

Virgin Australia Holdings Limited (ASX: VAH) Trading Update for Fourth Quarter Ending 30 June 2016

Summary¹

- Group Underlying EBIT profit for Q4 FY16 of \$26.1 million – an improvement of \$26.7 million on Q4 FY15
- Underlying Loss Before Tax for Q4 FY16 of \$21.9 million – an improvement of \$15.0 million on Q4 FY15
- Statutory Loss After Tax for Q4 FY16 of \$228.4 million – a decline of \$210.6 million on Q4 FY15, impacted by previously announced charges from efficiency activities and the Better Business program, which will deliver significant, sustainable savings going forward

Cumulative results for the full 2016 financial year:

- Group Underlying EBIT profit for FY16 of \$210.6 million – an improvement of \$144.7 million on FY15
- Underlying Profit Before Tax for FY16 of \$41.0 million, consistent with guidance – an improvement of \$90.1 million on FY15, or an improvement of \$118.6 million taking 100 per cent of Tigerair Australia performance on a like-for-like basis into account
- Statutory Loss After Tax for FY16 of \$224.7 million – including the impact of previously announced charges related to the Better Business program and other efficiency activities.

Q4 FY16 Highlights

- Group revenue passengers up 4.2 per cent on prior corresponding period
- Group load factor up by 4.5 points on the prior corresponding period
- Virgin Australia Domestic capacity reduction of 2.0 per cent in line with consumer demand

28 July 2016: Virgin Australia Holdings Limited (“Virgin Australia Group” or “Group”) today reported an Underlying Loss Before Tax of \$21.9 million for the fourth quarter of the 2016 financial year, an improvement of \$15.0 million on the prior corresponding period.

The Group’s Statutory Loss After Tax for the fourth quarter was \$228.4 million. This includes the impact of previously announced charges, the majority of which are related to the Better Business program and other efficiency activities, with a focus on the simplification of the Group’s fleet through the removal of surplus ATR capacity and E190 aircraft.

The Group is targeting net free cash flow savings increasing to \$300 million per annum (annualised run rate) by the end of the 2019 financial year through the Better Business program. In addition, the Group’s existing efficiency initiatives will have delivered over \$1.2 billion in cumulative cost savings by the end of the 2017 financial year.

CEO of the Virgin Australia Group John Borghetti said: “The Group improved its underlying performance, passenger numbers and load factors in the fourth quarter in a challenging operating environment. During the quarter, the Group took action in response to operating conditions through strategic capacity reductions in line with demand.”

The Virgin Australia Group will report its results for the 2016 financial year on 5 August 2016.

ENDS

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¹ All financial information in this release for Q4 FY16, Q4 FY15 and the full 2016 financial year reflects the 100% consolidation of results for Tigerair Australia. All financial information in this release for the full 2015 financial year reflects equity accounting of Tigerair Australia from 1 July 2014 to 16 October 2014 and consolidated Tigerair Australia performance from 17 October 2014, except where otherwise noted. All financial information contained in this release has not been audited or reviewed. For definitions, refer to page 3.

VIRGIN AUSTRALIA GROUP PRELIMINARY QUARTERLY OPERATING STATISTICS
 For the period 1 April 2016 – 30 June 2016

		Operating Statistics		
		Q4 FY16	Q4 FY15	Change
VIRGIN AUSTRALIA GROUP	Revenue Passengers	5,846,128	5,611,502	4.2%
	Revenue Passenger Kilometres (millions)	8,935	8,822	1.3%
	Available Seat Kilometres (millions)	11,212	11,736	(4.5%)
	Revenue Load Factor	79.7%	75.2%	4.5 pts

		Operating Statistics		
		Q4 FY16	Q4 FY15	Change
VIRGIN AUSTRALIA DOMESTIC	Revenue Passengers	4,275,730	4,088,245	4.6%
	Revenue Passenger Kilometres (millions)	5,065	4,786	5.8%
	Available Seat Kilometres (millions)	6,449	6,580	(2.0%)
	Revenue Load Factor	78.5%	72.7%	5.8 pts

		Operating Statistics		
		Q4 FY16	Q4 FY15	Change
VIRGIN AUSTRALIA INTERNATIONAL	Revenue Passengers	548,162	637,468	(14.0%)
	Revenue Passenger Kilometres (millions)	2,493	2,966	(15.9%)
	Available Seat Kilometres (millions)	3,155	3,856	(18.2%)
	Revenue Load Factor	79.0%	76.9%	2.1 pts

		Operating Statistics		
		Q4 FY16	Q4 FY15	Change
TIGERAIR DOMESTIC & INTERNATIONAL	Revenue Passengers	1,022,236	885,789	15.4%
	Revenue Passenger Kilometres (millions)	1,377	1,070	28.7%
	Available Seat Kilometres (millions)	1,608	1,300	23.7%
	Revenue Load Factor	85.6%	82.3%	3.3 pts

Notes:

- (1) 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.
- (2) 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.
- (3) 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 operated flights.
- (4) Revenue Load Factor means RPKs as a percentage of ASKs.

Definitions

Underlying EBIT: is a non-statutory measure that represents Underlying Profit / (Loss) Before Tax (as defined below) excluding the impact of net finance costs. This is a measure used by Management and VAH's Board to assess the financial performance of VAH.

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, net loss on disposal of 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 VAH's Board to assess the financial performance of VAH.

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 the following items: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives and time value movements on cash flow hedges.

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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