

Virgin Australia Holdings Limited (ASX: VAH) Trading Update
18 May 2017¹

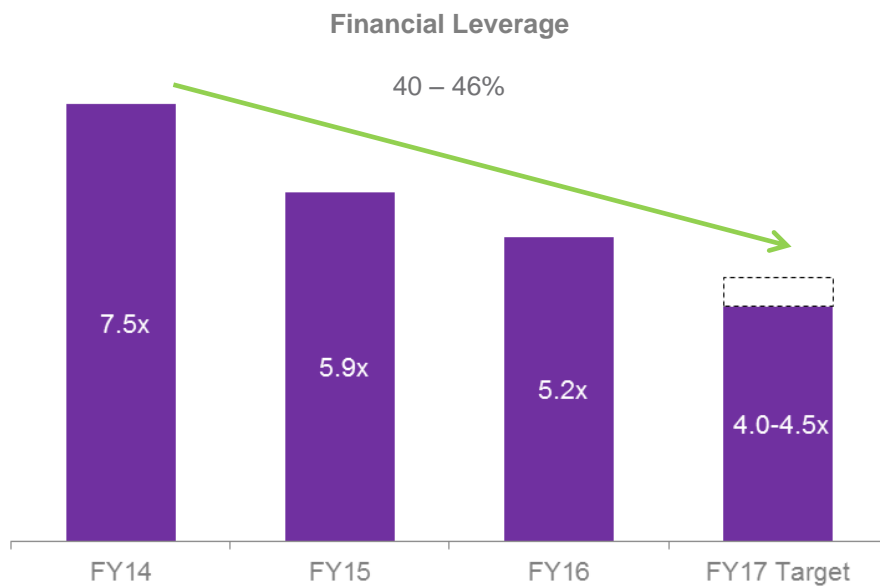
Virgin Australia Holdings Limited (**Virgin Australia Group** or **Group**) today reported an Underlying Loss Before Tax of \$62.3 million and a Statutory Loss After Tax of \$69.0 million for the third quarter of the 2017 financial year. This represents an Underlying Loss Before Tax of \$20.2 million and a Statutory Loss After Tax of \$90.6 million for the nine months to 31 March 2017.

Performance during what is historically the weakest quarter was also impacted by costs associated with the Group's fleet simplification program, the adverse effect of foreign exchange fluctuations on US dollar-denominated debt and operating costs, subdued domestic industry trading conditions and the one-off revenue impact of the withdrawal of Tigerair Australia's Bali operations and severe Queensland weather events in March 2017.

Significant reduction in debt and improvement in financial leverage and liquidity into the 2017 financial year

Financial Leverage

The Group continues to improve its debt and financial leverage positions as a result of successful capital management measures. The Group remains on track to meet its full year Financial Leverage target of between 4.0x and 4.5x as at 30 June 2017. This outcome represents an improvement of 40 – 46 per cent from 7.5x as at 30 June 2014.



Debt

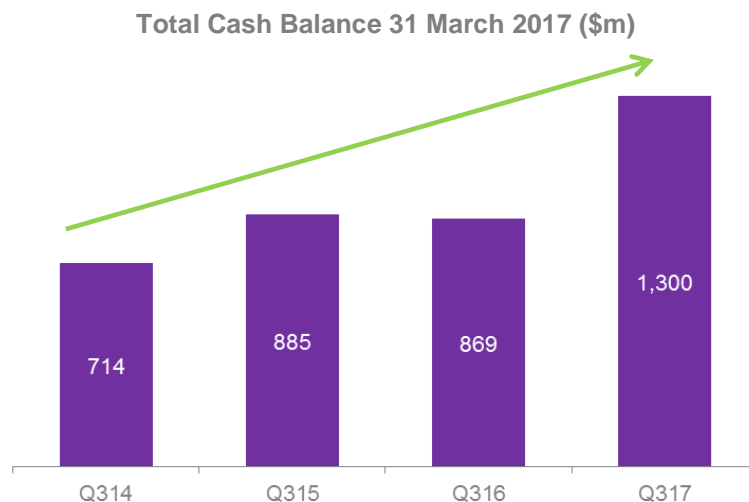
During the third quarter of the 2017 financial year, the Group's debt was reduced by more than \$200 million, which, along with accelerated debt repayments of \$169 million during the first half of the 2017 financial year has further improved the Group's Net Debt position. As at 31 March 2017, the Group's Net Debt has reduced by \$627 million (33 per cent) compared to 30 June 2016.

¹ All financial information in this release has not been audited or reviewed. For definitions, refer to page 3.

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Cash

The Group continues to maintain a strong total cash balance and liquidity position, which is 50 per cent higher than 31 March 2016.



Update on Better Business program and fleet simplification

During the quarter, the Group made strong progress in implementing initiatives under the three year Better Business program. The Group remains on track to cease all Embraer 190 operations by the end of the 2017 calendar year and is finalising the previously announced sale of its six remaining owned Embraer 190 aircraft. Two of those aircraft have been sold subsequent to 31 March 2017 and the remaining four are contracted to be sold prior to 30 June 2017. The Group has also announced that it will remove all six ATR 72-500 and two ATR 72-600 aircraft from its fleet, reducing the total number of ATR aircraft from 14 to six in total. It is expected that the adverse cost impact of Embraer 190 and ATR fleet simplification measures will be reduced over the next 12 months as the removal of those sub-fleets progresses.

