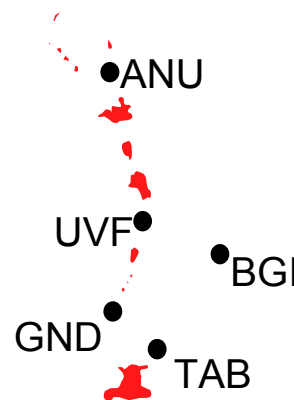
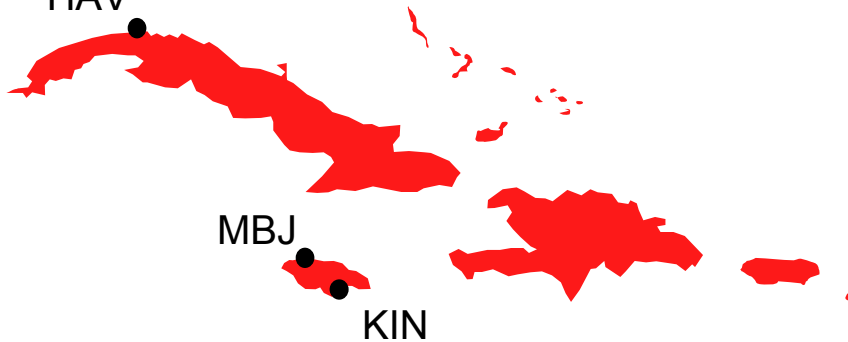
We now operate a total of 22 round-trips per week to 8 points in the Caribbean

