

Virgin Australia Holdings Limited (ASX: VAH) Trading Update for Third Quarter Ending 31 March 2016**Highlights¹**

- Underlying Loss Before Tax of \$18.6 million – an improvement of 16.2 per cent on Q3 FY15, with the Group delivering a year to date Underlying Profit Before Tax of \$62.9 million
- Statutory Loss After Tax of \$58.8 million – a decline of \$30.5 million on Q3 FY15, related to restructuring charges, with the Group delivering a year to date Statutory Profit After Tax of \$3.7 million
- Group load factors higher than the prior corresponding period, with passenger growth outpacing modest capacity growth despite subdued consumer demand
- In Q4 FY16, Virgin Australia Group capacity to be reduced by 5.1 per cent on Q4 FY15, with domestic reductions due to ongoing weakness in consumer demand and the resources downturn

2 May 2016: Virgin Australia Holdings Limited (“Virgin Australia Group” or “Group”) today reported an Underlying Loss Before Tax of \$18.6 million for the third quarter of the 2016 financial year, representing a 16.2 per cent improvement on the prior corresponding period.

Statutory Loss After Tax for the third quarter was \$58.8 million, which represents a \$30.5 million decline on the prior corresponding period. The decline relates to restructuring charges, with the vast majority coming from fleet restructuring initiatives including removal of surplus ATR capacity due to the resources downturn.

Virgin Australia Group CEO John Borghetti said: “While the Group improved its underlying performance in this quarter, it was against a challenging operating environment. This environment has been impacted by weak consumer demand and sentiment, uncertainty around the federal election and the resources sector downturn.

“As a consequence, we will reduce Group capacity by 5.1 per cent in the fourth quarter, with domestic reductions focused on regional routes.

“The fleet restructure charges referred to above, along with further initiatives to come, will provide us with significant cost savings going forward.

Several short-term factors also affected the Group’s comparative performance in the third quarter, including a one-off increase of revenue in the prior corresponding period from the Cricket World Cup and the difference between the timing of Easter and school holidays in some states.

Outlook statement

Given market conditions, the Virgin Australia Group currently expects to report an Underlying Profit Before Tax in the range of \$30 million to \$60 million for the 2016 financial year. This would represent an improvement of between \$79 million to \$109 million over the 2015 financial year.

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¹ All financial information in this release for the current and prior corresponding period reflects the 100% consolidation of results for Tigerair Australia, with the exception of any references to the Virgin Australia Group’s performance for the full 2015 financial year, which reflect equity accounting of Tigerair Australia from 1 July 2014 to 16 October 2014 and consolidated Tigerair Australia performance from 17 October 2014. 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 January 2016 – 31 March 2016

		Q3 FY16 Operating Statistics		
		Q3 FY16	Q3FY15	Change
TOTAL VA GROUP NETWORK	Revenue Passengers	5,816,226	5,620,146	3.5%
	Revenue Passenger Kilometres (millions)	9,108	8,833	3.1%
	Available Seat Kilometres (millions)	11,651	11,452	1.7%
	Revenue Load Factor	78.2%	77.1%	1.1 pts

		Q3 FY16 Operating Statistics		
		Q3 FY16	Q3FY15	Change
VIRGIN AUSTRALIA DOMESTIC	Revenue Passengers	4,106,208	4,041,000	1.6%
	Revenue Passenger Kilometres (millions)	4,935	4,790	3.0%
	Available Seat Kilometres (millions)	6,547	6,445	1.6%
	Revenue Load Factor	75.4%	74.3%	1.1 pts

		Q3 FY16 Operating Statistics		
		Q3 FY16	Q3FY15	Change
VIRGIN AUSTRALIA INTERNATIONAL	Revenue Passengers	671,311	673,370	(0.3%)
	Revenue Passenger Kilometres (millions)	2,918	2,941	(0.7%)
	Available Seat Kilometres (millions)	3,636	3,720	(2.2%)
	Revenue Load Factor	80.3%	79.1%	1.2 pts

		Q3 FY16 Operating Statistics		
		Q3 FY16	Q3FY15	Change
TIGERAIR	Revenue Passengers	1,038,707	905,776	14.7%
	Revenue Passenger Kilometres (millions)	1,255	1,102	13.9%
	Available Seat Kilometres (millions)	1,468	1,287	14.1%
	Revenue Load Factor	85.5%	85.7%	(0.2 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 Profit / Loss Before Tax: is a non-statutory measure that represents statutory profit/ loss before tax excluding the impact of restructuring and transaction costs (as defined below), share of equity accounted profits/losses (as defined below), impairment losses on assets classified as held for sale (as defined below), net loss on disposal of assets (as defined below) 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.

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

Share of equity accounted profits/losses: is a non-statutory measure representing the share of equity accounted profits / (losses) of Virgin Samoa Limited.

Impairment losses on assets classified as held for sale: is a non-statutory measure representing the write-down required to reflect the fair value less costs to sell for assets that are expected to be sold within 12 months.

Net loss on disposal of assets: is a non-statutory measure representing the loss recognised on disposal of assets during the period.

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.

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