

VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX: VAH)**VIRGIN AUSTRALIA ANNOUNCES A \$350 MILLION PRO RATA ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER**

14 NOVEMBER 2013

- Fully underwritten 5 for 14 pro rata accelerated non-renounceable entitlement offer
- Enhances liquidity and gearing position, providing flexibility and resilience
- Strongly supported by major shareholders

Virgin Australia Holdings Limited (**Virgin Australia**) today announced that it is undertaking a fully underwritten 5 for 14 pro rata accelerated non-renounceable entitlement offer to raise gross proceeds of approximately \$350 million (**Entitlement Offer**).

Virgin Australia's major shareholders and strategic partners are supportive of the Entitlement Offer and will be taking up their full entitlements. Air New Zealand, Singapore Airlines and Etihad Airways will also sub-underwrite the Entitlement Offer or commit to increase their economic exposure via cash settled derivatives.

Virgin Australia CEO John Borghetti said: "This capital raising is designed to enhance liquidity and the gearing position of Virgin Australia to ensure we are in a stronger position moving forward.

"It will provide the Group with additional flexibility and resilience, enabling us to consolidate initiatives as part of the Game Change Program strategy.

"We have recently executed and continue to explore a number of balance sheet initiatives including the sale and leaseback of our aircraft hangar at Brisbane Airport in June 2013 and the successful pricing of a US\$797.3 million Enhanced Equipment Notes offering in October 2013.

"We reiterate the guidance we provided when we announced our 2013 financial year results in August. Given the ongoing uncertain economic environment, competitive challenges and market volatility, we are unable to provide profit guidance for the 2014 financial year at this time", Mr Borghetti said.

Virgin Australia Chairman Neil Chatfield said: "We are pleased that our major shareholders have indicated their support for the offer. We believe that the support of such a strong and diverse group of leading international airlines demonstrates their confidence in our strategy. Given their substantial shareholdings, the Virgin Australia Board intends to work with the airline shareholders for future board representation with appropriate protocols.

"Virgin Australia has fundamentally changed the way that airline alliances operate and we believe that significant further benefits can be achieved from our alliances as we continue to deepen relationships with our partners", Mr Chatfield said.

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The net proceeds of the Entitlement Offer will be used to enhance Virgin Australia's liquidity position and for general corporate purposes.

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Entitlement Offer

Virgin Australia has launched a fully underwritten pro rata accelerated non-renounceable entitlement offer to raise approximately \$350 million. The Entitlement Offer will comprise an accelerated institutional component (**Institutional Offer**) and a retail component (**Retail Offer**). Both the Institutional offer and retail offer are fully underwritten.

The offer price of \$0.38 (**Offer Price**) per share (**New Share**) represents a discount of 4.6% to the Theoretical Ex Rights Price (TERP) of \$0.40.

Eligible shareholders will be able to purchase 5 New Shares for every existing 14 Virgin Australia shares held on the record date of 7:00pm AEST on 19 November 2013 (**Record Date**) (for each shareholder, their **Entitlement**).

New Shares will be fully paid and rank equally in all respects with existing Virgin Australia ordinary shares from allotment.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place on 14 November 2013. Eligible institutional shareholders can choose to take up all, part or none of their Entitlements. An institutional shortfall bookbuild will be conducted in relation to Entitlements not taken up by eligible institutional shareholders under the Institutional Entitlement Offer. As the Entitlement Offer is non-renounceable, there will be no trading of Entitlements.

The institutional shortfall bookbuild will be conducted at the Offer Price and will be open to existing Virgin Australia eligible institutional shareholders. Under the institutional shortfall bookbuild, eligible institutional shareholders may apply for additional New Shares in excess of their Entitlement up to a maximum of 40% of their Entitlement (**Additional Institutional New Shares**). The allocation of Additional Institutional New Shares will be subject to the availability of Additional Institutional New Shares and any scale back will be applied by Virgin Australia to achieve allocation of Additional Institutional New Shares (including via a cash settled derivative arrangement) to eligible institutional shareholders on a basis that is proportionate with their Entitlements.

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Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Entitlement Offer which will take place from 25 November 2013 to 9 December 2013. Eligible retail shareholders can choose to take up all, part or none of their Entitlements. Eligible retail shareholders will have the opportunity to participate at the same Offer Price and the same offer ratio as the Institutional Entitlement Offer.