Virgin Atlantic in the Caribbean

Key dates



HAV

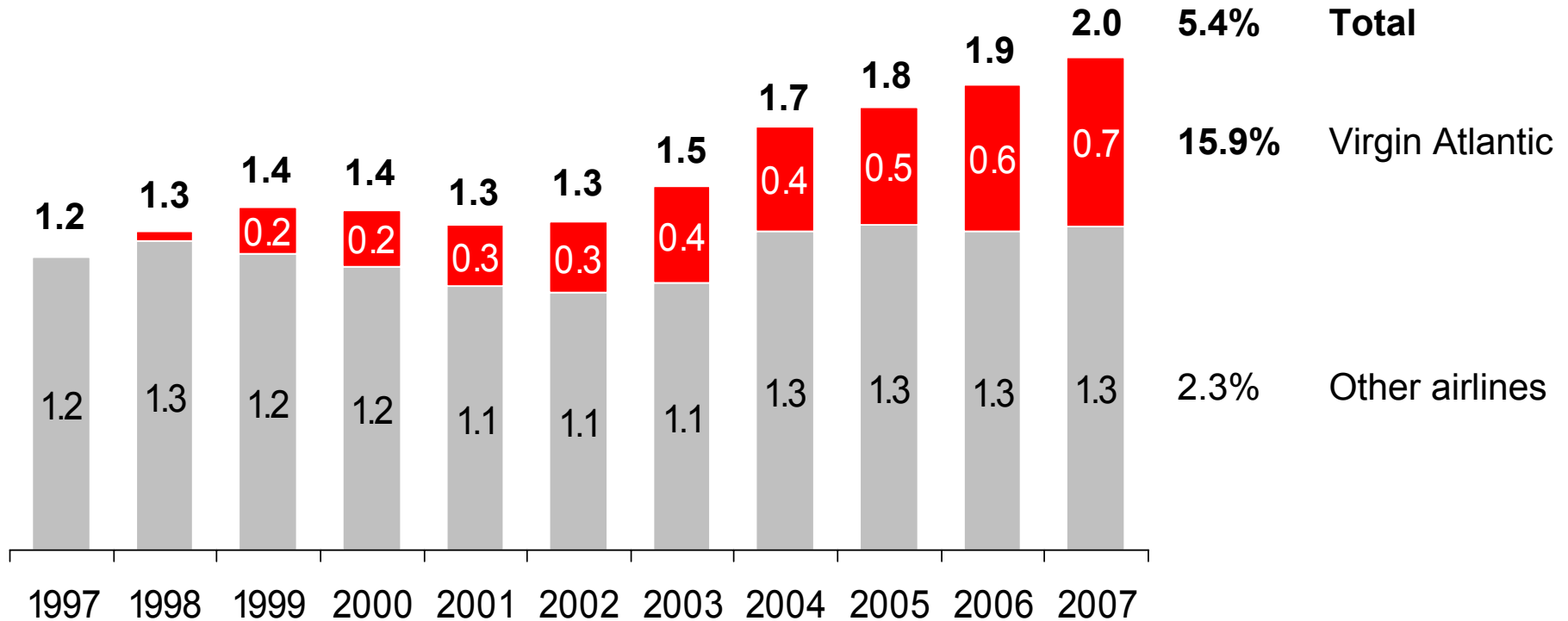


- BGI: launched Sep'98
 - now a daily service ex-LGW
 - also served ex-MAN
- UVF: launched Sep'98
 - now 3 p.w.
- ANU: launched Oct'98
- TAB/GND: launched May'03
- HAV: launched Jul'05
- MBJ: launched Jul'06
- KIN: launched Oct'07

Virgin Atlantic has grown passenger numbers to the Caribbean region every year since 1998

UK-Caribbean air traffic, 1997-2007 (pax p.a., m)

CAGR: (2000-2007)



Source: CAA, Virgin Atlantic

The Virgin Atlantic Leisure model works well in the Caribbean

- Scheduled operation with large, efficient aircraft
 - full-service offering
