virgin australia
group of airlines

asx release

Virgin Australia Holdings Limited (ASX: VAH) reports Financial Results for Full Year Ended 30 June 2013

Financial Highlights

Results in line with guidance:
- Statutory Loss After Tax of $98.1 million – in line with previous guidance of a loss of $95 to $110 million
- Pre-tax loss (excl. one-off transformation costs and Skywest[1] loss) of $35.2 million – in line with previous guidance of a loss of $30 to $50 million
- Outperformed main competitor on Group Yield growth
- Strong underlying cost performance – underlying CASK[2] (excl. fuel) approximately equal to FY12, inclusive of major product and service enhancements
- Total cash position of $580.5 million and positive operating cash flows – several initiatives identified and in progress to supplement and diversify the Company's liquidity position

Operational Highlights

Completed major restructuring and transformation as part of Game Change Program:
- Managed critical transition to global ticketed environment and single airline designator, with *SabreSonic* system implemented and delivering benefits
- Completed acquisition of 100% of Skywest and 60% of Tigerair Australia[3], enabling repositioning of business across all key aviation market segments, creating new competitive landscape

Delivered on key targets of the next phase of the Game Change Program:
- Business efficiency project generated sustainable efficiency gains of more than $60 million[4] for FY13
- Velocity Frequent Flyer membership of approx. 3.7 million, up by approx. 500,000 on FY12
- Improved access to global markets – interline and codeshare revenue increased 45% on FY12 and forward domestic bookings approx. 6% higher than PCP[5], on a capacity increase of less than 4%
- Significant enhancements to customer experience – upgrade program for major lounges and airport terminals, business class roll-out complete and new in-flight entertainment installed in 30 aircraft
- Leading airline in Roy Morgan's Domestic Airline Business Satisfaction for FY13[6]

30 August 2013: Virgin Australia Holdings Limited (ASX: VAH) today reported a Statutory Loss After Tax of $98.1 million, consistent with previous guidance. A number of factors impacted the financial performance for the 2013 financial year, including the difficult economic and competitive environment, significant one-off pre-tax restructuring and transformation costs and the carbon tax.

Virgin Australia Chief Executive Officer John Borghetti said: "While the financial results clearly did not meet our initial expectations, the 2013 financial year was a pivotal year for Virgin Australia, in which we completed our major restructuring and transformation program and reshaped the competitive landscape of the Australian aviation market, despite a very difficult economic environment and intense competition.

"As part of this program, we secured access to the growing budget, charter and regional market segments, we successfully executed the crucial transition from a ticketless to a global ticketed airline environment with

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[1] Refers to Skywest Airlines Pte Ltd (formerly known as Skywest Airlines Ltd). Acquisition was completed 19 April 2013
[2] Underlying CASK is a non-statutory measure and is defined on page 10 of this media release
[3] Refers to Tiger Airways Australia Pty Ltd. Acquisition was completed 8 July 2013
[4] This figure has not been audited or reviewed by KPMG
[5] As at 30 June 2013, compared to the prior corresponding period (PCP) of 30 June 2012
[6] Source: Roy Morgan Research, July 2012 – June 2013. Finished the 2013 financial year at 81.0% domestic business travellers very or fairly satisfied compared to Qantas at 78.8%

the implementation of the our new booking and check-in system, *SabreSonic,* and we further enhanced the Virgin Australia customer experience. Each of these initiatives is critical to our success going forward.

“Furthermore, we exceeded our business efficiency program target of $60 million in sustainable efficiency gains, we expanded Velocity Frequent Flyer and improved its value proposition, increased our access to global markets and further developed the most important part of our airline, our people.

“We continued our strong focus on yield, with consistent yield growth in each month of the last quarter of the financial year. This reflects our success in attracting higher-yielding customers, while ensuring we are well-positioned in the market as we enter the 2014 financial year.

“We maintained a disciplined approach to cost management, with underlying CASK growth (excluding fuel) for the 2013 financial year approximately equal to last year, notwithstanding the significant investment in product enhancements.

“The 2014 financial year represents the fourth year of our five-year Game Change Program strategy in which we will focus on consolidating our market positioning in order to drive earnings growth.

“As we move into the new financial year, we continue to grow yield and build loads, supported by our improved access to global distribution channels, through *SabreSonic.* Preliminary operating statistics for July 2013 indicate positive yield[7] growth and domestic loads of 79.6 per cent.

