

# VIRGIN AUSTRALIA NOTES

**Date of Prospectus**

28 October 2019

**Unsecured notes of Virgin  
Australia Holdings Limited**

Prospectus for the  
issue of Notes to raise  
approximately \$150 million,  
with the ability to raise  
more or less.

**Issuer**

Virgin Australia Holdings Limited  
ACN 100 686 226

**Arranger**

UBS

**Joint Lead Managers**

Morgan Stanley  
Morgans  
Ord Minnett  
UBS

**Co-Managers**

Bell Potter  
Crestone Wealth Management  
Escala Partners

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# IMPORTANT NOTICES

## Prospectus

This Prospectus relates to an offer by Virgin Australia Holdings Limited (ACN 100 686 226) (**Virgin Australia**) to issue unsecured notes (**Notes**) to raise approximately \$150 million, with the ability to raise more or less (**Offer**).

This Prospectus is dated 28 October 2019 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This Prospectus expires 13 months after 28 October 2019 and no Notes will be issued on the basis of this Prospectus after that expiry date.

Virgin Australia will apply for quotation of the Notes on ASX Limited (ABN 98 008 624 691) (**ASX**) within seven days following the lodgement of this Prospectus with ASIC. If ASX does not grant permission for the Notes to be quoted within three months after the date of this Prospectus (or any longer period permitted by law), the Notes will not be issued and all Application Payments will be refunded (without Interest) to Applicants as soon as practicable.

If the Notes are accepted for quotation on ASX, Virgin Australia expects to issue the Notes on or about 26 November 2019, with trading on ASX expected to commence on 27 November 2019 on a deferred settlement basis, and normal settlement basis trading on ASX expected to commence on 29 November 2019. Virgin Australia does not intend to apply for quotation of the Notes on any securities exchange other than ASX. These dates may change without notice.

ASIC and ASX take no responsibility for the contents of this Prospectus nor for the merits of investing in the Notes.

This Prospectus is important and requires your immediate attention.

## Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding to invest in the Notes and consider the risks that could affect the performance of the Notes or Virgin Australia in light of your own particular objectives, financial situation and needs before deciding whether to invest in the Notes.

You should seek advice from your financial adviser or other licenced professional adviser before deciding to invest in the Notes.

## Status of the Notes

The Notes are unsecured notes, to be issued by Virgin Australia. Investment in the Notes is an investment in Virgin Australia and may be affected by the ongoing performance, financial position and solvency of Virgin Australia.

Investments in securities such as the Notes are subject to risks which could affect their performance, including loss of investment and income. Virgin Australia does not guarantee the market price of the Notes or (without limiting its obligation to make payments on the Notes in accordance with the Terms) any particular rate of return.

Information about the key risks of investing in the Notes is detailed in Section 7 "Risk factors".

## Exposure Period

The Corporations Act prohibits Virgin Australia from processing applications in the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable the Prospectus to be examined by market participants prior to the commencement of the Offer. Applications received during the Exposure Period will not be processed until after the expiry of the period. No preference will be conferred on Applications received during the Exposure Period.

## No representations other than in this Prospectus

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Virgin Australia in connection with the Offer.

## Restrictions on foreign jurisdictions

The distribution of this Prospectus and the Offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the Offer or sale of the Notes in any jurisdiction other than

Australia and Virgin Australia does not accept any liability in that regard.

Furthermore, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations. Virgin Australia has not taken and will not take any action to permit such offer, sale or distribution in any jurisdiction outside Australia.

This Prospectus may not be distributed in or into the United States. The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred, directly or indirectly, in the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

This Prospectus may also not be distributed, and the Notes may not be offered or sold, in any other jurisdiction outside Australia where it would be unlawful to do so, and Virgin Australia has not taken and will not take any action to permit such distribution, offer or sale.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by any person in relation to the Notes in, from or otherwise

involving the United Kingdom must be complied with.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Prospectus relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

See Section 11.9 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

### **Obtaining a Prospectus and Application Form**

Paper copies of this Prospectus (or the Replacement Prospectus) and an Application Form can be obtained free of charge by calling the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday - 8.30am to 5.00pm Sydney time) during the Offer Period.

This Prospectus (or the Replacement Prospectus) can also be obtained electronically from [www.virginaustralianotes.com](http://www.virginaustralianotes.com). If you access an electronic

copy of this Prospectus, the following conditions apply:

- the Prospectus is available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- your Application will only be valid where you have completed an Application Form that was attached to, or accompanied, the electronic Prospectus (or the Replacement Prospectus). By lodging an Application, you declare that you were given access to the electronic Prospectus (or the Replacement Prospectus) together with the Application Form.

### **No withdrawal of Application**

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

### **Financial amounts**

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables, figures and components contained in this Prospectus are due to rounding.

### **Past performance information**

The financial information provided in this Prospectus is for information purposes only and is not a forecast of performance to be expected in future periods. Past performance and trends should not be relied upon as being indicative of future performance and trends.

### **Forward looking statements**

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements. Forward looking statements should be read in conjunction with risk factors as set out in Section 7, and other information contained in this Prospectus.

Unless otherwise indicated, forward looking statements relate to the beliefs, expectations or intentions of Virgin Australia (and no other person) as at the date of this Prospectus.

Neither Virgin Australia nor any other person warrants or guarantees the future performance of Virgin Australia, or (without limiting Virgin Australia's contractual obligations to make payments on the Notes in accordance with their terms of issue (**Terms of Issue** or **Terms**) or any Guarantor's contractual obligations to make payments in accordance with the Guarantee) any return on any investment made pursuant to this Prospectus.

### **Non-IFRS financial information**

Certain financial data included in the Prospectus is not recognised under the Australian Accounting Standards, and is classified as "non-IFRS financial information" under Regulatory Guide 230

"Disclosing non-IFRS financial information" published by ASIC. Virgin Australia believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Virgin Australia. The non-IFRS financial measures have not been audited (or reviewed by Virgin Australia's auditors) and do not have standardised meanings under the Australian Accounting Standards, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

These non-IFRS financial measures include:

- **Segment EBIT**, which is defined as statutory profit/(loss) before net finance costs and tax, excluding the impact of net gains on disposal of assets, 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, share of net profits of equity-accounted investee, ineffectiveness on cash flow hedges in FY17 and time value movement on cash flow hedges;
- **Segment EBITDA**, which is defined as Segment EBIT before depreciation and amortisation costs; and

## IMPORTANT NOTICES

- **Segment EBITDAR**, which is defined as Segment EBIT before depreciation and amortisation costs and costs associated with aircraft rentals.

These measures may be presented for individual segments or for Virgin Australia and its Subsidiaries on a consolidated basis, including the segment results and non-segment corporate costs and elimination adjustments.

Other non-IFRS financial measures presented in this Prospectus include:

- **Net Debt**, which is defined as current and non-current interest-bearing liabilities (or total unsecured interest-bearing liabilities and secured interest-bearing liabilities) less cash and cash equivalents (including restricted cash) as at 30 June of the relevant financial year. It is a measure used by management and Virgin Australia's Board to assess the financial condition of Virgin Australia;
- **Adjusted Net Debt**, which is defined as Net Debt plus seven times Virgin Australia's annual aircraft rentals. It is a measure used by management and Virgin Australia's Board to assess the financial condition of Virgin Australia;
- **Financial Leverage Ratio**, which is defined as the ratio of Adjusted Net Debt to Segment EBITDAR. It is a measure used by management and Virgin Australia's Board as a measure to assess the financial performance and financial condition of Virgin Australia;
- **Underlying profit/(loss) before tax, or Underlying PBT** which is defined as statutory

profit/(loss) before tax excluding the impacts of gains on disposal of assets, 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, share of net profit of equity-accounted investee, ineffectiveness on cash flow hedges in FY17 and time value movement on cash flow hedges.

- It is a measure used by management and Virgin Australia's Board to assess the financial performance of Virgin Australia; and
- **Velocity Adjusted free cash flow**, which is defined as Segment EBITDA for Velocity less capital expenditure for Velocity. It is a measure used by management and Virgin Australia's Board to assess the financial performance of Velocity.

Virgin Australia uses these non-IFRS financial measures to evaluate the Group's performance, and they are presented in the Prospectus as an additional tool for investors to evaluate an investment in the Offer. In particular, Virgin Australia believes that Segment EBIT, Segment EBITDA and Segment EBITDAR may be useful to potential investors in assessing its operating performance and as an indicator of its ability to service or incur indebtedness, make capital expenditures and finance working capital requirements.

### Privacy

Please read the privacy statement located at Section 11.10 of this Prospectus. By submitting the Application Form

accompanying this Prospectus, you consent to the matters outlined in that statement.

### Diagrams

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as at the date of this Prospectus.

### Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Appendix B "Glossary".

A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time unless otherwise stated.

### Questions

**If you have any questions about the Notes or the Offer, you should seek advice from your financial adviser or other licenced professional adviser. You can also call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday - 8.30am to 5.00pm Sydney time) during the Offer Period.**

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# HOW TO APPLY

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## READ THIS PROSPECTUS IN FULL

If you are considering applying for the Notes under the Offer, this Prospectus is important and should be read in its entirety.

You should have particular regard to the:

- “Important notices” at the front of this Prospectus;
- “Investment overview” in Section 1 and “About the Notes” in Section 2;
- “Risk factors” in Section 7; and
- “Terms of Issue” in Appendix A.

In considering whether to apply for the Notes, it is important to consider all risks and other information regarding an investment in the Notes in light of your particular investment objectives and circumstances.

## SPEAK TO YOUR PROFESSIONAL ADVISER

You should seek professional guidance from your stockbroker, solicitor, accountant or other independent and licenced professional adviser about the Offer.

ASIC has published guidance on how to choose a professional adviser on its MoneySmart website ([www.moneysmart.gov.au/investing/financial-advice](http://www.moneysmart.gov.au/investing/financial-advice)).

## CONSIDER THE ASIC AND ASX GUIDANCE FOR RETAIL INVESTORS

ASIC and ASX have published guidance for retail investors who are considering investing in bonds such as the Notes.

ASIC’s guidance is called “Investing in corporate bonds?” and can be found at [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

ASX’s guidance is called “Understanding Bonds” and can be found at [https://www.asx.com.au/documents/products/Understanding\\_Bonds-\\_AGB\\_web\\_version.pdf](https://www.asx.com.au/documents/products/Understanding_Bonds-_AGB_web_version.pdf).

For a further explanation of how a bond works, please refer to [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

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#### **COMPLETE AND SUBMIT YOUR APPLICATION FORM AND APPLICATION PAYMENT**

The application process varies depending on whether you participate in the Institutional Offer or the Broker Firm Offer.

