asx release

Virgin Australia Holdings Limited (ASX: VAH) reports Financial Results for Full Year Ended 30 June 2015

Strong improvement in Group performance, points to profitability in FY16

Virgin Australia Group Financial Summary[1,2]

- Underlying Loss Before Tax of $49.0 million, an improvement of $162.7 million on FY14
- Statutory Loss After Tax of $93.8 million, an improvement of $260.0 million on FY14
- Return on Invested Capital increased to 6.1%, an improvement of 4.7 percentage points on FY14
- Positive Operating Cash Flow of $218.1 million, an improvement of $225.8 million on FY14
- Total cash position of $1,028.5 million, up from $783.8 million at 30 June 2014, unrestricted cash position of $718.9 million, up from $541.0 million at 30 June 2014
- Financial leverage improved by 20% on FY14, notwithstanding a weaker Australian dollar
- Positive Virgin Australia Group Yield and Domestic Yield growth on FY14
- Underlying Group CASK excl. fuel and FX reduced by 6.4% on FY14, Virgin Australia CASK excl. fuel and FX reduced by 4.6%

Results Highlights and Outlook

- Strong turnaround in Virgin Australia Domestic business with EBIT of $111.1 million, an improvement of $210.1 million on FY14, and on track for further margin improvement for FY16
- Significant improvement in Tigerair Australia performance, with EBIT up by $42.7 million. On track to achieve full year profitability for FY16
- Comprehensive improvement plan underway for International Business, expected to be profitable by the end of FY17
- 18.5% growth in Velocity Frequent Flyer revenue, with an average of more than 4,300 joins per day in the last quarter of FY15. EBIT growth of 8% in FY15 and expecting a minimum of 15% earnings growth per annum for FY16 and FY17
- On track to deliver a 25%-30% improvement in financial leverage for FY17
- Based on current market conditions, Virgin Australia Group expects to return to profitability for FY16 and generate a Return on Invested Capital in line with its cost of capital for FY16, which is approximately 10%

7 August 2015: Virgin Australia Holdings Limited (Virgin Australia Group or "the Group") (ASX: VAH) today reported an Underlying Loss Before Tax of $49.0 million for the 2015 financial year, including the impact of 100 per cent consolidated Tiger Airways Australia Pty Limited (Tigerair Australia) performance from 17 October 2014.

Virgin Australia Group Chief Executive Officer John Borghetti said: "The Virgin Australia Group has delivered a significant improvement in performance for the 2015 financial year, which reflects the positive trajectory of the overall business.

"Over the past financial year, the Group's Return on Invested Capital has increased from 1.4 to 6.1 per cent. Improving our Return on Invested Capital will continue to remain a strong focus for the Group. I'm pleased to confirm that based on current market conditions, all fundamental business metrics are on track for the Group to return to profitability and report a Return on Invested Capital in line with its cost of capital for the 2016 financial year. The Virgin Australia Group's current cost of capital is approximately 10 per cent.

[1] All financial information contained in this release reflects equity accounting of Tigerair Australia from 1 July 2014 to 16 October 2014 and consolidated Tigerair Australia performance from 17 October 2014 until 30 June 2015.
[2] For disclaimers and definitions of non-statutory financial terms, refer to page 8.

“Unit revenue is increasing, unit costs are decreasing and operational performance and customer satisfaction continue to improve.

“Unit cost declines are a result of the Group’s disciplined execution of our $1 billion cost reduction program. The Group has continued to decrease Underlying CASK while investing in the customer experience. Additionally, the full acquisition of Tigerair Australia has given us further capability to lower the Group’s unit costs.

“The Group is ahead of our target of $1 billion of cumulative cost savings by the end of financial year 2017. We are now on track to achieve in excess of $1.2 billion in cumulative cost savings by this date, excluding fuel pricing and hedging benefits.

“The Group’s balance sheet is also in a much stronger position, with the highest ever full year unrestricted cash balance, a $225.8 million improvement in Operating Cash Flow and a 20 per cent improvement in financial leverage on the 2014 financial year.

