ASX RELEASE

Virgin Australia Holdings Limited (ASX:VAH) reports FY18 Results[1]

Summary of FY18 Group Outcomes	
Group Underlying Profit Before Tax of $109.6 million	• $113.3 million increase on FY17, delivered despite $45.0 million net fuel price headwind • Highest Underlying Profit Before Tax result since FY08 • 7.4 per cent growth in Group revenue

Record performance in core Virgin Australia Domestic business	• EBITDA, EBIT and EBIT Margin results significantly improved on FY17 and highest results since Domestic segment reporting began in FY12:
	  • EBITDA of $516.0 million, 49.5 per cent improvement
	  • EBIT of $246.1 million, 165.0 per cent improvement
	  • EBIT Margin of 6.7 per cent, 4.0 percentage point improvement

Group statutory loss after tax of $653.3 million, including non-cash accounting adjustments and restructuring charges	• Impacted by non-cash accounting adjustments to derecognise $451.9 million of deferred tax assets and recognise a $120.8 million impairment of Virgin Australia International business assets • Restructuring charges of $148.5 million also incurred, primarily related to the Better Business program – $96.7 million less than similar charges in FY17
Record operating cash flow performance	• $570.4 million in net cash from operating activities – 108.3 per cent improvement on FY17 and highest ever recorded result
Positive Free Cash Flow despite investment in fleet	• $73.1 million Free Cash Flow in FY18, notwithstanding over $200 million invested in final five Boeing 737-NG aircraft delivered during FY18 • 113.1 per cent improvement on FY17
Better Business Program delivering significant benefits	• Program tracking at $324 million in annualised net free cash flow savings at end of FY18 • On track to deliver $400 million in annualised net cash flow savings by end of FY19, exceeding previous target of $350 million
Continued improvement in cash and leverage metrics	• Financial Leverage of 3.9x as at 30 June 2018 – 13 per cent improvement on 30 June 2017 and strongest 30 June Financial Leverage result in 10 years • Highest ever 30 June cash balance of $1,415.5 million
FY19 outlook	• The Group's strong momentum in FY18 has continued into FY19. In July 2018, the Group recorded its highest ever July revenue outcome and there is further positive momentum in forward bookings. • Based on current market conditions, Group revenue in the first quarter of the 2019 financial year is expected to grow by at least 7 per cent on the prior corresponding quarter. The Group expects to be profitable at the Underlying Profit Before Tax and statutory levels in the first half of the 2019 financial year notwithstanding an expected fuel price increase (net of hedging and FX) of $85 million.[2,3]

[1] For disclaimers and definitions of non-statutory financial terms and other capitalised terms, refer to page 7. This document should be read in conjunction with the Group's Preliminary Final Report for the year ended 30 June 2018 and the FY18 Results Presentation, which were released to the Australian Securities Exchange on 29 August 2018.
[2] Assuming forward Jet Fuel price of USD85.60/barrel and exchange rate of AUD/USD 0.7350 and inclusive of hedging and option premium costs. Final cost will be impacted by movements in Brent, refining margins and exchange rate.
[3] For the reporting periods commencing in the 2019 financial year, the Group has determined that Time Value Movement on Cash Flow Hedges is to be included in Underlying Profit / (Loss) Before Tax.

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FY18 Results Commentary from Virgin Australia Group CEO and Managing Director John Borghetti

29 August 2018: Virgin Australia Holdings Limited (**Virgin Australia Group** or **Group**) reported its financial results for the 2018 financial year. Chief Executive Officer and Managing Director John Borghetti said: "The Group has delivered its strongest Underlying Profit Before Tax in 10 years. This outcome was driven by record earnings in our core domestic business, which represents two thirds of our revenue base, and supported by significant improvements in our cash and leverage results. Today's financial results show that the business is in a good position to achieve sustainable profitability going forward.

Underlying and Virgin Australia Domestic performance

"The Group's Underlying Profit Before Tax of $109.6 million was an increase of $113.3 million on the 2017 financial year. The Virgin Australia Domestic business recorded its highest EBITDA, EBIT and EBIT Margin results since Domestic segment reporting began. Additionally, Virgin Australia Domestic achieved RASK growth of 6.4 per cent to deliver record high RASK, yield growth of 3.8 per cent and passenger growth of 2.3 per cent.

