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VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX:VAH)

2013 Financial Year Guidance

5 AUGUST 2013

Virgin Australia Holdings Limited (**Virgin Australia** or the **Company**) today announced updated guidance for the financial year ended 30 June 2013[1] (**2013 financial year**).

The company's performance for the 2013 financial year has been impacted by a number of factors, including the difficult economic and competitive environment, one-off pre-tax restructuring and transformation costs, and the carbon tax.

It has also taken longer than usual to finalise revenue recognition during the second half of the 2013 financial year as a result of the Company's complete transition from a ticketless environment to a more complex ticketed environment following the introduction of a new reservation platform. The transition enables the Company to access the Global Distribution System more effectively, expanding its reach around the world.

Following the significant restructuring and transformation program, Virgin Australia today confirms that the full year cost is anticipated to be around $100 million[2], which includes the $36 million announced in the first half of financial year 2013. These costs include the transition to the new Sabre booking and check-in system, transaction costs related to the acquisition of Skywest Airlines Ltd (**Skywest**) and the acquisition of 60% of Tiger Airways Australia Pty Ltd (**Tigerair Australia**) up to 30 June 2013, the integration of Skywest, legacy asset write-downs and business transformation initiatives. These one-off costs represent the final component of the Company's strategic transformation, equating to around 2.4% of Virgin Australia's total operating expenditure for the 2013 financial year.

The Company today also confirmed that the pre-tax costs of the carbon tax for the 2013 financial year are estimated to be between $45 million to $50 million and were unable to be recovered due to weak economic conditions and the competitive environment.

As a result of these factors, Virgin Australia expects a statutory Loss After Tax in the range of $95 million to $110 million. Included in the statutory Loss After Tax is the operating pre-tax loss for the recently acquired Skywest business which is estimated to be between $5 and $10 million, reflecting the investments being made in the business to facilitate rapid growth. The pre-tax loss excluding the one-off pre-tax restructuring and transformation costs and pre-tax loss from the Skywest business (both referred to above) is estimated to be between $30 million and $50 million for the 2013 financial year. This outcome also includes the carbon tax and the gains on ineffective hedges.

Cost per Available Seat Kilometre[3] (**CASK**) (excluding fuel) is expected to be approximately equal to the result from the prior year, notwithstanding the significant investment in product enhancements.

[1] The information contained in this release has not been audited or reviewed by KPMG
[2] This excludes the performance of the acquired Skywest business
[3] Cost per Available Seat Kilometre (CASK, excluding fuel) excludes the restructuring and transformation costs

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Preliminary Operating Statistics for June 2013

Preliminary domestic operating statistics[4] for the month of June 2013 demonstrate positive performance trends. Yields increased compared to the prior corresponding period, which represents consistent yield growth for the fourth quarter of the 2013 financial year. Revenue Load Factor (**RLF**) improved significantly from 69.3% in May 2013 to 74.4% in June 2013.

Outlook

Early indications for the month of July 2013 are that load factors have improved on those announced for June 2013, with continued yield growth. Forward domestic bookings as at 30 June 2013 are around 6% higher than the same time last year.

The Company expects domestic capacity growth in the first half of the 2014 financial year to be within the range of 3% and 4%[5].

Virgin Australia CEO John Borghetti said: "In the 2013 financial year we accelerated the execution of our major restructuring program, which is critical to our success going forward.

"Although today's update is disappointing and notwithstanding a challenging environment, we have made significant progress on the execution of our Game Change Program. We now have the right platform in the Australian market to generate sustainable earnings benefits.

"The preliminary results for June and July indicate positive trends in both yield and loads, demonstrating strength and momentum building into 2014 financial year.

"Our strategic investments in Tigerair Australia and Skywest, coupled with the optimisation of Sabre and the transformation of the Virgin Australia brand and network sees us well positioned for the future", Mr Borghetti said.

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[4] All references to Preliminary Operating Statistics include the Skywest business (acquired April 2013)
[5] Domestic capacity growth refers to Virgin Australia branded operations, excluding Tigerair Australia capacity growth