“I’m pleased to report that we are seeing strong results from the transformation of Virgin Australia Domestic. The business reported an Underlying EBIT of $111.1 million for the 2015 financial year, an improvement of $210.1 million on the prior corresponding period.

“Over the 2015 financial year Virgin Australia Domestic has continued to drive positive yield growth, led the major carriers in On Time Performance[3] and achieved record customer satisfaction with the end-to-end customer experience[4]. Based on results reported to date since financial year 2013[5], Virgin Australia Domestic has narrowed the Revenue per Available Seat Kilometre differential versus our major competitor and retained our strong cost advantage. The business is well positioned for future growth.

“Whilst there are challenges on the international front, we are confident with our improvement plan.

“The Group’s unit revenue gains combined with our continued leadership on cost will drive earnings growth going forward. We now have a strong balance sheet from which to execute our strategy and a powerful portfolio of growth businesses in Velocity Frequent Flyer, Charter, Cargo and Tigerair Australia, that will support the Group’s ongoing earnings development and diversification.

“Our people have demonstrated enormous skill and dedication in their disciplined execution of the Virgin Vision strategy”, Mr Borghetti said.

Group Financial Performance

The Group reported an Underlying Loss Before Tax of $49.0 million for the 2015 financial year, an improvement of $162.7 million on the 2014 financial year. Taking into account 100 per cent of Tigerair Australia performance on a like-for-like basis, the 2015 financial year underlying performance represents a $213.0 million improvement over the prior corresponding year.

[3] In accordance with the Bureau of Infrastructure, Transport & Regional Economics (BITRE) definitions, flight departure is counted as "on time" if it departs the gate within 15 mins of the scheduled departure time shown in the carriers' schedule. Refers to the departure On Time Performance (OTP) results of Virgin Australia branded airlines (Virgin Australia and Virgin Australia Regional Airlines) which averaged 87.9% for FY15 and those of Qantas branded airlines (Qantas and QantasLink) which averaged 87.2% for FY15.

[4] Guest Satisfaction Tracker, July 2014 – June 2015. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency. Colmar Brunton specialises in scientifically rigorous market research methodologies and provides research services to leading blue chip companies, Federal, State and Council governments and has ISO-20252 quality assurance accreditation.

[5] RASK and CASK comparisons have been performed between Qantas and Virgin Australia domestic segments based on published company accounts, operating statistics and Virgin Australia management estimates of revenues from non-recurring items and discontinued operations comparing the full financial year 2013 and 2015 financial year interim results. RASK and CASK are non-statutory measures and are defined on page 8.

The Statutory Loss After Tax for the 2015 financial year was $93.8 million, an improvement of $260.0 million on the prior corresponding period.

Return on Invested Capital for the 2015 financial year was 6.1 per cent, an improvement of 4.7 percentage points on the prior corresponding period.

Total Group Revenue and Income increased 10.3 per cent to $4,749.2 million compared to the 2014 financial year, inclusive of $284.1 million of Tigerair Australia revenue since 17 October 2014.

Group Underlying Cost per Available Seat Kilometre (CASK) reduced 6.4 per cent excluding fuel and foreign exchange for the 2015 financial year compared with the prior corresponding period. Virgin Australia CASK reduced 4.6 per cent excluding fuel and foreign exchange over the same period.

Several major cost reduction initiatives contributed to this result, including Airbus A330 fleet rationalisation, sales channel optimisation, insourced line maintenance, major fuel consumption initiatives and savings in procurement.

The decline in oil prices led to a benefit of approximately $60 million for the Virgin Australia Group, compared with the same period in the 2014 financial year, however this was partly offset by the approximately $35 million negative impact of a weaker Australian Dollar on operating costs. The Group derived a hedging benefit of approximately $31 million in the prior corresponding period which impacted the year on year gain. Based on the Virgin Australia Group's current hedging position and market rates, the Group expects a fuel pricing net benefit of approximately $162 million[6] in the 2016 financial year. However this is expected to be offset by the approximately $99 million adverse impact of a weaker Australian Dollar, resulting in a total expected net benefit of approximately $63 million in the 2016 financial year.