“We now have the right structure in place to compete vigorously in all key market segments and achieve sustainable performance in the future”, Mr Borghetti said.

Financial and Operating Performance

“Revenue and income increased 2.6 per cent on the 2012 financial year, following growth of 19.8 per cent on the 2011 financial year. This reflects the weaker trading conditions experienced during the 2013 financial year and the impact of the introduction of *SabreSonic*, which includes approximately $25 million from the waiving of ancillary fees in order to protect the customer experience, as well as forgone revenue due to the scheduled cutover of the booking system.

“Excluding Skywest and not adjusting for approximately $25 million of waived ancillary fees, the underlying loss before tax for Virgin Australia is $72.8 million[8].

“Due to our strengthening relationships with international airline partners, interline and codeshare revenue continued to grow strongly, with a 45 per cent increase on the prior corresponding period.

“Domestic Business Class passengers continue to increase, with passenger traffic in the Business Class cabin more than doubling compared to the 2012 financial year.

“The result includes the underlying pre-tax trading loss of $9.4 million for the recently acquired Skywest business, reflecting the investments being made to integrate and facilitate the growth of the business.

“Our international operations continue to perform well as a result of the network changes we made as part of the Game Change Program and our alliance partner strategy. International revenue increased by 6.4 per cent compared to the 2012 financial year, off capacity growth of 3.0 per cent, and the business continues to be EBIT positive.

[7] For the purposes of comparison this excludes the Regular Passenger Traffic segment previously operated by Skywest

[8] Underlying Profit / (Loss) Before Tax (PBT) excludes Skywest and is a non-statutory measure used by Management and VAH’s Board as a primary measure to assess financial performance of Virgin Australia and individual segments. Refer to page 9 of the media release for a reconciliation of Statutory and Underlying PBT

“Virgin Australia outperformed our major competitor on Group Yield growth for the second year running, with relatively flat Group Yield[9] growth for the 2013 financial year.

“We incurred $105.1 million of significant one-off pre-tax costs as a result of the major restructuring and transformation program. The transition to a global ticketed environment, a single airline designator code and new core IT systems (including a new data warehouse and a new revenue accounting system) comprised the majority of this cost, totalling $81.5 million. This incorporated a comprehensive 12 month staff training program, technical costs of the system cutover, resources for customer management and communications, and other costs associated with the transition. Other one-off restructuring and transformation costs include the restructure costs associated with the Skywest and Tigerair Australia transactions, the integration of Skywest and business transformation initiatives, totalling $17.3 million. The business also incurred $6.3 million of costs associated with accelerated depreciation on legacy assets.

“While significant one-off costs affected our profitability for the year, we maintained strong controls on costs, with underlying CASK[10] (excluding fuel) for the 2013 financial year approximately equal to that of the 2012 financial year, even with significant enhancements to product and service.

“The company was also impacted by the carbon tax during the 2013 financial year, with a $47.9 million cost of which we were unable to recover due to strong competition in the market.

“Importantly, we have made significant progress in our plan to streamline the ongoing costs of the business as it grows. In its first year, our business efficiency program has exceeded targets, delivering sustainable efficiency gains of over $60 million and is on track to deliver cumulative productivity gains of approximately $400 million over the three years to 30 June 2015.

“Our tiered hedging policy continues to be successful in providing short term certainty in a volatile environment, while enabling us to maintain flexibility in the longer term.

“In line with guidance, we recorded capacity growth of 6.3[11] per cent across our domestic network for the 2013 financial year. As previously stated, we expect domestic capacity (excluding Tigerair Australia) to grow between 3 and 4[12] per cent in the first half of the 2014 financial year.

“On Time Performance for the Virgin Australia brand was roughly in line with that of our major competitor’s branded operations, at 81.1 per cent for the 2013 financial year[13]. This includes the impact of the transition to *SabreSonic*, which affected On Time Performance during the third quarter of the year”, Mr Borghetti said.

Liquidity and Cash Flow

“We finished the 2013 financial year with a total cash position of $580.5 million and an unrestricted cash position of $326.5 million as at 30 June 2013.

“Improved underlying cost disciplines across the business have supported positive cash flow generated from operations[14] of $184.2 million across the 2013 financial year.