 - year-round service
 - ambition to build frequency over time
- Aspirational destinations with sufficient volume
 - UK- Caribbean is ideal sector length for maximum aircraft utilisation
- Virgin Holidays plays an important role
 - reduces start-up risk
 - market knowledge
 - bottom line contribution
- Broad & flexible distribution is a key feature of the model
 - limits exposure to specific market segments
 - reduces price pressure vs vertically integrated operators

Today's presentation

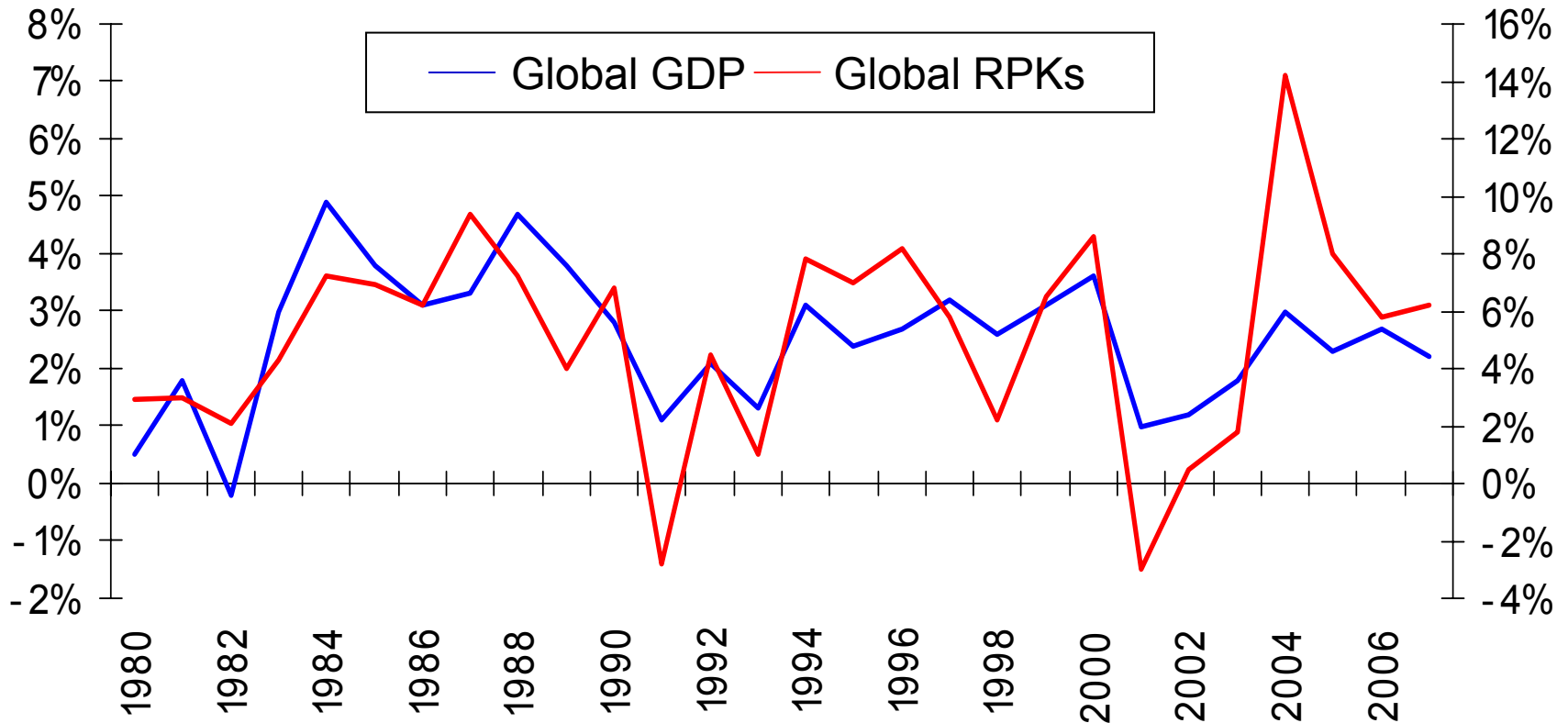
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Overall demand for air travel is closely linked to economic activity and GDP growth