"We have been well-placed to grow our share of the domestic market because of the transformation of our customer offering. Our investment in our product ensures that our guests are getting an outstanding experience and great value when they fly with us. The success of our investment is reflected in the growth of our domestic passengers, revenue and profitability.

"Other factors driving our domestic performance included growth in the corporate and leisure markets, the strength of our ancillary products, improved fleet utilisation, the exit of loss-making routes and disciplined capacity management. Our delivery of reliable and punctual services is also integral to our domestic growth, with the Virgin Australia Domestic business and the broader Virgin Australia Group outperforming their major competitor in On Time Performance in Australia for the 2018 financial year.

Building a better business and improvement in cash and leverage metrics

"Having invested to create a better airline, we have also worked over the past several years to build a better business. The record cash and debt metrics we have delivered for the year demonstrate that we have built a strong financial foundation that will support our future success.

"We generated a record cash from operating activities result and more than doubled our positive Free Cash Flow amount compared to the prior financial year. We also delivered our highest ever 30 June cash balance and the Group's lowest Financial Leverage in 10 years. The Better Business program is delivering significant cash flow savings and is on track to exceed our original savings target for the end of the 2019 financial year.

Statutory loss and impact of accounting adjustments

"The Group reported a Statutory Loss After Tax of $653.3 million for the 2018 financial year. This result was impacted by major accounting adjustments following a review of the Group's asset values in accordance with accounting standards. As a result of the review, approximately $451.9 million in deferred tax assets have been de-recognised and there has been a $120.8 million impairment of the assets of the Virgin Australia International business.

"These accounting adjustments have been made as the Group leverages its transformed product to pursue initiatives in the Asian aviation and loyalty markets. While these initiatives are undertaken, and in light of industry-wide fuel

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price increases, the Group has taken a prudent approach and made accounting adjustments to the carrying value of the deferred tax assets and the assets of the international business.

"While these adjustments have impacted our statutory result for the year, they are non-cash and have no impact on the fundamentals of the Group's underlying business. We are confident in the performance of the Group's underlying business and that long-term benefits from our growth plans will be delivered.

"As the deferred tax asset derecognition is an accounting adjustment only, the assets remain available to the Group to offset future tax liabilities.

"The statutory result was also impacted by restructuring charges largely related to fleet simplification and other Better Business program initiatives. These restructuring charges amounted to approximately $148.5 million, $96.7 million less than similar restructuring charges incurred in the 2017 financial year.

Additional information on results for the 2018 financial year

Better Business program

The Better Business program is delivering significant cash flow savings for the Group, and will continue to deliver benefits over the long-term. As at 30 June 2018, the program was delivering $324 million in annualised net cash flow savings. These savings have been delivered as the Group delivers efficiencies across the business through the program, including fleet utilisation and planning, property costs and catering.

The Better Business program is on track to deliver $400 million in annualised net cash flow savings by the end of the 2019 financial year, which exceeds the previous target of $350 million in savings by that date.

Strengthening cash and balance sheet positions

The Group further improved its cash position during the 2018 financial year, delivering the highest ever 30 June cash balance of $1,415.5 million. This result was driven by a record net cash from operating activities result of $570.4 million, which contributed to a $38.8 million increase in Free Cash Flow performance. The improved Free Cash Flow performance has been supported by earnings improvement, including reductions in aircraft operating lease rentals through the Better Business program. Importantly, the improvement in the cash performance was achieved notwithstanding an increase in capital expenditure to acquire the last tranche of five Boeing 737-800NG aircraft, which were delivered during the year.

The Group continues to take a disciplined approach to capital expenditure, with non-aircraft capital expenditure lower this year than in the 2017 financial year. As announced last year, the Group has taken advantage of its young fleet and improved aircraft utilisation to restructure the future aircraft delivery profile so that no new fleet deliveries will occur until November 2019, when the first of the new, more fuel-efficient Boeing 737 MAX 8 aircraft are introduced. The Group has also converted orders for 10 MAX 8 aircraft to MAX 10 aircraft, which will be delivered from 2022. These aircraft will provide greater capacity flexibility in addition to improved fuel efficiency.

