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VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX:VAH)

Trading and Market Update

TRADING UPDATE

Summary of Preliminary Operating Statistics for April

Domestic Operations

Available Seat Kilometres increased by 3.7%, Revenue Passenger Kilometres decreased by 3.9% and Revenue Load Factor decreased by 5.6 points on the prior corresponding period.

Yields for the month of April were higher than the prior corresponding period, with the highest yield recorded since December 2011. This improvement was driven by the benefits of the new Sabre system starting to flow through and a continued increase in penetration of the higher yielding Corporate and Government markets.

Notwithstanding this positive trend in yields, the loads for April were weaker due to a focus on securing higher yielding passengers, the softer economic environment and the adverse effect of some misalignment in the timing of Easter and School Holidays on leisure traffic.

International Operations

International operations achieved passenger growth of 4.0% on Available Seat Kilometre growth of 3.3% for year-to-date April 2013 and Revenue Load Factor was 76.6%, down from 77.2% on the prior corresponding period.

Available Seat Kilometre growth for the month of April was 4.9% higher than the prior corresponding period, largely due to scheduled heavy maintenance of our Boeing 777 fleet in April 2012.

Earnings Update

Virgin Australia continues to expect to record a positive Underlying Profit Before Tax[1] for the fourth quarter, and it is currently anticipated that Underlying Profit Before Tax for FY13 will be below FY12. The adverse impact to revenue from the introduction of the Sabre system in the third quarter is not likely to be recovered by the end of FY13, given the slower than anticipated improvement in trading and economic conditions.

Virgin Australia is focussed on its strategy of maintaining yield improvement, with the second month of consecutive yield growth, and has strong cost controls in place. Given the slower trading conditions and competitive and weakening economic environment, it is not possible at this time for Virgin Australia to provide any further profit guidance for FY13.

Virgin Australia anticipates that capacity growth for the second half of FY13 will be around 4%, down from previous guidance of 5-7%. Virgin Australia also expects capacity growth to further moderate into FY14, with capacity growth for the first half of FY14 expected to be within the range of 4-5%.

[1] Underlying Profit Before Tax is non-statutory measure used by Management and Virgin Australia Holding's Board. It is based on estimated Statutory Profit Before Tax adjusted for items deemed one-off in nature or which are otherwise not reflective of the underlying performance of the business.

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Virgin Australia remains confident that its strategy will enable it to realise maximum benefit from a recovery in market and economic conditions. This will be achieved through:

- Sustaining and building on yield improvements as trading and capacity conditions stabilise
- Higher penetration of Corporate and Government market by leveraging off the new Sabre distribution system and ongoing product and service improvements.
- Additional margin expansion from the business efficiency program which is on track to deliver savings into FY14 of approximately $120m (per annum run rate).
- Growth in interline and code share revenue from a growing virtual and seamless international network.
- In line with existing plans, Virgin Australia will continue to bolster its unrestricted cash position, with committed funding for all aircraft deliveries until the end of FY14.
- Establishing a strong competitive presence across all markets, with lowest cost base across all segments.
- Further penetration into the regional and budget travel sector.

CLARIFICATION OF HEDGING INEFFECTIVENESS TREATMENT IN THE ANNOUNCEMENT MADE ON 26 FEBRUARY 2013

Virgin Australia wishes to provide additional clarification to page 30 of its 26 February 2013 half year results presentation relating to the determination of Underlying Profit Before Tax.

Hedging Ineffectiveness:

The ineffective cash flow hedges and non-designated derivatives in the Company's statutory income statement include gains and losses from both time value movements on options and ineffectiveness on hedges. Ineffectiveness on hedges relates to movements in the value of hedges that do not qualify to be deferred in the hedge reserve under the current accounting standards and are required to be recognised in the profit and loss, while time value movements on options represents the gain or loss on the option premiums that is attributable to the amount of time remaining until the expiration of the option as well as being dependant on market volatility.

In H1 FY13, a $10.8m gain was attributed to the time value movement on options and was included in the Underlying Profit Before Tax. The further gain of $3.2m, related to the ineffectiveness on hedges, was excluded from the Underlying Profit Before Tax.

This approach of including the time value movement on options was only applied on a go-forward basis for the first time in H1 FY13 and not in H1 FY12, due to the partially matured hedging program announced to shareholders in August 2011. In H1 FY12 the time value movements on options amounted to a loss of $13.5m, while the ineffectiveness on hedges was a gain of $5.2m – both of which were excluded from the Underlying Profit Before Tax in that period.

This approach reflects Virgin Australia's view that with the maturing of the structured hedging program (with 18 month forward positions), costs and gains associated with the time value movements on options are now part of the overall hedging program and as such will be included in Underlying Profit Before Tax going forward.

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VIRGIN AUSTRALIA HOLDINGS OPERATING STATISTICS – APRIL

		Month			Financial Year to Date (Year ending 30 June 2013)		
		Apr-13	Apr-12	*Change*	YTD Apr-13	YTD Apr-12	*Change*
DOMESTIC	Passengers Carried	1,320,612	1,389,715	*(5.0%)*	13,988,046	14,104,396	*(0.8%)*
	Revenue Passenger Kilometres (millions)	1,527	1,589	*(3.9%)*	16,323	16,007	*2.0%*
	Available Seat Kilometres (millions)	2,136	2,060	*3.7%*	21,552	20,165	*6.9%*
	Revenue Load Factor	71.5%	77.1%	*(5.6pt)*	75.7%	79.4%	*(3.7pt)*
INTERNATIONAL	Passengers Carried	213,360	197,903	*7.8%*	2,167,143	2,084,274	*4.0%*
	Available Seat Kilometres (millions)	1,323	1,261	*4.9%*	13,253	12,835	*3.3%*
	Revenue Load Factor	77.0%	76.9%	*0.1 pt*	76.6%	77.2%	*(0.6pt)*
TOTAL NETWORK	Passengers Carried	1,533,972	1,587,618	*(3.4%)*	16,155,189	16,188,670	*(0.2%)*
	Available Seat Kilometres (millions)	3,459	3,321	*4.2%*	34,805	33,000	*5.5%*
	Revenue Load Factor	73.6%	77.0%	*(3.4pt)*	76.1%	78.2%	*(2.1pt)*

Notes:

(1) Monthly operating statistics are issued on a preliminary basis and are subject to change. Any adjustments made will flow through to the year to date results.

(2) RPKs means number of paying passengers carried multiplied by the number of kilometres flown on VA operated flights.

(3) ASKs means total number of seats available for passengers multiplied by the number of kilometres flown on VA operated flights

(4) Revenue Load Factor means RPKs as a percentage of ASKs. International and Total Network Revenue Load Factor metrics include Virgin Australia and International Alliance Partner ASK and RPK data on our revenue-share routes with International Alliance Partners Air New Zealand and Delta Air Lines.

(5) For clarity April operating statistics do not include Skywest.

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News Summary

30 April: Virgin Australia welcomed the announcement that Darwin International Airport will be investing $60 million in new and upgraded facilities.

30 April: Virgin Australia, Brisbane Airport Corporation and the global market maker in sustainable jet fuel, SkyNRG, announced a feasibility study into the creation of Australia's first "bio-port" at Brisbane Airport.

7 May: Virgin Australia unveils its new regional airline operation with Virgin Founder Sir Richard Branson and Virgin Australia Chief Executive Officer John Borghetti at Perth International Airport.

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