Historical relationship between GDP & air traffic growth (RPKs)

YoY change in
global GDP

YoY change in
global RPKs



There are not many encouraging signs in the UK economy

Inflation



+ 5.2%

- Highest for 16 years

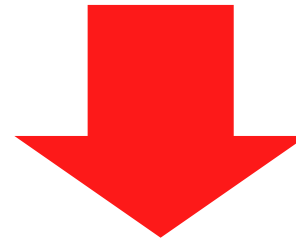
Unemployment



1.79m

- Largest rise for 17 years
- Forecast 2m by Christmas

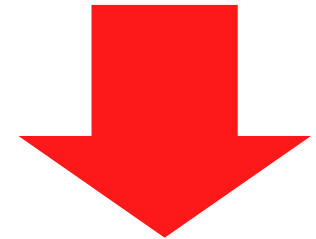
House prices



-15%

- Declining faster than any time in 1990s crash

New car sales

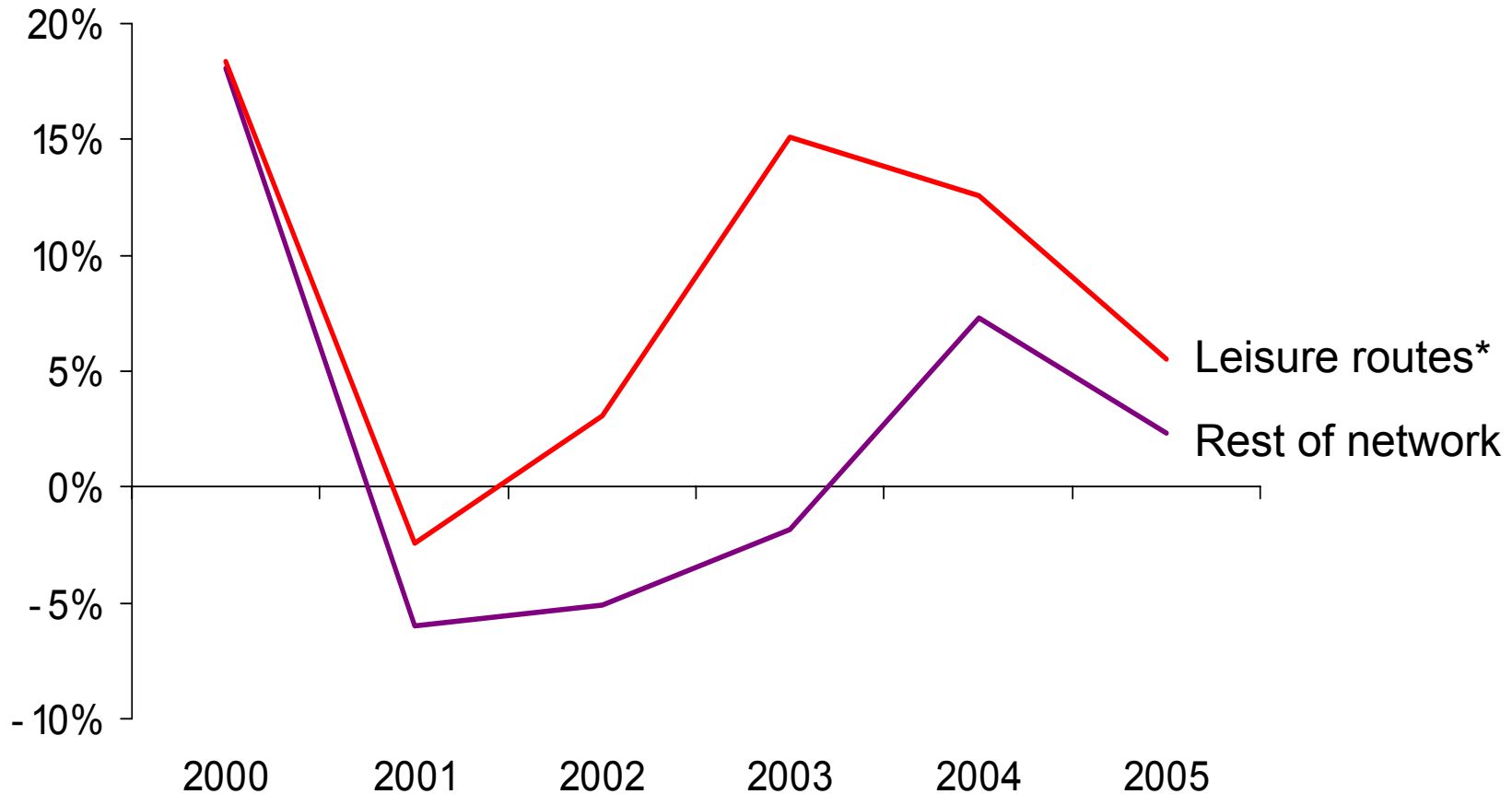


-23%

- Fastest decline since 1991

In the last aviation downturn, Leisure volumes held up very well for Virgin Atlantic