“We continue to review Virgin Australia's assets to ensure we are utilising our resources in the best way possible. As part of this process, over the year we have executed the sale and lease-back of the Virgin

[9] Group Yield excludes Skywest
[10] Underlying CASK is a non-statutory measure and is defined on page 10 of this media release
[11] Capacity growth includes Virgin Australia Regional (previously Skywest) for May and June FY13 figures
[12] FY14 growth target takes into account Virgin Australia Regional for the full prior comparable period, and excludes Tigerair Australia
[13] In accordance with the Bureau of Infrastructure, Transport & Regional Economics definitions, flight departure is counted as "on time" if it departs the gate within 15 minutes of the scheduled departure time shown in the carriers' schedule. Compares the departure OTP results of Virgin Australia-branded operations (Virgin Australia and Virgin Australia Regional Airlines) with Qantas-branded operations (Qantas and QantasLink), which recorded a result of 81.9%
[14] Excludes business transformation and net finance costs

Australia hangar at Brisbane Airport and several other initiatives have also been identified and are underway to supplement and diversify our liquidity position.

"This includes conditional commitments for a new term loan facility from Air New Zealand (NZX: AIR), Etihad Airways and Singapore Airlines (SGX: SIA) for an aggregate amount of AUD90 million, as part of our focus on supplementing and diversifying the Company's liquidity position", Mr Borghetti said.

Game Change Program Strategy Update

"We have concluded the first phase of the Game Change Program with the completion of significant restructuring and transformation initiatives, which are essential to ensure the Group can compete effectively in all market segments and to create a solid platform for growth", Mr Borghetti said.

Systems and Processes

"Central to the Game Change Program is building a strong flexible operating platform, through strengthening our systems and processes.

"Thanks to the significant work undertaken internally we have now created this platform. Over the past three years we have implemented a new Treasury management framework, an improved group-wide procurement framework, improved operating and financial disciplines and a business efficiency program to drive better cost efficiencies and operational effectiveness.

"During the 2013 financial year, we completed one of the most significant initiatives in Virgin Australia's thirteen year history. We transitioned from a ticketless environment to a global ticketed environment, moving from a low cost carrier system to become a full service airline with better access to global distribution channels and the ability to provide a more seamless customer experience. This involved moving from two booking and check-in systems and two airline designator codes to one globally-recognised system and one airline designator code, with the implementation of *SabreSonic* in January 2013.

"This new system is critical to our ability to continue to grow the business, increasing our exposure to the corporate and government market and to travel agents both in Australia and around the world. It was therefore crucial that we implemented the system as quickly as possible, with minimal disruption to the customer experience, even though that meant significant one-off costs for the business during the 2013 financial year.

"The new *SabreSonic* system is already supporting our ability to increase yield. For example, domestic bookings made within the final three weeks prior to departure have experienced a doubling of yield premium to 20 per cent, whilst the number of domestic bookings has improved by 15 per cent over the prior corresponding period[15].

"The system will also make it easier for us to work with our current alliance partners and to add new alliance partners, as it aligns with industry standard practices and supports IATA protocols.

"*SabreSonic* is central to providing an improved travel experience, making it easier for customers to transfer between our flights and those of our partner airlines and offering customers more online self-service options and a greater choice of flights", Mr Borghetti said.

[15] Refers to domestic bookings made through all sources and compares the 4 trading weeks of July 2013 to 4 weeks of trading in July 2012

Product and Service Enhancements

“One of the key aims of the Game Change Program is to establish a superior position in customer experience, while maintaining our cost advantage. This has been a priority during the 2013 financial year as we implemented the final initiatives of our major transformation program and continued to innovate in order to maintain our leadership in this area.

“During the year we completed the roll-out of business class to our domestic fleet, with new cabins on our Embraer 190 aircraft, giving travellers in Australia choice in business class for the first time in over a decade.

“We have expanded existing lounges in key capital cities to meet growing demand and we have launched a new 300 seat lounge in the nation’s capital, Canberra. The refurbishment and extension of our Sydney lounge is now complete. By the end of the 2013 calendar year, we will have completed the expansion of our Melbourne lounge and opened a new lounge in Cairns, with new lounges in Darwin and Perth to open in calendar year 2014.

“We also continued to enhance the airport terminal experience for our customers. In the 2013 financial year we launched Virgin Australia’s state-of-the-art terminal facilities in Canberra and completed the refurbishment of terminal facilities in Melbourne and our extended pier at Sydney Domestic Airport’s Terminal 2.