The Group incurred $70.2 million of restructuring and transaction costs during the 2015 financial year as a result of fleet initiatives, costs associated with various transactions and other transformation initiatives. The business also incurred $27.4 million in hedging ineffectiveness costs and time value movement on cash flow hedges.

The Virgin Australia Group finished the year with a total cash balance of $1,028.5 million and an unrestricted cash balance of $718.9 million, up $244.7 million and $177.9 million respectively on 30 June 2014.

The Group's financial leverage ratio improved from 7.5x in June 2014 to 5.9x in June 2015 and is on track to achieve a further 25 to 30 per cent reduction by the end of financial year 2017.

The Group continues to invest in the latest generation of aircraft to support fuel efficiency, operational performance and customer satisfaction. During the 2015 financial year, the Group converted four Boeing 737-800 deliveries for 2016 into Boeing 737-MAX aircraft. Consequently the Virgin Australia Group will now receive 40 deliveries of Boeing 737-MAX aircraft from 2018 onwards.

Segment Performance

Virgin Australia Domestic

Virgin Australia Domestic reported Underlying EBIT of $111.1 million for the 2015 financial year, an improvement of $210.1 million on the prior corresponding period. Operating margins improved from -3.1 per cent to +3.4 per cent.

Revenue increased by 4.8 per cent on the 2014 financial year on capacity growth of 1.3 per cent, driven by growth in the Corporate and Government, Charter, Interline and Codeshare segments. The business

[6] All hedge levels and estimated financial impact in FY16 are based on the estimated impact of the company's hedge positions along with market forward curves for both AUD jet fuel and the AUD/USD rate as of 20 July, 2015.

remains on track to reach its target of 30 per cent of revenue from the Corporate and Government segment by 30 June 2017.

Virgin Australia Domestic Yield increased by 5.2 per cent compared to the 2014 financial year; driven by success in attracting increased share of higher-yielding market segments.

Virgin Australia Domestic led the major carriers in On Time Performance for the 2015 financial year, achieving 87.9 per cent of flights on time[7].

External research confirmed that Virgin Australia Domestic achieved record levels of satisfaction with the end to end customer experience, Domestic Business Class service and the lounge experience[8]. The business also won a number of prestigious awards during the period, including Best Airline Staff Service Australia/Pacific by the Skytrax World Airline Awards for the fifth consecutive year.

In the 2015 financial year Virgin Australia Domestic completed the transition to a contemporary full service airline, including:

- The rollout of complimentary food, baggage and entertainment across the mainline domestic network;
- Completion of wireless in-flight entertainment roll-out across the entire Boeing 737-800 and Embraer 190 fleets;
- Launch of Darwin and Alice Springs lounges, expansion of Brisbane lounge and launch of Premium Exit at Melbourne Airport;
- A new international standard Business Class service on the Airbus A330s; and
- The painting of the last red Virgin Blue aircraft in the new Virgin Australia livery.

Virgin Australia International

Virgin Australia International reported an Underlying EBIT of -$68.9 million for the 2015 financial year, a decline of $22.8 million on the prior corresponding period.

Virgin Australia International revenue decreased by 3.3 per cent compared to the 2014 financial year on a capacity decline of 0.4 per cent.

Increased competitive pressure, particularly in the South East Asian and long-haul markets, constrained yield recovery during the financial year.

In recent months, the Virgin Australia Group has put into place the first phase of initiatives to improve the performance of the international business, including introducing Business Class on the Tasman and Pacific Islands routes to drive further unit revenue growth; integrating the management of the New Zealand operations into the rest of the international business; consolidating its Los Angeles flying from three to two Australian hubs; and announcing the introduction of new Business Class suites on the fleet of long-haul Boeing 777 aircraft to drive further yield growth.