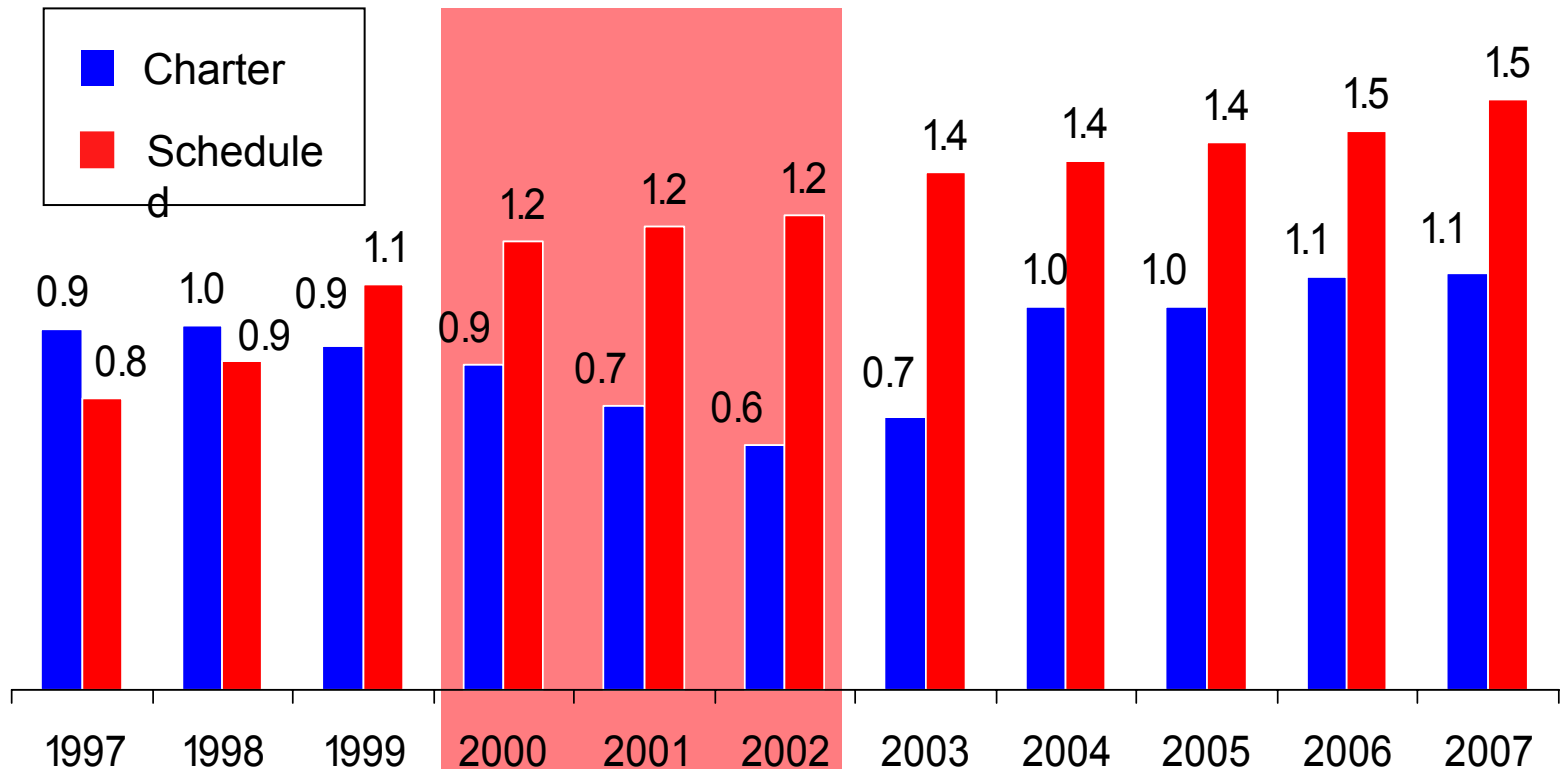
Year on Year change in Virgin Atlantic passengers, 2000-2005 (%)