“In-flight entertainment is critical to customer satisfaction in the air and we have made substantial progress on the implementation of the wireless content streaming technology, with 30 aircraft fitted out and the rest of the domestic Boeing and Embraer fleet to be completed by the end of the year.

“Innovation will remain core to the Virgin Australia brand and we have a range of new product and service initiatives planned for the 2014 financial year to ensure we retain our leadership position, while maintaining a low cost base”, Mr Borghetti said.

Velocity Frequent Flyer

“Membership of the Velocity Frequent Flyer program has grown to approx. 3.7 million, an increase of approximately 500,000 members from the end of June 2012. We continue to see steady growth across all metrics of the business and we are confident that we are on track to achieve our target of 5 million members by the end of the 2015 financial year.

“Over the 2013 financial year we increased the number of hotel partners by 80 per cent and added a range of new partners, maintaining the widest retail offering of any loyalty program in Australia.

“We have launched a number of successful new initiatives aimed at engaging members. We were first to market with a new multi-currency pre-paid travel card, the Global Wallet, combining the Velocity membership card with a Visa pre-paid travel card capability. We also launched Australia’s first pet frequent flyer program and a Velocity Frequent Flyer Facebook presence.

“Going forward, we are focused on continuing to strengthen and mature the business to optimise Velocity Frequent Flyer for ongoing growth”, Mr Borghetti said.

Network and Alliances

“We have further expanded our extensive global network over the 2013 financial year, offering a range of benefits to travellers and providing access to more than 460 destinations across five continents, with the ability for our Velocity Frequent Flyer members to earn Points and Status Credits on all flights. This represents an increase of 27 destinations on the prior corresponding period.

“We are very pleased to have the support of our strong airline alliance partners, Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines, which is critical to the success of our business.

“We continue to work closely with these partners on improving our offering for customers and also on identifying other opportunities to create efficiencies and enhance the customer experience”, Mr Borghetti said.

Regional Operations

“In May 2013 we launched Virgin Australia’s regional operation, following the acquisition of the Western Australia based Skywest).

“We have made significant progress with the integration of Skywest into the Virgin Australia Group, including the roll out of Virgin Australia branding across the airline's operations and the transition to the same *SabreSonic* system as Virgin Australia, aligning website and airline designator codes.

“Work is well advanced on integrating the networks of the two airlines to explore opportunities for growth and to enhance the customer proposition. For example, earlier this month we launched Virgin Australia's two-class Embraer aircraft to the important mining hub of Kalgoorlie, as well as Fokker 100 services to the oil and gas port of Onslow.

“We are now well positioned to compete in the regional and charter markets in the 2014 financial year”, Mr Borghetti said.

Tigerair Australia

“We completed the acquisition of 60 per cent of Tigerair Australia in July 2013, enabling us to re-enter the high-growth budget market segment, which is a key part of our overall strategy.

“We have observed positive performance trends to date and we expect performance improvements to be driven by three key factors.

“Firstly, increasing the scale of the business by growing the fleet to 23 aircraft, with the potential to increase up to 35, which we believe will bring economies of scale and deliver a further cost advantage. Secondly, improving operational and service standards to enable the business to increase yields. Recent performance indicators have been positive, with load factors for July 2013 at 92.0 per cent, an increase of 8.2 points on the same time last year. Thirdly and finally, we believe margins will be improved by extracting synergies through leveraging off shareholders for certain functions such as procurement”, Mr Borghetti said.

Our People

“Our people and the service they deliver continue to be our main differentiator in the market. During the 2013 financial year we implemented an organisational change program designed to develop a more customer-centric culture in all aspects of our business.

“Virgin Australia has received a range of accolades over the year for its achievements in customer service, including our recognition at the Roy Morgan Customer Satisfaction Awards as Domestic Airline of the Year and at the World Airline Awards for ‘Best Airline Staff Service” in the Australia/Pacific region for the third consecutive year. The Roy Morgan Customer Satisfaction results for the 2013 financial year demonstrate that we are leader in Domestic Airline Business Satisfaction, with 81 per cent of customers very or fairly satisfied.

"I would like to express my sincere gratitude to all team members for their tireless dedication to Virgin Australia as we continue to progress our Game Change Program strategy. In a year of major restructuring and transformation, they have demonstrated great passion and tremendous skill and they will continue to be the drivers of our success going forward", Mr Borghetti said.