As a result, Virgin Australia International has begun to show improvement, with Underlying EBIT improving by $2.4 million in the second half of the 2015 financial year compared to the prior corresponding period.

Today Virgin Australia has announced the second part of the plan to improve performance. This involves launching the Tigerair Australia brand in the short-haul international market, to enable the Group to better cater to the changing dynamics in the region.

[7] Refers to the BITRE's departure OTP results of Virgin Australia branded airlines (Virgin Australia and Virgin Australia Regional Airlines) which averaged 87.9% for FY15 and the results of Qantas branded airlines (Qantas and QantasLink) which averaged 87.2% for FY15.
[8] Guest Satisfaction Tracker, July 2014 – June 2015. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency.

It also enables Virgin Australia International to redeploy some capacity to meet increased customer demand on strong-performing routes and to withdraw Virgin Australia International from routes where market structures have changed.

Further information on the plan is available in the International Update media release distributed today.

Charter and Cargo

Virgin Australia Charter continued to deliver revenue growth[9] during the 2015 financial year.

Despite the slowdown in the resources industry, demand from Virgin Australia Charter's existing blue chip client base continued to grow during the 2015 financial year and the business won several significant new resources contracts from competitors. This growth has been supported by the addition of four Fokker 100 aircraft, expanding the charter fleet from 20 to 24 aircraft.

The charter customer experience was also further aligned with Virgin Australia's mainline operations, including the installation of check-in kiosks and gate scanners at three of its largest charter airports.

Virgin Australia Cargo is the Group's newest business division. During the 2015 financial year, the Group's dedicated cargo team implemented a state-of-the-art IT system, which will enable the division to optimise cargo capacity and provide tracking and customised reporting to customers.

The business officially launched on 1 July 2015, providing services for major freight distributors, corporate shippers and individuals. Virgin Australia Cargo has already signed several major clients.

Velocity Frequent Flyer

Velocity Frequent Flyer reported an 18.5 per cent increase in revenue and an 8.0 per cent increase in Underlying EBIT to $81.2 million for the 2015 financial year.

Revenue and earnings growth were driven by record annual growth in members, strong member engagement and new partnerships. Velocity invested significantly in people and systems in the 2015 financial year which will drive stronger earnings growth going forward, with a minimum of 15 per cent earnings growth per annum expected in the 2016 financial year and the 2017 financial year.

During the 2015 financial year, Velocity added the highest number of members since the program's launch, with an average daily join rate of more than 2,400 per day, up from around 1,900 during the 2014 financial year. This significant increase was supported by Velocity's Australian-first partnership with one of the country's largest fuel retailers, BP, with an average of more than 4,300 people joining the program per day during the last quarter of the 2015 financial year.

Velocity continued to achieve numerous awards during the 2015 financial year, including winning three prestigious accolades at the Freddie Awards, in which Velocity has been recognised as having Best Redemption Ability in the Asia-Pacific region for three consecutive years. The program also ranked as number two globally for Seat Availability in the Ideaworks SwitchFly Survey.

In July 2015, Velocity acquired a leader in the data and analytics field, Torque Data, enabling the business to significantly expand its capabilities in this field and support its ongoing growth.

[9] Net of fuel recoveries, charter revenues improved by 3% on the prior corresponding period.

Tigerair Australia

Tigerair Australia recorded an EBIT loss of -$8.6 million from 17 October 2014 to 30 June 2015. On a standalone basis, it recorded an improvement of $42.7 million on the prior corresponding period.

The business achieved significant progress in driving incremental revenue growth and delivering cost synergies, with approximately $7 million in benefits achieved as a result of the completion of the Group's full acquisition of Tigerair Australia.

During the 2015 financial year Tigerair Australia's average load factors improved by 1.8 percentage points to 86.1 per cent, on capacity growth of 9.6 per cent.