As a result of the Group's improved operating performance, Financial Leverage was reduced to 3.9x as at 30 June, a 13 per cent improvement on last year's result and the Group's lowest Financial Leverage in 10 years. During the year, the Group also extended its debt maturity profile and reduced its exposure to foreign exchange movements through the issue of $150 million of unsecured Australian dollar-denominated bonds, as well as the completion of

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$207 million in Australian dollar secured debt against new aircraft deliveries. These financings were in part an early refinancing of a US$400 million 144A bond that matures in November 2019.

Costs

Group Cost per Available Seat Kilometre (excluding fuel and foreign exchange) increased by 1.0 per cent compared to the prior corresponding period.

Hedging position

While increasing fuel prices were an industry-wide headwind during the 2018 financial year, this impact was lessened by the Group's proactive hedging program. The Group has hedged 83 per cent of its forecast 2019 financial year consumption at no worse than US$60/bbl (Brent equivalent) to provide additional protection. The Group has also extended hedging into the 2020 financial year, largely with options, to further de-risk the business.

The Group's total fuel cost for the 2019 financial year is expected to be approximately $1,199.0 million, up $213.0 million on the 2018 financial year cost of $986.0 million.[4] This increase is in part driven by an increase in Group fuel consumption of 5 – 6 per cent, largely attributable to increased international flying.

Further information on segment performance

Virgin Australia International

Virgin Australia International recorded increases in capacity, passengers and revenue for the 2018 financial year, due in part to the introduction of Melbourne – Hong Kong and Melbourne – Los Angeles services.

EBIT for Virgin Australia International declined by $13.3 million. This decline was driven by an estimated $13 million net headwind from fuel price increases, an estimated $10 million impact from Bali volcanic activity in late 2017 and the start-up costs and shortened selling lead times from the Melbourne – Hong Kong route launched in July 2017 and the Sydney – Hong Kong route launched in July 2018.

The Group has invested in new routes in order to capture long-term growth and increase flow-on travel to its domestic network. The number of visitors from China to Australia is expected to triple over the next decade,[5] and the Group is well-placed to access this growth through its services between Australia and Hong Kong. Additionally, the Group has expanded partnerships with Hong Kong Airlines and Hainan Airlines, providing links between more destinations in mainland China and our extensive domestic network. While the benefits of investment in the international network will take time to build, the Group is confident in the long-term growth potential of this network and its ability to further consolidate the business's domestic position.

The underlying results of the Virgin Australia International segment exclude the impact of the $120.8 million impairment of the assets of the Virgin Australia International business.

[4] Assuming forward Jet Fuel price of USD85.60/barrel and exchange rate of AUD/USD 0.7350 and inclusive of hedging and option premium costs. Final cost will be impacted by movements in Brent, refining margins and exchange rate.

[5] LEK Consulting and Australia China Business Council, The China Tourism Economy: Reaching Australia's Potential, October 2017.

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Tigerair Australia

Tigerair Australia reported strong revenue and passenger growth, reporting an 8.2 per cent increase in RASK, a 3.4 per cent increase in Revenue Passengers and an 8.5 per cent increase in Yield compared to the 2017 financial year. These results were supported by network optimisation and the net reduction of two aircraft in the second half of the year.

Tigerair's overall EBIT declined by $11.9 million compared to the prior corresponding period. This result has been affected by fleet depreciation and operating costs associated with Tigerair's fleet transition. EBIT has also been impacted by the short-term cost of insourcing maintenance work to the Group's maintenance team, a change that will enable the Tigerair business to realise long-term benefits through synergies with the broader Group.

Velocity

Velocity's EBIT was $110.1 million, a decline of $32.7 million compared to the 2017 financial year. This result was impacted by the Reserve Bank of Australia's changes to the credit card interchange regime, margin impact due to a higher proportion of member engagement activity and the business's investment in future growth, including initiatives that will begin in the 2019 financial year.