If you are applying under the Broker Firm Offer, you should contact your Syndicate Broker. Your Application Form must be received by the Closing Date for the Broker Firm Offer, expected to be 10.00am on 25 November 2019.

See Section 3.5 for more details on how to apply for the Notes.

The Offer may close early so you are encouraged to submit your Application as soon as possible after the Opening Date.

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#### **WHERE CAN I OBTAIN FURTHER INFORMATION ABOUT VIRGIN AUSTRALIA AND THE NOTES?**

Information about the Notes is contained in this Prospectus. You should read the Prospectus in its entirety. Virgin Australia is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, Virgin Australia must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Virgin Australia that a reasonable person would expect to have a material effect on the price or value of its securities, including the Notes.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and Virgin Australia's ASX announcements may be viewed on [www.asx.com.au](http://www.asx.com.au).

Further information about Virgin Australia, including Virgin Australia's half-yearly and annual financial reports, presentations and other investor information, can be obtained from [www.virginaustralia.com/au/en/about-us/company-overview/investor-information](http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information).

An investment in the Notes is an investment in Virgin Australia and may be affected by the ongoing performance, financial position and solvency of Virgin Australia.

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#### **ENQUIRIES**

If you have any questions about the Notes or the Offer, you should seek advice from your financial adviser or other licenced professional adviser.

You can also call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) or contact your financial adviser or other licenced professional adviser.

# KEY DATES

<b>Key dates for the Offer</b>	<b>Date</b>
Lodgement of this Prospectus with ASIC	28 October 2019
Bookbuild	On or before 4 November 2019
Opening Date of the Offer and lodgement of the Replacement Prospectus with ASIC	5 November 2019
Closing Date for the Broker Firm Offer	10.00am 25 November 2019
Issue Date	26 November 2019
Notes expected to commence trading on ASX (deferred settlement basis)	27 November 2019
Holding Statements dispatched by the Registry	On or before 28 November 2019
Notes expected to commence trading on ASX (normal settlement basis)	29 November 2019

<b>Key dates for Notes</b>	<b>Date</b>
First Interest Payment Date <sup>1</sup>	26 May 2020
First Fixed Price Call Date	26 November 2022
Second Fixed Price Call Date	26 November 2023
Maturity Date	26 November 2024

## **DATES MAY CHANGE**

The key dates for the Offer are indicative only and may change without notice. All references to time are to Sydney time.

Virgin Australia may vary the timetable, including by extending the Closing Date, closing the Offer early without notice or accepting late applications, whether generally or in particular cases, or withdrawing the Offer at any time. If the Offer is withdrawn, all Application Payments received by Virgin Australia for which Notes have not been issued will be refunded (without Interest) to Applicants as soon as possible after the withdrawal.

If you wish to apply for Notes, you are encouraged to apply as soon as possible after the Opening Date.

## **QUOTATION OF NOTES ON ASX**

Virgin Australia will apply to ASX for the Notes to be quoted on ASX. Quotation of the Notes is not guaranteed. If ASX does not grant permission for the Notes to be quoted within three months of the date of the Prospectus (or any longer period permitted by law), then the Notes will not be issued and all Application Payments will be refunded (without Interest) to Applicants as soon as practicable.

1. Interest payments are scheduled to be paid semi-annually in arrear on the Interest Payment Dates being 26 May and 26 November each year unless such date is not a Business Day. If any Interest Payment Date is not a Business Day, then the Interest Payment Date will occur on the next Business Day.



# CHAIRMAN'S LETTER

28 October 2019

Dear investor

On behalf of the Board, I invite you to consider the opportunity to invest in unsecured notes to be issued by Virgin Australia (**Notes**).

Virgin Australia, together with its controlled entities (the **Group**), is Australia's second-largest airline group, holding a 37.7% capacity share<sup>1</sup> in the Australian domestic aviation market and providing access to over 450 destinations worldwide through its virtual network.

Virgin Australia operates as a full-service domestic carrier in a growing two-player market. The Group also operates Tigerair Australia, a low-cost carrier providing an alternative choice for our customers, and operates an international network supported by strategic alliances.

Virgin Australia's new management team has commenced a review of its business and a number of initiatives have been announced, including a simplified organisational structure and a fleet, capacity and network review. The Group has a renewed focus on enhancing Virgin Australia's financial performance.

Virgin Australia currently holds an approximate 65% economic interest in the award-winning "Velocity" loyalty program. On 16 September 2019, Virgin Australia announced its intention to acquire the approximate 35% economic interest in Velocity<sup>2</sup> held by Affinity for approximately \$700 million (**Velocity Acquisition**).

The Velocity Acquisition will enable a realignment of Velocity's existing platform to focus on driving better passenger traffic and loyalty engagement across the Group and is expected to realise \$20 million per annum of cost synergies.

Virgin Australia intends to raise approximately \$150 million through the offer of Notes, with the ability to raise more or less (**Offer**). Concurrent with the Offer, Virgin Australia is conducting a separate offer of US\$425 million in unsecured notes to institutional investors in the United States and certain other jurisdictions (**US\$ Notes Offer**), the pricing of which was announced to ASX on 25 October 2019. The Offer, together with the US\$ Notes Offer, forms part of Virgin Australia's funding strategy in connection with the Velocity Acquisition. Any surplus proceeds from the Offers will be used for general corporate purposes.

The Notes are unsecured notes with a Maturity Date of 26 November 2024, five years after the Issue Date, and are intended to be listed on the ASX.

Noteholders will be entitled to receive semi-annual Interest payments. The Interest Rate applicable to the Notes is expected to be 8% per annum and will be determined under the Bookbuild.

This Prospectus contains information about Virgin Australia and the Offer. You should read this Prospectus carefully before deciding whether to invest in the Notes and, in particular, you should consider the risk factors set out in Section 7 before deciding whether to apply for Notes.

If, after reading this Prospectus, you have any questions about the Offer or how to apply for Notes, please call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) or contact your broker. I also encourage you to seek advice from your financial adviser or other licenced professional adviser.

Yours faithfully,



**ELIZABETH BRYAN AM**  
**CHAIRMAN**

Virgin Australia Holdings Limited

1. For the year ended 30 June, 2019.
2. The acquisition will be undertaken through Virgin Australia's wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

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INVESTMENT  
OVERVIEW



# 1. INVESTMENT OVERVIEW

This Section provides a summary of information that is key to a decision to invest in the Notes. This is a summary only. Investors should read this entire Prospectus carefully. The Terms of the Notes are set out in Appendix A.

You should also consult your financial or other licenced professional adviser.

Topic	Summary	Further information
<b>1.1. KEY FEATURES OF THE OFFER</b>		
<b>1.1.1</b> What is the Offer?	<p>The Offer is for the issue of unsecured notes (<b>Notes</b>) to raise approximately \$150 million, with the ability to raise more or less.</p> <p>The Issue Price is \$100 per Note. This is also the Face Value.</p>	Section 3
<b>1.1.2</b> Who is the issuer?	Virgin Australia Holdings Limited (ACN 100 686 226), being an ASX-listed company with a market capitalisation of approximately \$1.35 billion as of close of trading on 25 October 2019.	Section 5
<b>1.1.3</b> What are the Notes?	<p>The Notes are:</p> <ul style="list-style-type: none"><li>• <b>fully paid</b> – the Face Value of \$100 must be paid to Virgin Australia before the Notes are issued;</li><li>• <b>fixed term</b> – the Notes have a Five-year term and all outstanding Notes must be Redeemed on or before their Maturity Date, being 26 November 2024;</li><li>• <b>redeemable</b> – Virgin Australia may elect to Redeem the Notes at any time before their Maturity Date at a Redemption Amount which is generally expected to be higher than the Face Value. Virgin Australia may also be required to Redeem the Notes early in certain circumstances;</li><li>• <b>guaranteed</b> – Virgin Australia’s obligation to make payments under the Terms is guaranteed by certain members of the Group;</li><li>• <b>unsecured</b> – the Notes are not secured by a mortgage, charge or other security over any asset; and</li><li>• <b>listed</b> – Virgin Australia will apply for the Notes to be quoted on ASX.</li></ul>	Section 2 Appendix A
<b>1.1.4</b> What is the purpose of the Offer?	<p>Virgin Australia currently holds a 64.66% controlling interest in Velocity Frequent Flyer Holdco Pty Limited (<b>Velocity Holdco</b>), which owns the award-winning “Velocity” loyalty program (<b>Velocity</b>). On 4 October 2019, Virgin Australia entered into a securities sales agreement with Affinity (<b>Acquisition Agreement</b>), under which Virgin Australia has agreed to purchase the 34.82% interest in Velocity Holdco<sup>1</sup> held by Affinity for consideration of approximately \$700 million (the <b>Velocity Acquisition</b>). In connection with the Velocity Acquisition, Velocity management will exit from their 0.52% interest in Velocity Holdco (including a 0.23% interest relating to a management incentive plan), resulting in Virgin Australia owning 100% of Velocity Holdco.</p> <p>Following the receipt of Foreign Investment Review Board (<b>FIRB</b>) approval on 22 October 2019, completion of the Velocity Acquisition is only subject to Virgin Australia obtaining financing for that acquisition. The proposed funding arrangements are described below.</p>	

1. The acquisition will be undertaken through Virgin Australia’s wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

Topic	Summary	Further information
	<p>Concurrent with the Offer, Virgin Australia is conducting a separate offer of US\$425 million U.S. dollar denominated unsecured notes (<b>US\$ Notes</b>) to certain institutional investors in the United States and certain other jurisdictions (<b>US\$ Notes Offer</b>), the pricing of which was announced to ASX on 25 October 2019 and the settlement of which is expected to occur on 7 November 2019 (New York time), subject to customary closing conditions. The Notes will rank equally with the US\$ Notes.</p> <p>The Offer, together with the US\$ Notes Offer, forms part of Virgin Australia's funding strategy in connection with the Velocity Acquisition. Any surplus proceeds from the Offers will be used for general corporate purposes. Neither this Offer nor the concurrent US\$ Notes Offer is conditional on the completion of the other.</p>	Sections 11.3 and 5.4
<b>1.1.5</b> <b>Important matters to be aware of</b>	<p><b>ASX-listed</b></p> <p>The Notes are expected to be quoted on ASX under code "VAHHA" and may be traded on ASX. Virgin Australia must use all reasonable endeavours to ensure that the notes are, and remain until Redeemed, quoted on the financial market operated by the ASX.</p> <p><b>Seek professional advice</b></p> <p>An investment in the Notes is subject to a number of risks. You should seek professional guidance from your financial or other licenced professional adviser before deciding whether to invest.</p>	See "How to apply" Section
<b>1.2. KEY FEATURES OF NOTES</b>		
<b>1.2.1</b> <b>Interest</b>	<p>Noteholders are entitled to Interest paid semi-annually in arrear.</p> <p>Interest is to be paid by direct credit.</p> <p>Interest payments will not have any franking credits attached to them.</p>	Section 2.2
<b>1.2.2</b> <b>Interest Rate</b>	The Interest Rate applicable to the Notes is expected to be 8% per annum and will be determined under the Bookbuild.	Sections 2.2.3 and 3.6
<b>1.2.3</b> <b>Interest Payment Dates</b>	The Interest Payment Dates for the Notes are 26 May and 26 November of each year up until the Notes are Redeemed (or if any such date is not a Business Day, the following Business Day). The first Interest Payment Date is scheduled to be on 26 May 2020.	Section 2.2.2
<b>1.2.4</b> <b>Maturity Date</b>	<p>26 November 2024 (five years after the Issue Date).</p> <p>Virgin Australia must Redeem the Notes for \$100 per Note plus accrued (but unpaid) Interest on their Maturity Date to the extent it has not Redeemed or purchased and cancelled the Notes prior to that date.</p>	Section 2.3.1