The business introduced a number of initiatives to improve the customer experience while streamlining costs, including check-in kiosks at major airports and an iPad-based mobile app that makes the check-in and boarding process more efficient while enabling additional revenue opportunities. The most recent external survey results[10] show customers were 75 per cent satisfied overall with their Tigerair Australia experience, up 11 percentage points since October 2014.

Tigerair Australia delivered a significant improvement in On Time Performance, with average departures On Time Performance increasing by more than six percentage points during 2015 financial year, finishing the year with 89.0 per cent of flights on time in June and outperforming its major competitor in five of the first six months of the 2015 calendar year[11].

Conclusion and Outlook

Virgin Australia Group Chief Executive Officer John Borghetti said: "Our people and their dedication to going above and beyond in their day-to-day roles is central to our success in delivering on our Virgin Vision strategy. I would like to thank all of our team members for their commitment to our customers and their tireless efforts in bringing to life the Virgin Vision.

"As a result of the progress on our strategy to date, we are now on a positive trajectory and on track to significantly improve financial performance again for the 2016 financial year.

"Based on current market conditions, all fundamental business metrics are on track for the Group to return to profitability and report a Return on Invested Capital in line with its cost of capital for the 2016 financial year. The Virgin Australia Group's current cost of capital is approximately 10 per cent", Mr Borghetti said.

ENDS

[10] Source: Tigerair Customer Satisfaction Survey April 2015 vs October 2014. Data has been collected and analysed by Colmar Brunton, a leading external Australian market research agency.
[11] Refers to the BITRE's departure OTP results of Tigerair Australia for H2 FY15, which averaged 84.7% in comparison to Jetstar which averaged 82.4% for the period.

FINANCIAL PERFORMANCE SUMMARY

The summary financial results for the half-year ended 30 June 2015 are as follows:

Key financial highlights	FY2015	FY2014	Movement
Total Revenue and Income	$4,749.2m	$4,306.6m	$442.6m
Underlying Loss Before Tax	($49.0m)	($211.7m)	$162.7m
Statutory Net Loss after Tax	($93.8m)	($353.8m)	$260.0m
Operating Cash Flow	$218.1m	($7.7m)	$225.8m
Financial Leverage	5.9x	7.4x	20.4%
Return on Invested Capital	6.1%	1.4%	4.7%

OPERATING PERFORMANCE – GROUP

Total revenue and income increased 10.3 per cent to $4,749.2 million. This result includes $284.1 million of revenue from Tigerair Australia. The results of Tigerair Australia have been equity accounted from 1 July 2014 to 16 October 2014 and consolidated from 17 October 2014 to 30 June 2015.

The Group recorded a reduction in CASK of 6.4 per cent, excluding the impact of fuel and foreign exchange when compared to the prior comparative period and after consolidating Tigerair Australia in the VAH Group result for the period from 17 October 2014.

The Group recorded a statutory pre-tax loss of $163.3 million, which is a $318.2 million improvement over the prior comparative period. After excluding the impact of the share of equity accounted losses ($16.6 million), business transformation and other expenses ($92.0 million), unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of $17.4 million) and time value movement on cash flow hedges (loss of $10.0 million) and finance income associated with the acquisition of Tigerair Australia ($21.8 million), the underlying loss was $49.0 million. The prior corresponding period saw an underlying loss of $211.7 million.

The Group's Return on Invested Capital improved to 6.1 per cent from 1.4 per cent in the prior comparative period.

Balance Sheet

Year ended 30 June	2015 ($ m)	2014 ($ m)	Movement ($ m)
Cash and cash equivalents	1,028.5	783.8	244.7
Total assets	**5,779.6**	**4,679.3**	**1,100.3**
Interest bearing liabilities	2,762.2	1,950.7	811.5
Total liabilities	**4,758.8**	**3,631.2**	**1,127.6**
Total equity	**1,020.8**	**1,048.1**	**(27.3)**

Financial Leverage declined 20.4 per cent to 5.9x in FY15 from 7.5x in FY14. During the year, there was a slight increase in the mix of on balance sheet debt compared to operating leases. The increase in interest bearing liabilities was partially driven by the decline in the AUD and the increase in the mix of on balance sheet borrowings. The decline of the AUD also resulted in increases in the value of USD denominated assets.