*Leisure routes defined as services to the Caribbean, Orlando and Las Vegas

Long-haul scheduled capacity and volumes are much more stable than charter

UK-Caribbean passengers, 1997-2007, m



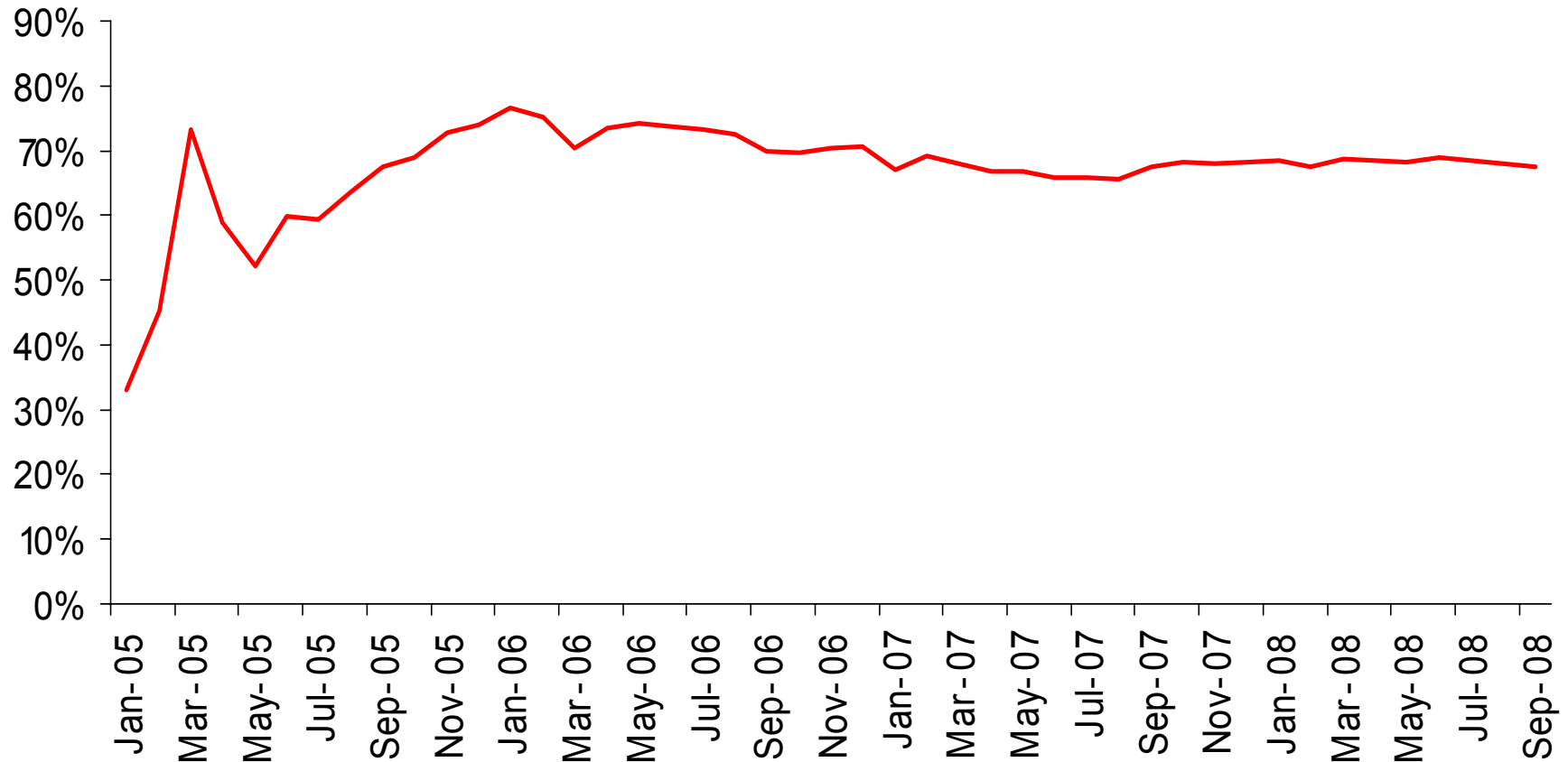
YoY change:

| | | | | | | | | | | |
|-----------|-----|-----|-----|------|------|-----|-----|----|----|----|
| Charter | 2% | -6% | -5% | -13% | -14% | 12% | 41% | 1% | 8% | 1% |
| Scheduled | 12% | 24% | 10% | 4% | 3% | 9% | 3% | 3% | 2% | 6% |

Airlines are still battling the high price of fuel, which is not fully recovered through surcharges

% increase in fuel cost (post-hedging) recovered through surcharges

(Jan05-Sep08, R12m)



Summary of short-term outlook

- The economic situation in the UK is different from anything seen in the last 15 years
 - almost all consumer indicators are showing negative trends
 - unemployment is rising and expected to increase further
 - reduced inflation may provide some relief in 2009
- Despite this, forward bookings on Leisure routes are holding up well for Virgin Atlantic
 - reduction in competitor capacity is welcome relief for remaining airlines
 - the price of fuel remains a major concern; fare cutting is not a viable option
- Long-haul leisure demand likely to hold up better than some other segments
 - longer booking window results in less volatility than business demand
 - short breaks likely to suffer before annual holiday
 - risk of switch to cheaper destinations
- We are always looking at opportunities to optimise our Flying Programme
 - lack of aircraft deliveries mean that any additional flying has to come from within the existing fleet

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Smaller, efficient aircraft are the key to Virgin Atlantic's future expansion on Leisure routes

787-9



- c. 300 seats in Leisure configuration
- 15 aircraft on order
 - delivery originally scheduled from 2011
- Range = c. 15,000km

Fantastic seat economics

AND

Opens up smaller markets

747-400



versus

- 452 seats in Leisure configuration
- 8 Leisure aircraft in the fleet
 - average age = 8.9 years
- Range = c. 13,500km