Outlook

"Given the uncertain economic environment we are unable to provide guidance for the 2014 financial year at this time", Mr Borghetti said.

ENDS

FINANCIAL AND OPERATING PERFORMANCE SUMMARY

FINANCIAL PERFORMANCE – GROUP

The summary financial results for the 12 months ended 30 June 2013 are as follows:

Period ended 30 June	**2013 ($ million)**	**2012 ($ million)**
Total revenue and income	4,020.4	3,919.5
Segment EBIT[16]	(36.7)	116.7
Underlying (loss) / profit before tax[17] (excl. Skywest)	(72.8)	82.5
Statutory net (loss) / profit after tax	(98.1)	22.8

Operating Statistics (Group)	**2013**	**2012**
Group Yield	11.08	11.09
Available Seat Kilometres	41.8bn	39.8bn
Passengers Carried	19.3m	19.4m
Revenue Load Factor[18] %	75.6%	78.1%

Domestic Statistics	**2013**	**2012**
Available Seat Kilometres	25.9bn	24.4bn
Passengers Carried	16.7m	16.9m
Revenue Load Factor[18] %	75.1%	79.0%

International Statistics	**2013**	**2012**
Available Seat Kilometres	15.9bn	15.4bn
Passengers Carried	2.6m	2.5m
Revenue Load Factor[18] %	76.4%	77.4%

OPERATING PERFORMANCE – GROUP

Total revenue and income increased 2.6 per cent to $4,020.4 million, on passengers carried in-line with prior year. Revenue load factor[18] decreased by 2.5 points to 75.6 per cent.

Group yield was unchanged on the prior comparative period, with strong growth in the final quarter of the 2013 financial year, attributable to benefits associated with Game Change Program strategic repositioning and the transition to a ticketed environment.

Underlying CASK[19] (excl. fuel) was approximately equal to that of 2012 financial year due to strong controls on costs, even with significant enhancements to product and service.

[16] Segment EBIT is a non-statutory measure per note 5 of the Virgin Australia Holdings preliminary final report for the year ended 30 June 2013

[17] Underlying (Loss)/Profit Before Tax (PBT) excludes Skywest and is a non-statutory measure used by Management and VAH's Board as a primary measure to assess financial performance of Virgin Australia and individual segments. Refer to page 9 of the media release for a reconciliation of Statutory to Underlying PBT

[18] 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

[19] Underlying CASK is a non-statutory measure and is defined on page 10 of this media release

Underlying Loss Before Tax for the Group (excluding Skywest and making no adjustment for waived ancillary fees or other earned revenue impacts from the Sabre migration) was $72.8 million and Statutory Loss After Tax for the Group was $98.1 million.

Statutory Loss After Tax for the Group of $98.1 million is adjusted for income tax benefit of $51.6 million, business transformation expenses of $105.1 million, underlying pre-tax trading loss of Skywest of $9.4 million[20] and hedging ineffectiveness of $37.6 million[21] (gains), resulting in Underlying Loss Before Tax for the Group of $72.8 million for the year ended 30 June 2013.

Business transformation expenses ($105.1 million) include the acquisition of Skywest and the transition to *SabreSonic* ($98.8 million) and accelerated depreciation ($6.3 million) of assets linked to the strategic repositioning of the business.

Skywest underlying pre-tax trading loss comprises of a statutory loss before tax of $10.2 million less restructure expenses of $0.8 million.

$11.5 million relating to time value movements on cash flow hedges have been included in the Underlying Loss Before Tax result for the financial year 2013.

Domestic

Domestic EBIT[22] was a loss of $44.4 million (including $8.8 million[23] from Skywest), a decline of $137.6 million on the prior comparative period. This performance was impacted by the difficult economic and operating environment which has impacted revenue, includes allocated corporate overheads and the Skywest loss, and makes no adjustment for waived ancillary fees or other earned revenue impacts from the Sabre migration.

International

International EBIT[24] was a profit of $7.7 million, making no adjustment for waived ancillary fees or other earned revenue impacts from the Sabre migration.

Balance Sheet and Cash Flow

This year has seen a significant investment in the future capability of the Group.

The Group has undertaken a review of its balance sheet during the financial year. As part of this process, over the year we have executed the sale and lease-back of the Virgin Australia hangar at Brisbane Airport and several other initiatives have also been identified and are underway to further improve liquidity and balance sheet efficiency.