Velocity is well positioned for future success. The business's EBIT Margin remained strong at 29.6 per cent, membership grew by over one million to 9.1 million and member engagement reached record highs. Velocity has received industry recognition as the Loyalty Program of the Year with the Best Redemption Ability.[6] Velocity will further enhance its customer proposition through key growth initiatives in the 2019 financial year, including a new partnership with a major bank, a new mobile app and the delivery of a range of other digital platforms to enhance member engagement.

2019 financial year focus and outlook

Mr Borghetti added: "Our team members are essential to our success, and I would like to thank each and every one of them for their hard work over this financial year.

"As the Group moves into the 2019 financial year, we are continuing the strong momentum in our underlying performance. In July 2018, the Group recorded its highest ever July revenue outcome and there is further positive momentum in forward bookings.

"Based on current market conditions, Group revenue in the first quarter of the 2019 financial year is expected to grow by at least 7 per cent on the prior corresponding quarter. The Group expects to be profitable at the Underlying Profit Before Tax and statutory levels in the first half of the 2019 financial year notwithstanding an expected fuel price increase (net of hedging and foreign exchange) of $85 million,[7,8]" Mr Borghetti said.

ENDS

[6] 2018 Freddie Awards, recognised as the 'Program of the Year' and 'Best Redemption Ability' in the Middle East and Asia/Oceania region.
[7] Assuming forward Jet Fuel price of USD85.60/barrel and exchange rate of AUD/USD 0.7350 and inclusive of hedging and option premium costs. Final cost will be impacted by movements in Brent, refining margins and exchange rate.
[8] For the reporting periods commencing in the 2019 financial year, the Group has determined that Time Value Movement on Cash Flow Hedges is to be included in Underlying Profit / (Loss) Before Tax.

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VIRGIN AUSTRALIA GROUP PRELIMINARY OPERATING STATISTICS
For the period 1 July 2017 – 30 June 2018

		Operating Statistics		
		FY18	FY17	*Change*
VIRGIN AUSTRALIA GROUP	Revenue Passengers	24,851,808	24,169,991	*2.8%*
	Revenue Passenger Kilometres (millions)	38,858	37,576	*3.4%*
	Available Seat Kilometres (millions)	48,575	46,833	*3.7%*
	Revenue Load Factor	80.0%	80.2%	*(0.2 pts)*

		Operating Statistics		
		FY18	FY17	*Change*
VIRGIN AUSTRALIA DOMESTIC	Revenue Passengers	17,602,206	17,209,923	*2.3%*
	Revenue Passenger Kilometres (millions)	21,129	20,600	*2.6%*
	Available Seat Kilometres (millions)	26,595	26,557	*0.1%*
	Revenue Load Factor	79.4%	77.6%	*1.8 pts*

		Operating Statistics		
		FY18	FY17	*Change*
VIRGIN AUSTRALIA INTERNATIONAL	Revenue Passengers	2,602,895	2,467,434	*5.5%*
	Revenue Passenger Kilometres (millions)	12,133	11,198	*8.3%*
	Available Seat Kilometres (millions)	15,667	13,770	*13.8%*
	Revenue Load Factor	77.4%	81.3%	*(3.9 pts)*

		Operating Statistics		
		FY18	FY17	*Change*
TIGERAIR AUSTRALIA	Revenue Passengers	4,646,707	4,492,634	*3.4%*
	Revenue Passenger Kilometres (millions)	5,595	5,778	*(3.2%)*
	Available Seat Kilometres (millions)	6,313	6,506	*(3.0%)*
	Revenue Load Factor	88.6%	88.8%	*(0.2 pts)*

Notes:
(1) Operating statistics are issued on a preliminary basis and are subject to change. Any adjustments made will flow through to year to date results.
(2) Revenue Passenger Kilometres or RPKs is a non-statutory measure derived from the 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 is a non-statutory measure derived from total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.
(4) Revenue Load Factor is a non-statutory measure derived from RPKs as a percentage of ASK

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Disclaimer

The non-IFRS information defined below has not been audited or reviewed by KPMG.

This document 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.

Definitions

Tigerair Australia: Please refer to the Group's ASX Appendix 4E and Preliminary Final Report for the year ended 30 June 2018 for the definition of this term.

Velocity: Please refer to the Group's ASX Appendix 4E and Preliminary Final Report for the year ended 30 June 2018 for the definition of this term.