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information																
<p><b>1.2.5</b> <b>Virgin Australia's optional early Redemption rights</b></p>	<p>Virgin Australia may elect to Redeem all or some of the Notes under clause 4.2(a) of the Terms on any Business Day before the Maturity Date according to the following schedule:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type</th> <th style="text-align: left;">From</th> <th style="text-align: left;">To</th> <th style="text-align: left;">Redemption Amount (per Note)</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Make whole premium</td> <td style="vertical-align: top;">26 November 2019 (Issue Date)</td> <td style="vertical-align: top;">25 November 2022</td> <td style="vertical-align: top;">An amount equal to the greater of: (i) \$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date; and (ii) a Make Whole Redemption Amount calculated in accordance with the Terms.</td> </tr> <tr> <td style="vertical-align: top;">Fixed price premium</td> <td style="vertical-align: top;">26 November 2022 (First Fixed Price Call Date)</td> <td style="vertical-align: top;">25 November 2023</td> <td style="vertical-align: top;">\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one half of one year's Interest on the Notes (<b>the First Fixed Price Premium</b>).</td> </tr> <tr> <td></td> <td style="vertical-align: top;">26 November 2023 (Second Fixed Price Call Date)</td> <td style="vertical-align: top;">25 November 2024</td> <td style="vertical-align: top;">\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one quarter of one year's Interest on the Notes (<b>the Second Fixed Price Premium</b>).</td> </tr> </tbody> </table>	Type	From	To	Redemption Amount (per Note)	Make whole premium	26 November 2019 (Issue Date)	25 November 2022	An amount equal to the greater of: (i) \$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date; and (ii) a Make Whole Redemption Amount calculated in accordance with the Terms.	Fixed price premium	26 November 2022 (First Fixed Price Call Date)	25 November 2023	\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one half of one year's Interest on the Notes ( <b>the First Fixed Price Premium</b> ).		26 November 2023 (Second Fixed Price Call Date)	25 November 2024	\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one quarter of one year's Interest on the Notes ( <b>the Second Fixed Price Premium</b> ).	<p>Sections 2.3.2 and 2.3.3</p>
Type	From	To	Redemption Amount (per Note)															
Make whole premium	26 November 2019 (Issue Date)	25 November 2022	An amount equal to the greater of: (i) \$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date; and (ii) a Make Whole Redemption Amount calculated in accordance with the Terms.															
Fixed price premium	26 November 2022 (First Fixed Price Call Date)	25 November 2023	\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one half of one year's Interest on the Notes ( <b>the First Fixed Price Premium</b> ).															
	26 November 2023 (Second Fixed Price Call Date)	25 November 2024	\$100 plus accrued (but unpaid) Interest up to (but not including) the proposed Redemption Date plus an amount equal to one quarter of one year's Interest on the Notes ( <b>the Second Fixed Price Premium</b> ).															
	<p>Virgin Australia may also elect to Redeem all (but not some) of the Notes following the occurrence of a Tax Event or Clean-Up Event. In these circumstances, Virgin Australia is only required to pay the Face Value of the Notes, being \$100 per Note, plus accrued (but unpaid) Interest on the Notes.</p> <p>Where Virgin Australia elects to Redeem the Notes, it must generally do so by giving notice of the Redemption at least 30 days before the proposed Redemption Date.</p>																	

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Topic	Summary	Further information
<p><b>1.2.6</b> <b>Other Redemption circumstances</b></p>	<p>Virgin Australia is required to Redeem the Notes in the following circumstances:</p> <ul style="list-style-type: none"> <li>• if a Change of Control Event occurs Virgin Australia must Redeem the Notes of any Noteholder who requests Redemption in accordance with clause 4.3 of the Terms;</li> <li>• if Virgin Australia fails to complete the Velocity Acquisition by 13 December 2019, Virgin Australia must Redeem all the Notes in accordance with clause 4.4 of the Terms; and</li> <li>• if an Event of Default occurs Virgin Australia must Redeem all the Notes if required by the Note Trustee (acting on the instructions of Noteholders) in accordance with clause 5.2 of the Terms.</li> </ul> <p>When redemption is required due to a Change of Control Event, Virgin Australia is required to redeem the Notes for an amount equal to \$101 per Note plus accrued (but unpaid) Interest on the Notes. When redemption is required because Virgin Australia fails to complete the Velocity Acquisition by 13 December 2019 or due to an Event of Default, Virgin Australia is required to redeem the Notes for their Face Value, being \$100, plus accrued (but unpaid) Interest on the Notes.</p>	Section 2.3
<p><b>1.2.7</b> <b>Purchase of Notes by Virgin Australia</b></p>	<p>Virgin Australia may at any time purchase the Notes in the open market, by agreement with any Noteholder or otherwise and at any price. The Notes so purchased may be held, resold or cancelled at the discretion of Virgin Australia, subject to compliance with any applicable law or requirement of ASX.</p>	Clause 4.6 of the Terms
<p><b>1.2.8</b> <b>Guarantee</b></p>	<p>Virgin Australia's obligation to repay the Notes and pay Interest is supported by a guarantee (the <b>Guarantee</b>) from some but not all other members of the Group (<b>Guarantors</b>). The Guarantors do not include Virgin Australia's aircraft financing subsidiaries, Velocity Holdco or its subsidiaries.</p>	Sections 2.4 and 7.2.1
<p><b>1.2.9</b> <b>Security</b></p>	<p>The Notes are unsecured, meaning repayment is not secured by a mortgage, charge or other security over any of Virgin Australia's or any Guarantor's assets.</p>	Section 2.5
<p><b>1.2.10</b> <b>Event of Default</b></p>	<p>If an Event of Default occurs and is subsisting, the Note Trustee (acting on the instructions of Noteholders) has the right to require immediate Redemption of the Notes. The Note Trustee is not obliged to exercise such right unless it is directed to do so by the Noteholders and certain other conditions are satisfied.</p>	Sections 2.3.5 and 11.4.7
<p><b>1.2.11</b> <b>Enforcement</b></p>	<p>All rights in relation to the Notes may generally only be enforced by the Note Trustee in accordance with the Note Trust Deed referred to in Section 11.4. The Note Trustee's obligations to take action to enforce such rights are limited by the terms of the Note Trust Deed.</p>	Sections 2.8.1 and 11.4
<p><b>1.2.12</b> <b>Ranking</b></p>	<p>Each Note ranks at least equally for payment in a winding up of Virgin Australia with all other unsecured obligations of Virgin Australia, and the obligations of each Guarantor under the Guarantee rank at least equally for payment in a winding up of the Guarantor with all other unsecured obligations of the Guarantor, other than in each case obligations preferred by law.</p> <p>However, the Notes and Guarantee will effectively rank after secured obligations of Virgin Australia and the Guarantors, and after all obligations of, and any minority interests in, Subsidiaries of Virgin Australia that are not Guarantors.</p>	Section 2.5

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information													
	<p>The table below illustrates how claims against Virgin Australia in respect of the Notes would rank upon a winding up of Virgin Australia and its Subsidiaries against Virgin Australia's obligations in respect of other interest-bearing liabilities and equity interests:</p> <table border="1"> <thead> <tr> <th></th> <th>Existing debt and equity instruments</th> <th>Relevant amount<sup>2</sup></th> </tr> </thead> <tbody> <tr> <td rowspan="2">Higher ranking</td> <td> <p>Prior ranking claims</p> <ul style="list-style-type: none"> <li>secured interest-bearing liabilities (including aircraft leases currently accounted for as finance leases)</li> <li>interest-bearing liabilities of and minority equity interests in Subsidiaries that are not Guarantors</li> </ul> </td> <td>\$1,570 million</td> </tr> <tr> <td> <p>Equal ranking claims</p> <ul style="list-style-type: none"> <li>Notes and US\$ Notes</li> <li>Other unsecured interest-bearing liabilities of Virgin Australia and the Guarantors, including, among other securities, the Unlisted A\$ Notes and Virgin Australia's existing US\$ notes due 2021</li> </ul> </td> <td>\$1,651 million</td> </tr> <tr> <td rowspan="2">Lower ranking</td> <td> <p>Lower ranking claims</p> <ul style="list-style-type: none"> <li>Subordinated interest-bearing liabilities, preference shares and minority equity interests in Virgin Australia and Guarantors</li> </ul> </td> <td>Nil<sup>3</sup></td> </tr> <tr> <td> <p>Ordinary equity</p> <ul style="list-style-type: none"> <li>Total equity attributable to the owners of Virgin Australia</li> </ul> </td> <td>(\$111.0 million)</td> </tr> </tbody> </table>		Existing debt and equity instruments	Relevant amount <sup>2</sup>	Higher ranking	<p>Prior ranking claims</p> <ul style="list-style-type: none"> <li>secured interest-bearing liabilities (including aircraft leases currently accounted for as finance leases)</li> <li>interest-bearing liabilities of and minority equity interests in Subsidiaries that are not Guarantors</li> </ul>	\$1,570 million	<p>Equal ranking claims</p> <ul style="list-style-type: none"> <li>Notes and US\$ Notes</li> <li>Other unsecured interest-bearing liabilities of Virgin Australia and the Guarantors, including, among other securities, the Unlisted A\$ Notes and Virgin Australia's existing US\$ notes due 2021</li> </ul>	\$1,651 million	Lower ranking	<p>Lower ranking claims</p> <ul style="list-style-type: none"> <li>Subordinated interest-bearing liabilities, preference shares and minority equity interests in Virgin Australia and Guarantors</li> </ul>	Nil <sup>3</sup>	<p>Ordinary equity</p> <ul style="list-style-type: none"> <li>Total equity attributable to the owners of Virgin Australia</li> </ul>	(\$111.0 million)	
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	<p>Total equity attributable to the owners of Virgin Australia is an accounting measure. Measured by market capitalisation,<sup>4</sup> Virgin Australia's Ordinary Shares had a value of approximately \$1.35 billion as of close of trading on 25 October 2019.</p>														