The Group increased its total cash position to $1,028.5 million at 30 June 2015 with unrestricted cash increasing to $718.9 million from $541.0 million at 30 June 2014.

Cash Flow

Year ended 30 June	2015 ($ m)	2014 ($ m)	Movement ($ m)
Net cash from / (used in) operating activities	218.1	(7.7)	225.8
Net cash used in investing activities	(245.7)	(174.7)	(71.0)
Net cash from financing activities	253.7	380.3	(126.6)
Net Increase in Cash and Cash Equivalents	**226.1**	**197.9**	**28.2**

Cash flows from operating activities were $218.1 million for the financial year, an improvement of $225.8 million on the prior year. Cash flow conversion from the operating performance of the group was strong in the current financial year.

Disclaimer

The following non-IFRS information has not been audited or reviewed by KPMG: Underlying Loss Before Tax, Underlying performance, Restructuring and transaction Costs, Share of equity accounted losses, Hedging and financial instruments, Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR), Earnings Before Interest & Tax (EBIT), EBIT Margin, RASK (Segment unit revenue), CASK (Segment unit cost), Group unit cost ex fuel ex FX (CASK), Yield, Financial leverage, Adjusted Net Debt, Return on Invested capital (ROIC) EBIT, Invested capital, Cost of capital / WACC and ROIC. 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

Underlying Loss Before Tax: is a non-statutory measure that represents statutory loss before tax excluding the impact of restructuring and transaction costs (as defined below), share of equity accounted losses from associates (as defined below), 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. The Group changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Underlying performance: is a non-statutory measure that refers to earnings or returns calculated based on the Underlying Loss Before Tax excluding restructuring and transaction costs, equity accounted losses and hedging and financial instruments (as above).

Restructuring and transaction costs: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Business and capital restructure and transaction costs ($84.4m), Finance income from Tiger acquisition ($21.8m) and Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets ($7.6m). For the year ended 30 June 2014, this item included business and capital restructure costs ($101.9m), impairment losses ($56.9m), Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets ($3.1m), Accelerated amortisation resulting from a capital restructure ($12.3) and different interest rate swap terminations associated with capital restructure ($8.4m).

Share of equity accounted losses: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Associate earnings (loss of $16.6m) representing the share of equity accounted earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited for the full year ended 30 June 2015. For the year ended 30

June 2014, the share of equity accounted earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited was a loss of $48.7m.

Hedging and financial instruments: is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of $17.4m) and time value movements on cash flow hedges (loss of $10.0m). For the year ended 30 June 2014, this item includes: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of $20.2m) and time value movements on cash flow hedges (loss of $18.3m). The Group has early adopted AASB 9 *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR): is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. 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) with the addition of depreciation, aircraft rentals and net finance costs. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

Earnings Before Interest & Tax (EBIT): is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. 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) with the addition of net interest expense. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

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

RASK (Segment unit revenue): is a non-statutory measure derived from segment revenue divided by Available Seat Kilometres of the Regular Passenger Transport business.

CASK (Segment unit cost): is a non-statutory measure derived from segment revenue less total segment EBIT (as above) divided by Available Seat Kilometres of the Regular Passenger Transport business.

Group unit cost ex fuel ex FX (**CASK):** is a non-statutory measure derived from consolidated segment revenue less consolidated segment EBIT (as defined above) excluding fuel, hedging gains / (losses) on fuel, non-Regular Passenger Transport (RPT) costs, Velocity Frequent Flyer segment costs, foreign exchange gains / (losses) on non-fuel costs and unallocated corporate costs divided by Available Seat Kilometres of the Regular Passenger Transport business including Available Seat Kilometres of Tiger from 16 October 2014.