Virgin Australia Domestic: Please refer to the Group's ASX Appendix 4E and Preliminary Final Report for the year ended 30 June 2018 for the definition of this term.

Virgin Australia International: Please refer to the Group's ASX Appendix 4E and Preliminary Final Report for the year ended 30 June 2018 for the definition of this term.

On Time Performance: Reflects data from Bureau of Infrastructure, Transport and Regional Economics (BITRE) about the percentage of all VA, TT, QF and JQ designated services flown in Australia from July 2017 to June 2018 inclusive that departed within 15 minutes of scheduled departure times.

Underlying Profit / (Loss) Before Tax: is a non-statutory measure that represents statutory (loss) before tax excluding the impact of gains/(losses) on assets classified as held for sale, impairment losses on cash-generating units, impairment losses on other assets, onerous contract expenses, Business and Capital Restructure and Transaction costs (as defined below), share of net profit of equity-accounted investee and the impact of Time Value Movements on Cash Flow Hedges (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 Performance: is a non-statutory measure that refers to earnings or returns calculated based on Underlying Profit / (Loss) Before Tax (as defined above).

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

Time Value Movement on Cash Flow Hedges and **Ineffectiveness on Cashflow Hedges:** is a non-statutory measure that includes the following items outlined in Note 2 of the VAH Preliminary Final Report. For the year ended 30 June 2018: time value movement on cash flow hedges (loss of $45.2m). For the year ended 30 June 2017: time value movement on cash flow hedges (loss of $43.5m) and ineffectiveness on cash flow hedges (gain of $0.7m).

Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR): is a non-statutory measure per Note 2 of the VAH Preliminary Final Report for the year ended 30 June 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) Before Tax (as defined above) excluding the impact of depreciation, amortisation, aircraft rentals and net finance costs.

Underlying Earnings Before Interest & Tax (EBIT): is a non-statutory measure per Note 2 of the VAH Preliminary Final Report for the year ended 30 June 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) Before Tax (as defined above) excluding the impact of net finance costs.

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Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA): is a non-statutory measure per Note 2 of the VAH Preliminary Final Report for the year ended 30 June 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) Before Tax (as defined above) excluding the impact of depreciation, amortisation and net finance costs.

Underlying Earnings Before Interest & Tax Margin (EBIT Margin): is a non-statutory measure derived from Underlying Earnings Before Interest & Tax (as defined above) divided by total segment revenue.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA Margin): is a non-statutory measure derived from Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (as defined above) divided by total segment revenue.

Free Cash Flow: is a non-statutory measure derived from cash generated from operating activities less cash payments for business restructuring expenses less net cash used in investing activities less equity distributions paid to non-controlling interests.

RASK: is a non-statutory measure derived from segment divided by Available Seat Kilometres (defined below) of the regular passenger transport businesses.

Yield: is a non-statutory measure derived from segment revenue divided by Revenue Passenger Kilometres (defined below) of the regular passenger transport business.

ASK or Available Seat Kilometre: Available Seat Kilometres or ASKs is a non-statutory measure derived from total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

RPK or Revenue Passenger Kilometre: Revenue Passenger Kilometre is a non-statutory measure derived from number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

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).

Adjusted Net Debt: is a non-statutory measure derived from Net Debt (as defined below) adding 7 times annual aircraft rentals.

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

Interest Coverage: is a non-statutory measure derived from EBIT for a 12 month period divided by net finance costs for the same period.

Group Cost per Available Seat Kilometre or Group CASK: is a non-statutory measure and is defined as regular passenger transport costs associated with the Virgin Australia Domestic, Virgin Australia International and Tigerair Australia segments excluding fuel and foreign exchange divided by ASK (as defined above)

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', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', '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

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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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ASIC guidance: In December 2011 ASIC issued Regulatory Guide 230. In order to comply with this Guide, Virgin Australia Holdings Limited is required to make a clear statement about whether information disclosed in documents other than the Virgin Australia Holdings Limited Preliminary Final Report for the year ended 30 June 2018 has been audited or reviewed in accordance with Australian Auditing Standards.

The non-IFRS information has not been audited or reviewed by KPMG. This presentation 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.

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