- Pro forma, as of 30 June 2019. See Sections 6.6 and 6.7 for details of pro forma adjustments. The adjustments do not take account of the impact of AASB 16, which would result in additional amounts in respect of leases being recognised as interest-bearing liabilities.
- Currently Virgin Australia and the Guarantors do not have any subordinated debt or preference shares on issue (excluding minority interests in Velocity Holdco, which constitute minority interests in a Subsidiary that is not a Guarantor and will be eliminated upon the completion of the Velocity Acquisition).
- It should be noted that Ordinary Shares in Virgin Australia have lower trading volumes compared to companies of a similar size due to a more limited free float, and, accordingly, sale prices may not necessarily be indicative of the price that a buyer of the whole, or a substantial portion, of the Ordinary Shares in Virgin Australia would be willing to pay. It should also be noted that, while a number of key aspects of the Velocity Acquisition, the US\$ Notes Offer and the Offer had been announced prior to close of trading on 25 October 2019, these transactions had not completed as at that time.



Topic	Summary	Further information
	<p>This is a simplified capital structure and does not identify every type of security issued or which may be issued by Virgin Australia or its Subsidiaries or every potential claim against Virgin Australia or its Subsidiaries in a winding up. In particular, Virgin Australia and the Guarantors may incur debt which is secured against its assets or permit Subsidiaries that are not Guarantors to incur further debt, either of which would effectively rank in priority to the Notes in the event of a winding up of Virgin Australia.</p> <p>Further, this table only illustrates interest-bearing liabilities of, and equity interests in, the Group. Virgin Australia and its Subsidiaries have, and will have, other liabilities (such as trade creditors, creditors in respect of its future contracted commitments, tax liabilities and employee entitlements) that will rank equally with or ahead of the Group's interest-bearing liabilities, including the Notes.</p>	
<p><b>1.2.13</b>  <b>Why Virgin Australia has a negative accounting equity and positive market capitalisation</b></p>	<p>Market capitalisation is a measure of the value of Virgin Australia's equity based on the traded price of its Ordinary Shares.<sup>5</sup> This is contrasted with the total equity recorded in Virgin Australia's statutory financial statements of \$(111.0 million), which is determined in accordance with accounting standards as described below.</p> <p>Total equity attributable to the owners of Virgin Australia is calculated as total assets, less total liabilities and less non-controlling interests, all as determined in accordance with Australian Accounting Standards applicable to the Group for the financial year ended 30 June 2019 and reported in Virgin Australia's financial statements for the year ended 30 June 2019, adjusted to give pro forma effect to the issue of the Notes, the issue of the US\$ Notes, the repayment of the Nov-19 US\$ Notes and the completion of the Velocity Acquisition.</p> <p>Total assets measures the book values of assets determined in accordance with applicable accounting standards, and does not generally purport to reflect the market values of those assets or include the value of goodwill associated with the Group's business. In particular, total assets as at 30 June 2019 includes an amount equal to approximately \$657 million in respect of the assets of the Velocity business, and does not include any goodwill associated with that business. Further, the pro forma adjustments referred to above include a reduction in total equity attributable to the owners of Virgin Australia (calculated as above) of approximately \$680 million associated with the Velocity Acquisition. This reduction arises because Velocity Holdco is already consolidated in Virgin Australia's accounts for accounting purposes and, as a result, the acquisition is treated, in effect, as the payment of approximately \$710 million to eliminate the approximately \$30 million minority interests in Velocity Holdco, with the balance reducing total equity attributable to the owners of Virgin Australia, rather than as the acquisition of a new asset. See Section 6.6 for more information on the manner in which the Velocity Acquisition will be recorded in Virgin Australia's financial statements.</p>	<p>Section 2.5</p>

5. It should be noted that Ordinary Shares in Virgin Australia have lower trading volumes compared to companies of a similar size due to a more limited free float, and, accordingly, sale prices may not necessarily be indicative of the price that a buyer of the whole, or a substantial portion, of the Ordinary Shares in Virgin Australia would be willing to pay. It should also be noted that, while a number of key aspects of the Velocity Acquisition, the US\$ Notes Offer and the Offer had been announced prior to close of trading on 25 October 2019, these transactions had not completed as at that time.

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information
<b>1.2.14</b> Voting	The Notes confer no rights on a Noteholder to vote at any meeting of Shareholders of Virgin Australia. However, Noteholders are entitled to vote at meetings of Noteholders on certain matters that affect their rights under the Note Trust Deed.	
<b>1.2.15</b> Listing	Application will be made for Notes to be quoted on ASX under the code "VAHHA".	Sections 3.9 and 3.10
<b>1.2.16</b> Notes rating	The Notes will not be rated.	
<b>1.2.17</b> Note Trustee	Sargon CT Pty Ltd (ABN 12 106 424 088) has been appointed as Note Trustee pursuant to a Note Trust Deed dated on or about the date of this Prospectus. The rights and obligations of the Note Trustee are regulated by the Note Trust Deed. See Section 11.4 for more information.	Sections 11.4 and 3.12

### 1.3. COMPARISON BETWEEN NOTES AND OTHER TYPES OF INVESTMENTS

There are differences between the Notes and other investment instruments with which you may be familiar, including Ordinary Shares and typical Australian bank ASX-listed Additional Tier 1 capital instruments. There are also differences between the Notes and other debt securities that have been issued or are proposed to be issued by Virgin Australia, including the concurrent US\$ Notes Offer and other unlisted Australian dollar denominated notes Virgin Australia has previously issued to institutional and other wholesale market investors (**Unlisted A\$ Notes**). You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to invest in the Notes.

	<b>Virgin Australia's Ordinary Shares</b>	<b>Typical bank ASX-listed Additional Tier 1 capital instruments</b>	<b>Virgin Australia's Concurrent unlisted US\$ Notes Offer</b>	<b>Virgin Australia's Existing Unlisted A\$ Notes</b>	<b>Notes</b>
<b>Legal form</b>	Shares	Unsecured notes or preference shares	Unsecured notes	Unsecured notes	Unsecured notes
<b>Security</b>	Not applicable	Not applicable or unsecured	Unsecured	Unsecured	Unsecured
<b>Currency</b>	AUD	AUD	USD	AUD	AUD
<b>Term</b>	Perpetual (unless bought back)	Perpetual but typically with mandatory conversion into an equivalent value of ordinary shares two years after call date if not called	Five years	Were issued with an initial term of five years	Five years
<b>Call date(s)</b>	None	Typically from five to eight years from the issue date	At any time, with a make whole payment up to six months prior to maturity, and thereafter at par	At any time, with a make whole payment up to year three, and thereafter at a specified premium over face value	At any time, with a make whole payment up to year three, and thereafter at a specified premium over Face Value
<b>Distributions/Interest</b>	Discretionary	Discretionary	Compulsory	Compulsory	Compulsory
<b>Distribution/Interest rate</b>	Variable dividends	Floating	Fixed	Fixed	Fixed, as described in Section 2.2
<b>Franking</b>	Yes	Yes	No	No	No

# 1. INVESTMENT OVERVIEW

	Virgin Australia's Ordinary Shares	Typical bank ASX-listed Additional Tier 1 capital instruments	Virgin Australia's Concurrent unlisted US\$ Notes Offer	Virgin Australia's Existing Unlisted A\$ Notes	Notes
<b>Restrictions on further borrowings</b>	No	No	Yes	Yes	Yes, as described in Section 2.8.4. In addition, the occurrence of an event of default resulting from a breach of any more restrictive restriction contained in the terms of the Unlisted A\$ Notes or the US\$ Notes will be an Event of Default under the Notes.
<b>Ranking upon a winding up of the issuer<sup>6</sup></b>	Behind all other securities and obligations of Virgin Australia	Behind all securities and obligations of the issuer, except other equal ranking securities and senior to ordinary equity	Behind prior ranking claims (including secured creditors), equally with all other unsecured creditors of Virgin Australia (including the Notes and Unlisted A\$ Notes) other than claims preferred by law, and senior to ordinary equity	Behind prior ranking claims (including secured creditors), equally with all other unsecured creditors of Virgin Australia (including the Notes and US\$ Notes) other than claims preferred by law, and senior to ordinary equity	Behind prior ranking claims (including secured creditors), equally with all other unsecured creditors of Virgin Australia (including Unlisted A\$ Notes and US\$ Notes) other than claims preferred by law, and senior to ordinary equity See Section 2.5
<b>Shareholder voting rights</b>	Yes	No	No	No	No
<b>Listed on ASX</b>	Yes	Yes	No	No	Yes
<b>Transferability</b>	Yes, quoted and can be traded on ASX under the code "VAH"	Yes, can be traded on ASX	Yes, although not quoted on ASX	Yes, although not quoted on ASX	Expected to be quoted and, if so, can be traded on ASX under the code "VAHHA"

The above is a summary only of certain key features of the Notes, Ordinary Shares, typical Australian bank ASX-listed Additional Tier 1 capital instruments, concurrent US\$ Notes Offer and existing Unlisted A\$ Notes. It is not and should not be relied on as a complete comparison of all relevant differences.

6. Ranking of Virgin Australia shown as against other liabilities of the relevant issuer only. See Section 1.2.12 with respect to Noteholder recourse to Subsidiaries.