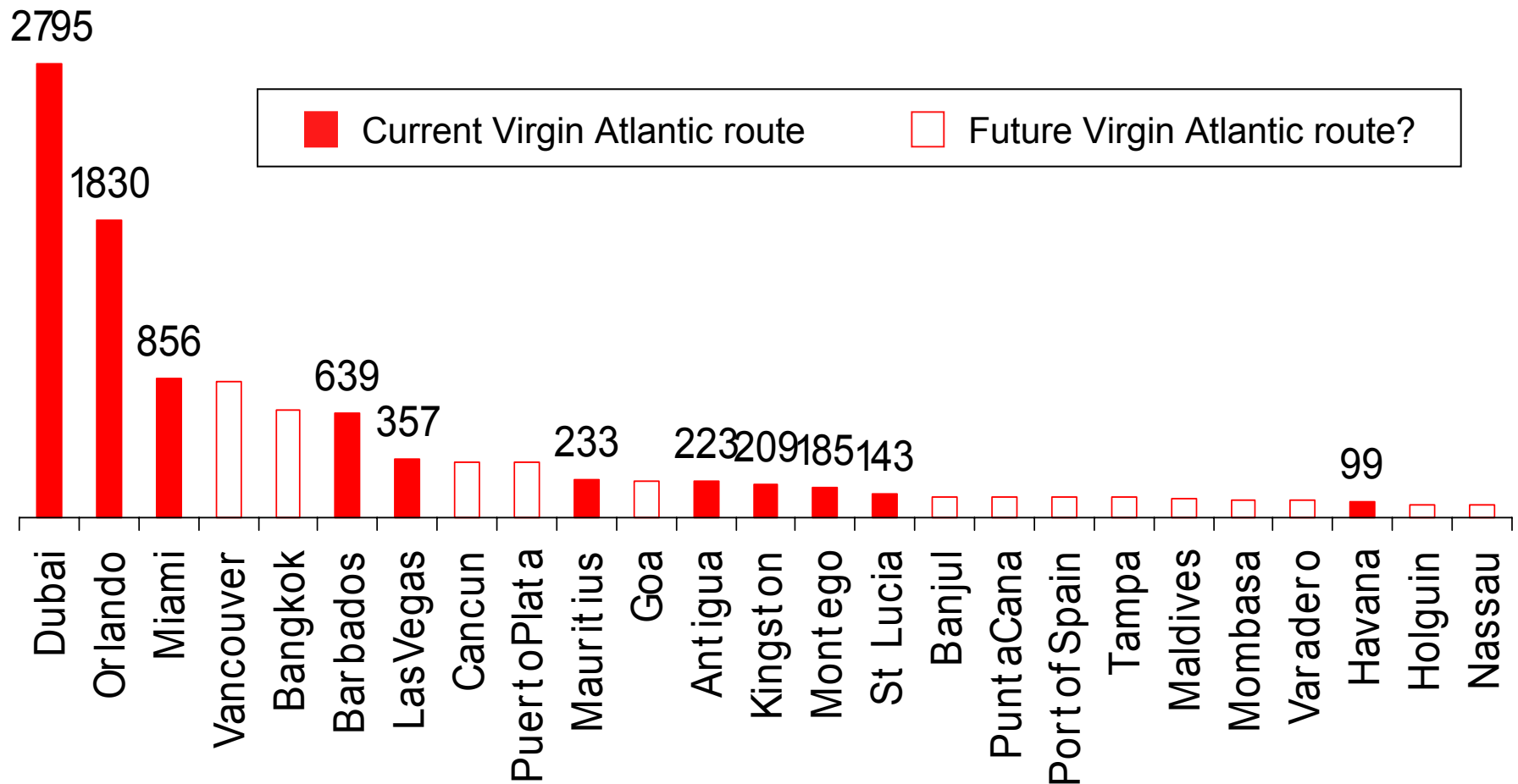
Fantastic seat economics

BUT

Limited number of viable markets

The Caribbean will be competing against other destinations in Virgin Atlantic's expansion plans

Top 25 long-haul leisure markets, UK-World, in 2007 ('000 pax sectors p.a.)



Source: CAA