Operating cash (excluding business transformation expenses and net finance costs) inflows of $184.2 million were delivered for the period. Net investment outflows were $496.0 million, including a cash outflow of $42.2 million for the Skywest acquisition.

Hedging Strategy

The AUD designated hedging policy implemented in 2011 provides a large degree of short-term certainty, while maintaining longer term optionality. During the 2013 financial year, while the average AUD jet fuel price

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[20] Skywest generated a pre-tax loss of $10.2 million including finance costs of $0.6 million and has been adjusted for $0.8 million of business transformation expenses

[21] Hedging ineffectiveness treatment is defined on page 10

[22] Domestic EBIT is a non-statutory measure per note 5 of the Virgin Australia Holdings preliminary final report for the year ended 30 June 2013

[23] Domestic EBIT includes underlying pre-tax loss of Skywest of $9.4 million adjusted for $0.6 million of finance costs.

[24] International EBIT is a non-statutory measure per note 5 of the Virgin Australia Holdings preliminary final report for the year ended 30 June 2013

decreased by 0.9 per cent and Group ASK capacity grew 5.0 per cent, Virgin Australia's fuel expenses only increased by 3.3[25] per cent. Despite technical ineffectiveness experienced in June, the hedging program continues to be successful.

Definitions

Underlying PBT: Underlying (Loss)/Profit Before Tax (PBT) is a non-statutory measure used by Management and VAH's board as a primary measure to assess financial performance of VAH and individual segments. From the 2013 financial year, VAH included all time value movement in hedges in underlying profit leaving hedge ineffectiveness to be excluded from underlying profit. This approach is consistent with the approach applied in the first half of the financial year 2013, but represents a change from the financial year 2012. In the financial year 2012, unrealised time value movement of $24.2 million was included in underlying profit. While it is not appropriate to change comparative information, should this approach to program management have been applicable in the financial year 2012, then the underlying profit would reduce by $24.2 million.

EBIT: Earnings Before Interest and Tax (EBIT) is a non-statutory measure per note 5 of the Virgin Australia Holdings preliminary final report for the year ended 30 June 2013. It is used by Management and VAH's board as a primary measure to assess financial performance of VAH and individual segments. From the financial year 2013, VAH has included the time value movement on cash flow hedges in EBIT (see Hedging ineffectiveness definition).

Underlying CASK: Underlying Cost per Available Seat Kilometre (CASK) is a non-statutory measure which comprises total revenue less underlying (loss)/profit before tax (excluding Skywest) and the following: fuel and revenue relating to non-ticket or nil margin activities $47.5 million (2012: $47.4 million, this revenue is not included in the definition of yield). In 2012 additional amounts relating to hedging ineffectiveness of $10.1 million, net loss on disposal / write down of property, plant and equipment of $18.7 million were excluded.

Hedging ineffectiveness: The ineffective cash flow hedges and non-designated derivatives in the statutory consolidated statement of profit or loss 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 dependent on market volatility.

In the financial year 2013, an $11.5 million gain was attributed to the time value movement on options and was included in the underlying loss before tax. A further gain of $37.6 million, related to the ineffectiveness on hedges, was excluded from the underlying loss 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 the first half of the financial year 2013, and not in the financial year 2012, due to the partially matured hedging program announced to shareholders in August 2011. In the financial year 2012, the unrealised time value movements on options amounted to a loss of $24.2 million, while the ineffectiveness on hedges was a loss of $4.1 million – both of which were excluded from the underlying profit before tax in that period. While it is not appropriate to change comparative information, should this approach to program management have been applicable in the financial year 2012, then the underlying profit would reduce by $24.2 million.

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 (Loss)/Profit Before Tax going forward.

[25] Excluding the impact of the carbon tax

ASIC Guidance

In December 2011 ASIC issued Regulatory Guide 230. In order to comply with this Guide, Virgin Australia is required to make a clear statement about whether information disclosed in documents other than the preliminary financial report has been audited or reviewed in accordance with Australian Auditing Standards. The following non-IFRS information has not been audited or reviewed by KPMG: underlying (loss)/profit before tax, domestic EBIT, international EBIT, segment EBIT and underlying CASK. This media release has not been audited or reviewed by KPMG; however, IFRS data has been derived from the unaudited annual consolidated financial statements that are in the process of being audited by KPMG.