Topic	Summary	Further information
<b>1.4. OVERVIEW OF VIRGIN AUSTRALIA</b>		
<b>1.4.1</b> <b>Overview of the Australian airline industry</b>	<p><b>Domestic aviation market overview</b></p> <p>The Australian domestic aviation market has recorded a compound annual growth rate (<b>CAGR</b>) of 3.5% in domestic passenger numbers since Virgin Australia commenced operations in 2000.</p> <p>The Australian domestic passenger aviation market is characterised by a large geographic territory and long distances between major cities with high population concentrations. The key routes between the east coast state capital cities of Brisbane, Melbourne and Sydney – commonly referred to as the Australian aviation “Golden Triangle” – are some of the busiest in the world.</p> <p>The Australian domestic market is largely serviced by two airline groups, with Virgin Australia and Qantas brands providing approximately 97% of market capacity in FY19.</p> <p><b>Australian international aviation market overview</b></p> <p>The Australian international aviation market is supported by a positive trajectory in inbound travel to Australia, with international passenger growth recording a CAGR of 5.9% since 2008.</p> <p>As an island continent geographically isolated from major international markets, Australia is highly dependent on international aviation services, as airline travel is the only viable method of time-urgent international travel.</p>	Section 4
<b>1.4.2</b> <b>Overview of Virgin Australia</b>	<p>Virgin Australia is Australia’s second-largest airline group, holding a 37.7% capacity share of the Australian domestic aviation market and providing its customers with access to over 450 global destinations on approximately 2,856 flights per week in its global virtual network.</p> <p>Virgin Australia’s business spans four operating segments:</p> <ul style="list-style-type: none"> <li>• <b>Virgin Australia Domestic:</b> a full-service domestic carrier that operates in the Australian market;</li> <li>• <b>Velocity:</b> a cash-generating loyalty program;</li> <li>• <b>Virgin Australia International:</b> an international network that is supported by strong strategic alliances; and</li> <li>• <b>Tigerair Australia:</b> a low-cost carrier providing an alternative budget travel choice for our customers.</li> </ul> <p>Virgin Australia provides its passengers with international and domestic air services, differentiated by its strong brand and award-winning loyalty program and customer service.</p> <p>Virgin Australia operates flights to 15 international destinations using its own fleet of 22 aircraft. Additionally, Virgin Australia operates a “capital light” international network through its strategic alliances and codeshare partnerships with major airlines. Through this virtual network, Virgin Australia offers Virgin Australia customers flights to approximately 425 destinations internationally and provided approximately 18.4% of the Australian international market share measured by passengers in FY19.</p>	Section 5

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information
<b>1.4.3</b> <b>What is Velocity?</b>	<p>Velocity is an award-winning loyalty program offering status benefits for Virgin Australia's most frequent travellers and opportunities for members to redeem loyalty points for a variety of rewards, including air travel, upgrades and non-aircraft travel awards such as hotel stays, travel experiences and car hire. Velocity's program also comprises a network of almost 90 program partners who reward their customers with Velocity points for loyal spending behaviour.</p> <p>For Velocity members, the Velocity program provides access to points which can be used to redeem products and experiences. For Velocity partners, Velocity provides opportunities to obtain new customers and create customer loyalty, with the objective of promoting increased spending with Velocity partners. Velocity has a diversified partnership base, with approximately 70% of Velocity points earned by members with partners other than Virgin Australia.</p> <p>Virgin Australia believes that there are significant benefits to the Velocity Acquisition, including:</p> <ul style="list-style-type: none"><li>• the ability to retain 100% of the cash flows and equity upside from the cash-generative loyalty program;</li><li>• the simplification of the business, which enables cost savings and operational integration;</li><li>• revenue synergy and diversification opportunities from integration and improved loyalty engagement;</li><li>• increased wallet share with Velocity members through enhanced data and analytics initiatives;</li><li>• increased use of direct channel distribution; and</li><li>• substantial value driven by elimination of existing cash equity distributions to minority interests and identified \$20 million per annum of cost synergies, alongside revenue and operational initiatives, which is expected to more than offset the annual interest costs arising from proceeds of this Offer and the US\$ Notes Offer used to fund the Velocity Acquisition.<sup>7</sup></li></ul>	Sections 5.3 and 5.4

7. Includes the add back of equity distributions to non-controlling interests of \$29.1 million in FY19, in addition to \$12.3 million of distributions that were paid in July 2019 in respect of the FY19 period.

Topic	Summary	Further information
<p><b>1.4.4</b> <b>What is Virgin Australia's business focus?</b></p>	<p>Virgin Australia has begun implementing a business improvement program to reduce costs and improve profitability. Following the appointment of its new chief executive officer in March 2019, Virgin Australia commenced a review of its business, with a focus on resetting its cost base, simplifying its fleet and optimising its network and capacity while focusing on providing high quality segment appropriate products and a unique customer experience. Virgin Australia also continues to be committed to ensuring the safety and on-time performance of its service offering.</p> <p>Virgin Australia's new management team has a renewed focus on enhancing the Group's customer offering, financial performance and cash flow.</p> <p>Previously announced business initiatives are expected to realise savings of \$75 million per annum from a simplified organisational structure and rightsizing program, and savings of \$50 million per annum from a supplier review.</p> <p>The Velocity Acquisition will enable a realignment of Velocity's existing platform to focus on driving better passenger traffic and loyalty engagement across the Group.</p> <p>In addition, Virgin Australia is investigating its route network and capacity deployment to maximise profit. Virgin Australia is also looking to provide its customers with a uniquely Virgin Australia experience through a combination of customer data-led products, a frictionless omni-channel experience (with segments guided to the appropriate channel) and a valued loyalty and service product through its Velocity program.</p>	<p>Section 5.5</p>
<p><b>1.4.5</b> <b>What is Virgin Australia's Shareholder composition?</b></p>	<p>Virgin Australia's five largest Shareholders are Etihad Airways, Singapore Airlines, Nanshan Capital Holdings, HNA Group and the Virgin Group who collectively own approximately 90.9% of the shares in Virgin Australia. The remaining Ordinary Shares are owned by public Shareholders.</p>	<p>Section 5.12</p>

**1.5. KEY RISKS**

Before applying for the Notes, you should consider whether the Notes are a suitable investment for you. There are risks associated with an investment in the Notes and in Virgin Australia, many of which are outside the control of Virgin Australia and its Directors. Some key risks include those in this Section 1.5.

These and other risks are addressed in more detail in Section 7 and elsewhere in this Prospectus and should be considered by prospective investors.

**1.5.1 KEY RISKS ASSOCIATED WITH INVESTING IN VIRGIN AUSTRALIA**

<p><b>1.5.1.1</b></p>	<p>The airline industry is extremely competitive and Virgin Australia faces competition from other airlines and modes of transport. Its financial performance could be adversely affected by needing to match deeply discounted fares from competitors.</p>	<p>Sections 7.1.1 and 7.1.2</p>
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# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information
1.5.1.2	Virgin Australia incurred losses over the last three financial years and its loss position may continue or increase in future periods.	Section 7.1.3
1.5.1.3	Virgin Australia is exposed to currency exchange rate risks.	Section 7.1.5
1.5.1.4	Virgin Australia is exposed to risks associated with higher aviation fuel prices and other essential operating costs including airport, transit and landing fees, and costs to access airports and air navigation and related services, and maintenance costs. Its maintenance capital costs are expected to increase.	Sections 7.1.4, 7.1.6, 7.1.7, and 7.1.17
1.5.1.5	Virgin Australia is exposed to operational risks that may adversely affect its business and financial performance, including the risk of losses or harm to its business from major safety or security incidents, mandatory grounding of aircraft used by it or its alliance or codeshare partners, risks associated with the introduction of new aircraft (including Boeing B737 MAX10 and MAX8), disruptions due to maintenance of its fleet, security incidents and other events, and failure of or disruptions to its information technology systems.	Sections 7.1.7, 7.1.8, 7.1.9, 7.1.10, 7.1.11
1.5.1.6	Virgin Australia is exposed to global and domestic economic conditions, and to geopolitical conditions and other external events including terrorist attacks, military conflicts, pandemics and natural disasters.	Sections 7.1.12 and 7.1.13
1.5.1.7	Virgin Australia is dependent on the strength of its brands, which it uses under licences from third parties which may be terminated or not renewed or limit its ability to use its brands in new non-domestic destinations, and which may be harmed by actions of third parties.	Section 7.1.14
1.5.1.8	Strategic alliances are important to Virgin Australia's strategy. It faces risks that its strategic alliances may not be reauthorised or renewed or deliver the anticipated results, or that it may be unable to identify or obtain authorisation for new alliances.	Sections 7.1.15 and 7.1.16
1.5.1.9	Virgin Australia has incurred substantial indebtedness, including indebtedness that is secured or otherwise effectively ranks ahead of the Notes, which may limit its operating and financial flexibility and ability to implement its strategy. This may adversely affect its performance and ability to meet its obligations under the Notes.	Sections 7.1.18 and 7.1.20
1.5.1.10	Virgin Australia has substantial future commitments and future financing needs and may not be able to obtain sufficient funds in a timely manner, on acceptable terms or at all.	Section 7.1.19
1.5.1.11	Increases in insurance costs or a reduction in insurance coverage could have an adverse effect on Virgin Australia's business.	Section 7.1.21
1.5.1.12	Virgin Australia is subject to extensive regulation of its aviation and broader business activities and its business may be exposed to risks associated with climate change regulation.	Sections 7.1.22 and 7.1.23



Topic	Summary	Further information
1.5.1.13	The airline industry relies upon and is exposed to national and international infrastructure development and Virgin Australia is exposed to the risk that it may fail to secure required slot allocations or that key airport capacity may be lost.	Sections 7.1.24, 7.1.25 and 7.1.26
1.5.1.14	Virgin Australia is dependent on its employees, may not be able to maintain labour costs at sustainable levels and may be exposed to operational disruptions as a result of industrial action, and the supply of pilots may become more limited.	Sections 7.1.27 and 7.1.39
1.5.1.15	Virgin Australia is exposed to a range of other risks including: <ul style="list-style-type: none"> <li>dependence on key suppliers and service providers.</li> <li>credit risk of counterparties.</li> <li>interest rate fluctuations.</li> <li>the impact on its reported financial position and results of changes in accounting standards.</li> <li>that it may not realise anticipated benefits from the Velocity Acquisition or other initiatives.</li> <li>the impact on its financial position and results of future acquisitions or divestments, or of future acquisitions being blocked by the ACCC or subject to undertakings.</li> <li>liquidity risks associated with credit card processing service providers.</li> <li>the potential impact on its strategic direction if one of its airline Shareholders substantially decreases or disposes of its shareholding.</li> <li>cyber threats.</li> <li>privacy concerns.</li> <li>the risk that a downgrade or withdrawal of the rating assigned to Virgin Australia's debt could increase future borrowing costs and reduce access to capital or trade credit (and such an event may also affect the market price or liquidity of the Notes).</li> </ul>	<p>Section 7.1.28</p> <p>Section 7.1.29</p> <p>Section 7.1.30</p> <p>Section 7.1.31</p> <p>Sections 7.1.32</p> <p>Sections 1.11 and 7.1.34</p> <p>Section 7.1.36</p> <p>Section 7.1.37</p> <p>Section 7.1.38</p> <p>Section 7.1.39</p> <p>Section 7.1.41</p>
<b>1.5.2 KEY RISKS ASSOCIATED WITH INVESTING IN NOTES</b>		
1.5.2.1	The Notes and the Guarantees are unsecured and effectively subordinated to Virgin Australia's and the Guarantors' secured debt and all liabilities of Virgin Australia's subsidiaries that are not Guarantors.	Section 7.2.1
1.5.2.2	Virgin Australia may not be able to generate or raise sufficient cash to meet its obligations in respect of all of its indebtedness, including the Notes, when due, particularly if such indebtedness becomes prematurely payable, or may be forced to take actions adverse to its business in order to do so.	Section 7.2.2
1.5.2.3	The Notes may be redeemed prior to the Maturity Date, including if Virgin Australia fails to complete the Velocity Acquisition by 13 December 2019, and you may suffer loss on reinvestment of your money.	Section 7.2.3