Yield: is a non-statutory measure derived from total consolidated segment revenues divided by Revenue Passenger Kilometres of the Regular Passenger Transport business.

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 by taking interest bearing liabilities less cash and adding 7 times annual rentals on aircraft operating leases.

Return on Invested capital (ROIC) EBIT: is a non-statutory measure derived from underlying EBIT, adding back rentals on aircraft operating leases, and adjusting for a notional depreciation on the capitalised value of aircraft leases (7 times annual operating lease cost), or approximately 4 per cent per annum. This metric provides an indication of underlying earnings (as defined above) assuming all aircraft were owned by VAH.

Invested capital: is a non-statutory measure which provides an indication as to the invested capital within the VAH, and is derived from adding average adjusted net debt and total equity as reported in the consolidated statement of financial position.

Cost of capital / WACC: is a non-statutory measure that estimates the pre-tax weighted average cost of capital (WACC) for VAH, using an estimated 60 to 40 debt to equity split. VAH estimates its cost of capital as 10% for the 2015 financial year (2014 10%).

ROIC: is a non-statutory measure and is defined as ROIC EBIT/ Invested Capital (as defined above), and represents a measure of the Group's Underlying Profit/(Loss) (as defined above) as a percentage of Invested capital (as defined above).

Forward Looking Statements: This presentation 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', '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 presentation 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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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 full-year ended 30 June 2015 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 Before Tax, Underlying performance, Restructuring and transaction Costs, Share of equity accounted losses, Hedging and financial instruments, Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR), Earnings Before Interest & Tax (EBIT), EBIT Margin, RASK (Segment unit revenue), CASK (Segment unit cost), Group unit cost ex fuel ex FX (CASK), Yield, Financial leverage, Adjusted Net Debt, Return on Invested capital (ROIC) EBIT, Invested capital, Cost of capital / WACC and ROIC.

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.

PRELIMINARY OPERATING STATISTICS

VIRGIN AUSTRALIA GROUP PRELIMINARY ANNUAL OPERATING STATISTICS
For the period 1 July 2014 – 30 June 2015

		Operating Statistics		
		FY15	**FY14**	***Change***
VA DOMESTIC	Revenue Passengers	17,128,596	17,349,453	*(1.3%)*
	Revenue Passenger Kilometres (millions)	20,217	20,289	*(0.4%)*
	Available Seats	22,623,747	22,548,849	*0.3%*
	Available Seat Kilometres (millions)	26,733	26,384	*1.3%*
	Revenue Load Factor	75.6%	76.9%	*(1.3 pts)*

VA INTERNATIONAL	Revenue Passengers	2,763,311	2,684,691	*2.9%*
	Available Seats	3,481,787	3,421,875	*1.8%*
	Available Seat Kilometres (millions)	15,763	15,834	*(0.4%)*
	Revenue Load Factor	80.0%	80.8%	*(0.8 pts)*

TIGERAIR DOMESTIC	Revenue Passengers	3,639,183	3,286,098	*10.7%*
	Revenue Passenger Kilometres (millions)	4,470	3,992	*12.0%*
	Available Seat Kilometres (millions)	5,189	4,734	*9.6%*
	Revenue Load Factor	86.1%	84.3%	*1.8 pts*

Notes:

(1) Annual operating statistics are issued on a preliminary basis and are subject to change.
(2) RPKs means number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.
(3) ASKs means total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair operated flights.
(4) Tigerair operating statistics are provided for prior comparative purposes only and include statistics prior to the consolidation date of 17 October 2014.
(5) Available Seats means the total number of seats available for passengers.
(6) Revenue Load Factor means RPKs as a percentage of ASKs. For Virgin Australia International and Total Network, Revenue Load Factor metrics include ASK and RPK data on our revenue-share routes with International Alliance Partners Air New Zealand and Delta Air Lines.