Under the Retail Entitlement Offer, eligible retail shareholders may also apply for additional New Shares in excess of their Entitlement up to a maximum of 40% of their Entitlement (**Additional Retail New Shares**). Additional Retail New Shares will only be available to the extent that there are Entitlements under the Retail Entitlement Offer which are not taken up by eligible retail shareholders. The allocation of Additional Retail New Shares will be subject to the availability of Additional Retail New Shares and any scale back will be applied by Virgin Australia pro rata having regard to participating eligible retail shareholders' Entitlements.

Eligible retail shareholders should carefully read the Retail Offer Booklet for further details relating to the Retail Offer. Virgin Australia expects to lodge the Retail Offer Booklet with the ASX and despatch it to eligible retail shareholders on or about 25 November 2013. Copies of the Offer Booklet will be available on Virgin Australia's website at www.virginaustralia.com.

Further information, including investment considerations and risks associated with the Entitlement Offer, is included in the investor presentation lodged with the ASX today.

Major Shareholder Support for the Entitlement Offer

Air New Zealand was a 22.9% shareholder prior to the announcement of the Entitlement Offer and has committed to:

- take up its Entitlement in full, equating to \$80.5 million, or approximately 211.9 million New Shares; and
- a sub-underwrite of the Entitlement Offer for up to a further \$35.2 million, or approximately 92.5 million New Shares.

Following completion of the Offer, Air New Zealand's relevant interest in Virgin Australia will be no less than 22.9%, and will not exceed 25.5%.

Ethihad Airways was a 19.9% shareholder prior to the announcement of the Entitlement Offer and has committed to:

- take up its Entitlement in full, equating to \$69.9 million, or approximately 184.1 million New Shares; and
- enter into a cash settled derivative that may result in an increase in its economic exposure to Virgin Australia by up to a further \$30.5 million.

Following completion of the Offer, Ethihad Airways' relevant interest in Virgin Australia will be no less than 19.9% and its aggregate exposure will not exceed 22.2%.

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Singapore Airlines was a 19.8% shareholder prior to the announcement of the Entitlement Offer and has committed to:

- take up its entitlement in full, equating to \$69.7 million, or approximately 183.5 million New Shares; and
- enter into a cash settled derivative that may result in an increase in its economic exposure to Virgin Australia by up to a further \$30.4 million.

Following completion of the Offer, Singapore Airlines' relevant interest in Virgin Australia will be no less than 19.8% and its aggregate exposure will not exceed 22.1%.

Ethihad Airways and Singapore Airlines have committed to increase their economic exposure to Virgin Australia through the cash settled derivatives referred to above while they seek to obtain any necessary regulatory approvals, including the Foreign Investment Review Board, to increase their shareholding in Virgin Australia.

Virgin Group was a 10.0% shareholder prior to the announcement of the Entitlement Offer and has committed to take up its entitlement in full, equating to \$35.1 million, or approximately 92.5 million New Shares.

Following completion of the Offer, Virgin Group's relevant interest in Virgin Australia will be 10.0%.

Fees

Each of Air New Zealand, Etihad Airways and Singapore Airlines will be paid a fee of 0.75% of their total sub-underwriting commitment or total cash settled derivative commitment as the case may be.

Shareholder Facility

The completion of the Institutional Offer will result in the termination of the undrawn unsecured airline shareholder term loan facility of \$90 million, announced on 30 August 2013.

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Capital Raising Timetable

The timetable below is indicative only and may be subject to change. Virgin Australia reserves the right to amend any or all of these dates and times without notice subject to the *Corporations Act 2001 (Cth)*, the ASX Listing Rules and any other applicable laws. In particular, Virgin Australia reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Event	Date
Trading halt	14 November
Institutional Entitlement Offer	14 November
Trading halt lifted	15 November
Record date (7:00pm, Sydney time)	19 November
Retail Entitlement Offer opens	25 November
Settlement of Institutional Entitlement Offer	28 November
Issue of new shares under the Institutional Entitlement Offer Normal trading of new shares issued under the Institutional Entitlement Offer commences	29 November
Retail Entitlement Offer closes (5:00pm, Sydney time)	9 December
Issue of New Shares under the Retail Entitlement Offer	17 December
Normal trading on New Shares issued under Retail Entitlement Offer commences	18 December

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This announcement may contain forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect",

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