The Group remains on track to deliver net free cash flow savings increasing to \$300 million per annum (annualised run rate) from the Better Business program by the end of the 2019 financial year.

Outlook for the fourth quarter of the 2017 financial year

Based on current market conditions, the Virgin Australia Group currently expects its underlying performance for the fourth quarter of the 2017 financial year to improve on the fourth quarter of the 2016 financial year.

ENDS

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VIRGIN AUSTRALIA GROUP PRELIMINARY QUARTERLY OPERATING STATISTICS
 For the period 1 January 2017 – 31 March 2017

		Operating Statistics		
		Q3 FY17	Q3 FY16	Change
VIRGIN AUSTRALIA GROUP	Revenue Passengers	5,758,784	5,816,226	(1.0%)
	Revenue Passenger Kilometres (millions)	8,808	9,108	(3.3%)
	Available Seat Kilometres (millions)	11,181	11,651	(4.0%)
	Revenue Load Factor	78.8%	78.2%	0.6 pts

		Operating Statistics		
		Q3 FY17	Q3 FY16	Change
VIRGIN AUSTRALIA DOMESTIC*	Revenue Passengers	4,090,054	4,106,208	(0.4%)
	Revenue Passenger Kilometres (millions)	4,903	4,935	(0.6%)
	Available Seat Kilometres (millions)	6,462	6,547	(1.3%)
	Revenue Load Factor	75.9%	75.4%	0.5 pts

*The Virgin Australia Group actively managed domestic capacity during the quarter in line with trading conditions, with Virgin Australia Domestic sectors flown declining by 7.0 per cent on the prior corresponding period. Available Seat Kilometres flown by Virgin Australia Domestic also decreased but this measure was impacted by the increased use of larger aircraft for some flying as Embraer 190 aircraft are removed from the Group's operational fleet.

		Operating Statistics		
		Q3 FY17	Q3 FY16	Change
VIRGIN AUSTRALIA INTERNATIONAL	Revenue Passengers	583,556	671,311	(13.1%)
	Revenue Passenger Kilometres (millions)	2,603	2,918	(10.8%)
	Available Seat Kilometres (millions)	3,256	3,636	(10.5%)
	Revenue Load Factor	80.0%	80.3%	(0.3 pts)

		Operating Statistics		
		Q3 FY17	Q3 FY16	Change
TIGERAIR AUSTRALIA DOMESTIC & INTERNATIONAL	Revenue Passengers	1,085,174	1,038,707	4.5%
	Revenue Passenger Kilometres (millions)	1,302	1,255	3.7%
	Available Seat Kilometres (millions)	1,463	1,468	(0.3%)
	Revenue Load Factor	89.0%	85.5%	3.5 pts

Notes:

- Quarterly 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.
- Revenue Passenger Kilometres** or **RPKs** means number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.
- Available Seat Kilometres** or **ASKs** means total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.
- Revenue Load Factor** means RPKs as a percentage of ASKs.

Definitions

Underlying Profit / (Loss) Before Tax: is a non-statutory measure that represents statutory profit / (loss) before tax excluding the impact of impairment losses on assets classified as held for sale, impairment losses on other assets, onerous contract expenses, business and capital restructure and transaction costs (as defined below), share of net profits/(losses) of equity-accounted investees and the impact of hedging and financial instruments (as defined below). This is a measure used by Management and Board of Virgin Australia Holdings Limited (**VAH**) to assess the financial performance of VAH.

Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals or EBITDAR: is a non-statutory measure that represents Underlying Profit/(Loss) Before Interest & Tax (as defined above) excluding the impact of depreciation, amortisation, aircraft rentals and net finance costs. This is a measure used by Management and VAH's Board to assess the financial performance of VAH and its individual segments.

Business and capital restructure and transaction costs: is a non-statutory measure that includes business and capital restructure and transaction costs.

Hedging and financial instruments: is a non-statutory measure that includes: unrealised ineffectiveness on cash flow hedges and non-designated derivatives and time value movements on cash flow hedges.

Financial Leverage: is a non-statutory measure and is defined as the ratio of Adjusted Net Debt (as defined below) to EBITDAR (as defined above).

Net Debt: is a non-statutory measure derived by interest bearing liabilities less cash and cash equivalents.

Adjusted Net Debt: is a non-statutory measure derived by interest bearing liabilities less cash and cash equivalents and adding 7 times annual aircraft operating lease rentals.

Forward Looking Statements: This document contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates provided in this document involve a number of risks, assumptions and contingencies, many of which are beyond the Virgin Australia Group's control and which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. It is believed that the expectations reflected in these forward looking statements, opinions and estimates are reasonable, but there can be no assurance that actual outcomes will not differ materially from these statements. Such forward looking statements, opinions and estimates are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and speak only as of the date of this announcement. You should not place undue reliance on forward looking statements.

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