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information
1.5.2.4	The Notes lack some events of default typically found in debt securities, and the covenants that are included in the Terms give Virgin Australia discretion to incur further secured or unsecured debt and take other action that may increase risks to Noteholders.	Section 7.2.4
1.5.2.5	An active trading market may not develop or be maintained for the Notes. As a result, your ability to transfer the Notes may be limited by the absence of an active trading market.	Section 7.2.5
1.5.2.6	The Notes bear Interest at a fixed rate of interest and may become less attractive than other investments if interest rates change, and their value may fall.	Section 7.2.6
1.5.2.7	An investment in the Notes has taxation consequences for Noteholders which will depend on their individual circumstances and you should ensure you understand the consequences for you.	Section 7.2.7
1.5.2.8	The Terms are subject to amendment or waiver by prescribed majorities of Noteholders, and in some circumstances without the consent of any Noteholders, and may not be enforced by the Note Trustee unless prescribed numbers of Noteholders direct it to do so and provide a satisfactory indemnity to the Note Trustee.	Section 7.2.8
<b>1.6. THE OFFER</b>		
1.6.1 <b>When is the Offer Period?</b>	<p>The key dates, including details of the Offer Period, are set out in the “Key Dates” Section.</p> <p>The Offer is expected to open on 5 November 2019 and close at 10.00am on 25 November 2019. These dates may change without notice.</p>	“Key Dates” Section
1.6.2 <b>Is there a minimum amount to be raised?</b>	No. The Offer is for the issue of the Notes to raise approximately \$150 million. However, Virgin Australia has the ability to raise more or less.	Section 3.1
1.6.3 <b>Is the Offer underwritten?</b>	No. The Offer is not underwritten.	
1.6.4 <b>Are there any circumstances where the Offer will not proceed?</b>	<p>The Offer is subject to quotation approval by ASX.</p> <p>However, Virgin Australia reserves the right, subject to the Corporations Act and the Listing Rules, to withdraw the Offer at any time for any reason without prior notice.</p> <p>Without limiting the above, Virgin Australia may withdraw the Offer if Virgin Australia does not raise sufficient funding through the Offer, concurrent US\$ Notes Offer or other sources to facilitate completion of the Velocity Acquisition.</p> <p>If the Offer does not proceed for any reason, all Application Payments will be refunded (without Interest) to Applicants as soon as practicable.</p>	Sections 3.1, 3.10 and 1.1.1

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Topic	Summary	Further information
<b>1.6.5</b> What is the pro forma balance sheet of Virgin Australia following the Offer?	For information about the impact on Virgin Australia's balance sheet of completing the Offer, see Section 6.	Section 6
<b>1.6.6</b> Who can apply?	The Offer comprises: <ul style="list-style-type: none"> <li>• an Institutional Offer made to certain Institutional Investors in Australia and certain other jurisdictions (excluding the United States) who are invited by Virgin Australia or the Joint Lead Managers to bid for Notes in the Bookbuild to be completed on or before 4 November 2019; and</li> <li>• a Broker Firm Offer made to eligible Australian clients of a Syndicate Broker invited to participate through the Broker Firm Offer.</li> </ul>	Section 3.2
<b>1.6.7</b> When to apply	Your Application Form must be received by the Closing Date, expected to be 10.00am on 25 November 2019. The Offer may close early so you are encouraged to submit your Application Form as soon as possible after the Opening Date.	Sections 3.5.2 and 3.5.3
<b>1.6.8</b> How can I apply?	Applicants under the Broker Firm Offer should contact their Syndicate broker.	Section 3.5.3
<b>1.6.9</b> Is there a minimum Application size?	Your Application must be for a minimum of 50 Notes (\$5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes, that is, in incremental multiples of \$1,000.	Section 3.5.1
<b>1.6.10</b> Is brokerage, commission or stamp duty payable?	No brokerage or stamp duty is payable on your Application. You may have to pay brokerage on any subsequent trading on your Notes on ASX after the Notes have been quoted on ASX.	Section 3.5.4
<b>1.6.11</b> What are the tax implications of investing in Notes?	A general description of the Australian taxation consequences of investing in the Notes is set out in Section 8. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.	Section 8
<b>1.6.12</b> When will I receive confirmation that my Application has been successful?	If you are an Applicant under the Broker Firm Offer, you will be able to call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday - 8.30am to 5.00pm Sydney time) from 26 November 2019 to confirm your allocation.  Applicants under the Broker Firm Offer will also be able to confirm their allocation of the Notes through the Syndicate Broker from whom they received their allocation.	Section 3.7

# 1. INVESTMENT OVERVIEW

Topic	Summary	Further information
<b>1.6.13</b> When will the Notes be issued?	Virgin Australia expects that the Notes will be issued on 26 November 2019.	“Key Dates” Section
<b>1.6.14</b> When will the Notes begin trading?	Virgin Australia expects that the Notes will commence trading on ASX on 27 November 2019 on a deferred settlement basis and on 29 November 2019 on a normal settlement basis.	“Key Dates” Section
<b>1.6.15</b> When will the Holding Statements be dispatched?	Virgin Australia expects that the Holding Statements will be despatched by 28 November 2019.	“Key Dates” Section
<b>1.6.16</b> Where can I find more information about the Offer?	<p>If, after you have read this Prospectus, you have any questions about the Notes or the Offer, you can also call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) during the Offer Period.</p> <p>You should also seek advice from your financial adviser or other licenced professional adviser before making a decision to invest in the Notes.</p>	Section 3

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ABOUT  
THE NOTES

2



## 2. ABOUT THE NOTES

Outlined below are answers to some key questions about the Notes. This Section should be read in conjunction with the rest of this Prospectus. Where indicated, more detailed information is provided in other sections.

Topic	Summary	For more information
<b>2.1. GENERAL</b>		
<b>2.1.1</b> Who is the issuer?	Virgin Australia Holdings Limited (ACN 100 686 226).	Section 5
<b>2.1.2</b> What is the Offer?	The Offer is for the issue of unsecured notes to raise approximately \$150 million, with the ability to raise more or less.	Section 3
<b>2.1.3</b> What are the Notes?	The Notes are unsecured notes which will mature on 26 November 2024 (five years after the Issue Date) unless Redeemed or repurchased and cancelled before then, Notes will pay semi-annual fixed rate Interest on each Interest Payment Date.	Clauses 1, 2, 3 and 4 of the Terms
<b>2.1.4</b> What am I required to pay?	The Issue Price is \$100 per Note. This is also the Face Value.	Clause 1.2 of the Terms
<b>2.1.5</b> Why is Virgin Australia issuing the Notes?	<p>Virgin Australia currently holds a 64.66% controlling interest in Velocity Holdco, which owns Velocity. On 4 October 2019, Virgin Australia entered into the Acquisition Agreement, under which Virgin Australia has agreed to purchase the 34.82% interest in Velocity Holdco<sup>1</sup> held by Affinity for consideration of approximately \$700 million. In connection with the Velocity Acquisition, Velocity management will exit from their 0.52% interest in Velocity Holdco (including a 0.23% interest relating to a management incentive plan), resulting in Virgin Australia owning 100% of Velocity Holdco.</p> <p>Following the receipt of FIRB approval on 22 October 2019, completion of the Velocity Acquisition is only subject to Virgin Australia obtaining financing for that acquisition. The proposed funding arrangements are described below.</p> <p>The Offer, together with the US\$ Notes Offer, forms part of Virgin Australia's funding strategy in connection with the Velocity Acquisition. Any surplus proceeds from the Offers will be used for general corporate purposes.</p>	Sections 11.3 and 5.4
<b>2.1.6</b> Will the Notes pay Interest?	<p>Noteholders are entitled to fixed rate Interest paid semi-annual in arrear.</p> <p>The Interest Rate applicable to the Notes is expected to be 8% per annum and will be determined under the Bookbuild.</p>	Clause 3 of the Terms and Section 2.2

1. The acquisition will be undertaken through Virgin Australia's wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

Topic	Summary	For more information
<b>2.1.7</b> What is the term and maturity of Notes?	<p>The Notes have a five-year term and a Maturity Date of 26 November 2024. Virgin Australia is obliged to Redeem Notes for \$100 per Note plus accrued (but unpaid) Interest on the Maturity Date to the extent not Redeemed or repurchased and cancelled prior to that date.</p> <p>Virgin Australia may elect or be required to Redeem the Notes prior to the Maturity Date in the circumstances described in Section 2.3.</p>	Clauses 4 and 5 of the Terms and Section 2.3
<b>2.1.8</b> Will the Notes be quoted on ASX?	Virgin Australia will apply for the Notes to be quoted on ASX under the code "VAHHA".	Sections 3.9 and 3.10
<b>2.1.9</b> Will the Notes be rated?	The Notes will not be rated.	
<b>2.1.10</b> What are the key dates of the Offer?	<p>The Offer opens on 5 November 2019.</p> <p>The Notes to be issued under the Offer will be issued on 26 November 2019.</p> <p>The Notes are expected to commence deferred settlement trading on ASX on 27 November 2019 and normal settlement trading on 29 November 2019.</p> <p>The dates are indicative and may be varied.</p>	"Key Dates" Section
<b>2.1.11</b> Are there any circumstances where the Offer will not proceed?	<p>The Offer is subject to quotation approval by ASX.</p> <p>However, Virgin Australia reserves the right, subject to the Corporations Act and the Listing Rules, to withdraw the Offer at any time for any reason without prior notice.</p> <p>Without limiting the above, Virgin Australia may withdraw the Offer if Virgin Australia does not raise sufficient funding through the Offer, concurrent US\$ Notes Offer or other sources to facilitate completion of the Velocity Acquisition.</p> <p>If the Offer does not proceed for any reason, all Application Payments will be refunded (without Interest) to Applicants as soon as practicable.</p>	Sections 3 and 3.10
<b>2.2. INTEREST</b>		
<b>2.2.1</b> What is the Interest?	<p>Interest payments are payments of fixed rate Interest on the Notes paid semi-annually in arrear.</p> <p>Interest must be paid on an Interest Payment Date. A failure to pay Interest which continues unremedied for 30 days will constitute an Event of Default.</p>	Clauses 3 and 5 of the Terms
<b>2.2.2</b> When will Interest be paid?	<p>Interest will be payable semi-annually in arrear on the Interest Payment Dates.</p> <p>The Interest Payment Dates for the Notes are 26 May and 26 November of each year up until the Redemption Date, or if any such date is not a Business Day, the following Business Day. The first Interest Payment Date is scheduled to be on 26 May 2020.</p>	<p>Clause 3 of the Terms</p> <p>"Key Dates" Section</p>

## 2. ABOUT THE NOTES

Topic	Summary	For more information										
<b>2.2.3</b> <b>What will the Interest Rate be?</b>	<p>The Interest Rate applicable to the Notes is expected to be 8% per annum and will be determined under the Bookbuild.</p>	<p>Clauses 3.2, 3.3 and 11 of the Terms</p> <p>Section 3.6</p>										
<b>2.2.4</b> <b>How will Interest be calculated for each Interest Period?</b>	<p>The Interest payable on each Note for any Interest Period ending on an Interest Payment Date is calculated using the following formula:</p> $\frac{\text{Interest Rate} \times \$100}{2}$ <p>For example, if the Interest Rate was 8% per annum, the Interest payable on each Interest Payment Date would be \$4.00.</p> <p>The Interest payable on a Note for the Interest Period ending on its Redemption Date if its Redemption Date is not an Interest Payment Date is calculated using the following formula:</p> $\frac{\text{Interest Rate} \times \$100 \times N}{365}$ <p>where <b>N</b> means the number of days in the Interest Period.</p> <p>For example, if the Interest Rate was 8% per annum, and the Notes were redeemed on 30 January 2021, the Interest for the last Interest Period would be calculated as follows:</p> <table border="1"> <tbody> <tr> <td>Illustrative Interest Rate</td> <td>8% per annum</td> </tr> <tr> <td>Multiplied by \$100</td> <td>x \$100</td> </tr> <tr> <td>Multiplied by the number of days in the Interest Period</td> <td>x 65</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td><b>Illustrative Interest Payment for the first Interest Period per Note</b></td> <td><b>\$1.42</b></td> </tr> </tbody> </table> <p>The above examples are for illustrative purposes only and do not indicate, guarantee or forecast the actual Interest Rate. The actual Interest payable may be higher or lower than this example. Virgin Australia will announce to ASX the applicable Interest Rate and the amount of the Interest payable for each Interest Period. Information about the Interest Rate can also be obtained from ASX at <a href="http://www.asx.com.au">www.asx.com.au</a>.</p>	Illustrative Interest Rate	8% per annum	Multiplied by \$100	x \$100	Multiplied by the number of days in the Interest Period	x 65	Divided by 365	÷ 365	<b>Illustrative Interest Payment for the first Interest Period per Note</b>	<b>\$1.42</b>	<p>Clause 3.2 of the Terms</p>
Illustrative Interest Rate	8% per annum											
Multiplied by \$100	x \$100											
Multiplied by the number of days in the Interest Period	x 65											
Divided by 365	÷ 365											
<b>Illustrative Interest Payment for the first Interest Period per Note</b>	<b>\$1.42</b>											
<b>2.2.5</b> <b>Who will receive Interest?</b>	<p>Interest is paid to persons who are Noteholders on the relevant Record Date for the Interest payment (or, if paid on Redemption, on the Redemption Date).</p>	<p>Clauses 6.1 and 6.2 of the Terms</p>										



Topic	Summary	For more information
<p><b>2.2.6</b>  <b>Will Interest be subject to deductions for tax?</b></p>	<p>Virgin Australia will be entitled to make any deduction or withholding in respect of tax from payments on the Notes if required by law, including deductions or withholdings which may be required in order for it to comply with international exchange of information laws such as the Foreign Account Tax Compliance Act (<b>FATCA</b>). FATCA assists in combatting offshore tax evasion by requiring certain foreign (i.e. non-U.S.) Financial Institutions (as defined in FATCA) to report to the U.S. on Financial Accounts they maintain for U.S Persons. In Australia, reporting is made to the Australian Taxation Office, which then exchanges the relevant information with the U.S.</p> <p>It is anticipated that the Notes will be issued in a manner that will cause the Interest payments to be exempt from Australian interest withholding tax for Noteholders who are not Australian tax residents. Further, if interest withholding tax is required to be deducted from a payment, Virgin Australia will be required to increase the payment so that the net amount received by the Noteholder is the same, subject to certain exceptions.</p> <p>Where Noteholders do not quote their tax file number or provide appropriate TFN exemption information, tax will be deducted at the highest marginal tax rate plus Medicare levy and no additional amounts will be payable by Virgin Australia in respect of such deduction. Virgin Australia will also not make additional payments on account of any deduction or withholding which may be required under FATCA.</p> <p>The above is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.</p>	<p>Clauses 6.5 and 6.6 of the Terms</p> <p>Section 1</p>
<p><b>2.2.7</b>  <b>What is the method of Interest payment?</b></p>	<p>Interest Payments will be paid by direct credit to an account at a financial institution notified by the Noteholder to the Registry no later than eight calendar days before the date for payment.</p> <p>Where a payment cannot be made, for example, where a Noteholder has not provided account details, or because of another reason described in the Terms, the amount of the uncompleted payment will not be made until relevant details are provided. Virgin Australia may, at any time, pay any unpaid amount in accordance with laws relating to unclaimed money and, having done so, will have no further liability to the relevant Noteholder.</p>	<p>Clause 6.3 of the Terms</p> <p>Clause 4.2 of the Note Trust Deed</p>

## 2. ABOUT THE NOTES

Topic	Summary	For more information
<b>2.3. REDEMPTION</b>		
<b>2.3.1</b> <b>When will the Notes be Redeemed?</b>	<p>Notes must be redeemed on the Maturity Date of 26 November 2024 unless Redeemed or repurchased and cancelled before then.</p> <p>Virgin Australia may elect to Redeem Notes prior to the Maturity Date in the following circumstances:</p> <ul style="list-style-type: none"><li>• Virgin Australia may elect to Redeem all or some of the Notes at any time under clause 4.2(a) of the Terms;</li><li>• Virgin Australia may elect to Redeem all (but not some only) of the Notes following the occurrence of a Tax Event under clause 4.2(b) of the Terms; or</li><li>• Virgin Australia may elect to Redeem all (but not some only) of the Notes that then remain outstanding following the occurrence of a Clean-Up Event under clause 4.2(c) of the Terms.</li></ul> <p>Where Virgin Australia elects to Redeem the Notes, it must generally do so by giving notice of the Redemption at least 30 days before the Redemption Date.</p> <p>Virgin Australia will be required to Redeem the Notes prior to the Maturity Date in the following circumstances:</p> <ul style="list-style-type: none"><li>• if a Change of Control Event occurs, Virgin Australia must Redeem the Notes of any Noteholders who request Virgin Australia to Redeem their Notes in accordance with clause 4.3 of the Terms;</li><li>• if Virgin Australia fails to complete the Velocity Acquisition by 13 December 2019, Virgin Australia must Redeem all the Notes in accordance with clause of 4.4 of the Terms; or</li><li>• if an Event of Default occurs, Virgin Australia must Redeem all the Notes if required by the Note Trustee (acting on the instructions of Noteholders) in accordance with clause 5.2 of the Terms.</li></ul> <p>The amount payable by Virgin Australia on Redemption of the Notes varies depending on the circumstances in which they are Redeemed. See Section 2.3.2 below for more information.</p>	Clauses 4 and 5 of the Terms

Topic	Summary	For more information
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**2.3.2**  
**What amount is payable on the Redemption of the Notes?**

The Redemption Amount varies depending on the circumstances and date on which Virgin Australia Redeems the Notes and will be calculated as follows:

Clause 4 of the Terms

	Reason	Time Period	Redemption Amount (per Note)
Issuer's option - prior to Maturity Date other than due to a Tax Event or Clean-Up Event	Issuer's option under clause 4.2(a) of the Terms	Before the First Fixed Price Call Date	The greater of (i) \$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date, and (ii) the Make Whole Redemption Amount calculated in accordance with the Terms
	Issuer's option under clause 4.2(a) of the Terms	On or after the First Fixed Price Call Date and up to but excluding the Second Fixed Price Call Date	\$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date plus the First Fixed Price Premium
	Issuer's option under clause 4.2(a) of the Terms	On or after the Second Fixed Price Call Date and up to but excluding the Maturity Date	\$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date plus the Second Fixed Price Premium
Noteholder's option - Change of Control Event	Noteholder's option under clause 4.3 of the Terms	Following a Change of Control Event	\$101 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date
Issuer's option - Tax Event or Clean-Up Event	Issuer's Option under clauses 4.2(b) and (c) of the Terms	Following an occurrence of a Tax Event or Clean-Up Event	\$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date

## 2. ABOUT THE NOTES

Topic	Summary	For more information																
	<table border="1"> <thead> <tr> <th></th> <th style="text-align: left;">Reason</th> <th style="text-align: left;">Time Period</th> <th style="text-align: left;">Redemption Amount (per Note)</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e0e0e0;">Velocity Acquisition does not complete</td> <td>Issuer must Redeem under clause 4.4 of the Terms</td> <td>Following the failure to complete the Velocity Acquisition by 13 December 2019</td> <td>\$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date</td> </tr> <tr> <td style="background-color: #e0e0e0;">Event of Default</td> <td>Issuer must Redeem if required by the Note Trustee under clause 5.2 of the Terms</td> <td>When required by the Note Trustee under clause 5.2 of the Terms</td> <td>\$100 plus any accrued (but unpaid) Interest</td> </tr> <tr> <td style="background-color: #e0e0e0;">Maturity Date</td> <td>Issuer must Redeem under clause 4.1 of the Terms</td> <td>Maturity Date</td> <td>\$100 plus any accrued (but unpaid) Interest</td> </tr> </tbody> </table>		Reason	Time Period	Redemption Amount (per Note)	Velocity Acquisition does not complete	Issuer must Redeem under clause 4.4 of the Terms	Following the failure to complete the Velocity Acquisition by 13 December 2019	\$100 plus any accrued (but unpaid) Interest on those Notes up to but not including the proposed Redemption Date	Event of Default	Issuer must Redeem if required by the Note Trustee under clause 5.2 of the Terms	When required by the Note Trustee under clause 5.2 of the Terms	\$100 plus any accrued (but unpaid) Interest	Maturity Date	Issuer must Redeem under clause 4.1 of the Terms	Maturity Date	\$100 plus any accrued (but unpaid) Interest	
	Reason	Time Period	Redemption Amount (per Note)															
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Event of Default	Issuer must Redeem if required by the Note Trustee under clause 5.2 of the Terms	When required by the Note Trustee under clause 5.2 of the Terms	\$100 plus any accrued (but unpaid) Interest															
Maturity Date	Issuer must Redeem under clause 4.1 of the Terms	Maturity Date	\$100 plus any accrued (but unpaid) Interest															
<p><b>2.3.3</b>  <b>What are the First Fixed Price Call Date and the Second Fixed Price Call Date?</b></p>	<p>Virgin Australia has the option to Redeem the Notes at any time under clause 4.2(a) of the Terms. However, the Redemption Amount payable where Virgin Australia exercises this right will vary depending on whether Virgin Australia elects to Redeem the Notes before the First Fixed Price Call Date, or on or after the First Fixed Price Call Date but before the Second Fixed Price Call Date, or on or after the Second Fixed Price Call Date, as indicated in the table above.</p> <p>The First Fixed Price Call Date and the Second Fixed Price Call Date are as below.</p> <table border="1"> <tbody> <tr> <td>First Fixed Price Call Date</td> <td>26 November 2022</td> </tr> <tr> <td>Second Fixed Price Call Date</td> <td>26 November 2023</td> </tr> </tbody> </table>	First Fixed Price Call Date	26 November 2022	Second Fixed Price Call Date	26 November 2023	<p>Clause 4 of the Terms                      “Key Dates” Section</p>												
First Fixed Price Call Date	26 November 2022																	
Second Fixed Price Call Date	26 November 2023																	
<p><b>2.3.4</b>  <b>What is a Tax Event?</b></p>	<p>This is an event which gives Virgin Australia the right to Redeem the Notes and is defined in the Terms.</p> <p>In summary, a Tax Event will occur if Virgin Australia receives an opinion from a legal or tax adviser that there is substantial risk that Virgin Australia would be required to pay Additional Amounts when the next payment is due on the Notes.</p>	<p>Clauses 4.2(b) and 11 of the Terms</p>																

Topic	Summary	For more information
<p><b>2.3.5</b> <b>What is an Event of Default?</b></p>	<p>This is an event which gives the Note Trustee (acting on instruction of Noteholders) the right to require Virgin Australia to Redeem the Notes immediately and is defined in the Terms.</p> <p>An Event of Default will occur, in summary, if any of the following events occur:</p> <ul style="list-style-type: none"> <li>• Virgin Australia fails to pay the Redemption Amount when due and payable or Interest on any Note within 30 days after it becomes due and payable;</li> <li>• Virgin Australia fails to comply with its other obligations under the Terms or the Note Trust Deed and such failure is not remedied within 60 days after Virgin Australia receives written notice of the failure from the Note Trustee acting on instructions in accordance with the Terms;</li> <li>• an event of default occurs under the US\$ Notes, Unlisted A\$ Notes or certain other securities of Virgin Australia as a result of a breach of any more restrictive restriction in the terms of such securities on Virgin Australia or certain of its Subsidiaries undertaking further borrowings, paying dividends, or taking certain other actions;</li> <li>• in certain circumstances where an order of a court of competent jurisdiction is made, or an effective resolution is passed, for the winding up of Virgin Australia or certain of its Subsidiaries, or the Directors of Virgin Australia or such Subsidiaries appoint an administrator to the Issuer or such Subsidiaries, in each case subject to certain exceptions; or</li> <li>• in certain circumstances where a Guarantor that is a Required Guarantor claims in writing that it is not bound by the Guarantee, subject to certain exceptions.</li> </ul>	<p>Clauses 5 and 11 of the Terms</p>
<p><b>2.3.6</b> <b>What is a Change of Control Event?</b></p>	<p>This is an event which gives Noteholders the right to require Virgin Australia to Redeem their Notes and is defined in the Terms.</p> <p>In summary, a Change of Control Event will occur in certain circumstances where:</p> <ul style="list-style-type: none"> <li>• there is a sale or other disposition (other than by way of merger or consolidation) of all or substantially all of the assets of Virgin Australia and its Subsidiaries taken as a whole to another person; or</li> <li>• any transaction (including, without limitation, any merger or consolidation) is completed which results in another person becoming the beneficial owner of more than 50% of Virgin Australia's Ordinary Shares.</li> </ul> <p>However, no Change of Control Event will occur where the disposal is to, or the person who becomes the beneficial owner of more than 50% of Virgin Australia's Ordinary Shares is, an Excluded Person. Excluded Persons include Virgin Australia's major Shareholders and certain of their affiliates and certain other persons.</p> <p>In addition, no Change of Control Event will occur as a result of certain excluded transactions as described in the Terms.</p>	<p>Clauses 4.3 and 11 of the Terms</p>

## 2. ABOUT THE NOTES

Topic	Summary	For more information
<p><b>2.3.7</b> What is a Clean-Up Event?</p>	<p>This is an event which gives Virgin Australia the right to Redeem the Notes and is defined in the Terms.</p> <p>In summary, a Clean-Up Event occurs if at any time the aggregate amount of Notes outstanding is less than 10% of the amount of Notes issued on the Issue Date. This could occur, for example, following a Change of Control Event where a significant majority of Noteholders request Redemption or if the Issuer undertakes a buy-back of a significant amount of Notes.</p>	<p>Clauses 4.2(c) and 11 of the Terms</p>
<p><b>2.4. GUARANTEE</b></p>		
<p><b>2.4.1</b> The Notes are “guaranteed”. What does this mean?</p>	<p>Virgin Australia’s obligation to repay the Notes and pay Interest is supported by a guarantee (the <b>Guarantee</b>) from certain other members of the Group (<b>Guarantors</b>).</p>	<p>Clause 2.2 of the Terms</p> <p>Clause 5 of the Note Trust Deed</p>
<p><b>2.4.2</b> Who are the Guarantors?</p>	<p>The Guarantee will initially be given by each of the following Guarantors (<b>Original Guarantors</b>):</p> <ul style="list-style-type: none"> <li>• Virgin Australia Airlines Holdings Pty Ltd;</li> <li>• Virgin Australia Airlines Pty Ltd;</li> <li>• VB Leaseco Pty Ltd;</li> <li>• VAH Newco No. 1 Pty Ltd;</li> <li>• A.C.N. 098 904 262 Pty Ltd;</li> <li>• Virgin Australia Regional Airlines Pty Ltd;</li> <li>• Virgin Australia International Holdings Pty Ltd;</li> <li>• Virgin Australia International Airlines Pty Ltd;</li> <li>• Virgin Australia Airlines (SE Asia) Pty Ltd;</li> <li>• Tiger Airways Australia Pty Limited; and</li> <li>• Tiger International Number 1 Pty Ltd.</li> </ul> <p>The Guarantors may change in accordance with the Terms of Issue.</p>	<p>Schedule 1 of the Note Trust Deed</p> <p>Clause 2.2 of the Terms</p> <p>Clause 5 of the Note Trust Deed</p>

Topic	Summary	For more information
<b>2.5. SECURITY AND RANKING</b>		
<b>2.5.1</b> <b>The Notes are “unsecured”. What does this mean?</b>	Neither payment of Interest nor repayment of the Face Value of the Notes by Virgin Australia is secured by a mortgage, charge or other security over any of Virgin Australia’s or any other person’s assets.	Clause 2 of the Terms
<b>2.5.2</b> <b>What will Noteholders receive in a winding up?</b>	<p>On a winding up of Virgin Australia, the Note Trustee may generally require the Notes to be Redeemed for their Redemption Amount.</p> <p>To receive payment on the Notes, the Note Trustee would be required to prove in the winding up as an unsecured creditor and would rank after payment of certain claims preferred by law (such as certain employee entitlements).</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>• assets subject to security interests are generally only available to meet the claims of unsecured creditors of a company in a winding up after the secured creditors holding such security interests have been paid in full; and</li> <li>• assets of a subsidiary of a company are generally only available to return to Virgin Australia (and so meet the claims of its creditors) after the claims of its creditors and preference shareholders have been paid in full and on an equal ranking basis with returns to any minority shareholder interests holding ordinary shares in that subsidiary.</li> </ul> <p>Accordingly, the Notes will effectively rank after the claims of secured creditors and the creditors of, and entitlements of holders of minority interests in, Subsidiaries of Virgin Australia that are not Guarantors to the extent of the assets subject to such security interests or held by such Subsidiaries.</p> <p>If there is a shortfall of funds in a winding-up, Noteholders will not receive payment of the Redemption Amount in full or at all.</p>	Clause 5 of the Terms

## 2. ABOUT THE NOTES

Topic	Summary	For more information															
<p><b>2.5.3</b></p> <p><b>Illustration of ranking of Virgin Australia's obligations in respect of existing debt instruments and equity upon a winding up</b></p>	<p>The table below illustrates how claims against Virgin Australia in respect of the Notes would rank upon a winding up of Virgin Australia and its Subsidiaries against Virgin Australia's obligations in respect of existing debt instruments and equity.</p> <table border="1"> <thead> <tr> <th></th> <th>Existing debt and equity instruments</th> <th>Relevant amount<sup>2</sup></th> </tr> </thead> <tbody> <tr> <td>Higher ranking</td> <td> <ul style="list-style-type: none"> <li>Prior ranking claims</li> <li>secured interest-bearing liabilities (including aircraft leases currently accounted for as finance leases)</li> <li>interest-bearing liabilities of and minority equity interests in Subsidiaries that are not Guarantors</li> </ul> </td> <td>\$1,570 million</td> </tr> <tr> <td></td> <td> <ul style="list-style-type: none"> <li>Equal ranking claims</li> <li>Notes and US\$ Notes</li> <li>other unsecured interest-bearing liabilities of Virgin Australia and the Guarantors, including, among other securities, the Unlisted A\$ Notes and Virgin Australia's existing US\$ notes due 2021</li> </ul> </td> <td>\$1,651 million</td> </tr> <tr> <td></td> <td> <ul style="list-style-type: none"> <li>Lower ranking claims</li> <li>Subordinated interest-bearing liabilities, preference shares and minority equity interests in Virgin Australia and Guarantors</li> </ul> </td> <td>Nil<sup>3</sup></td> </tr> <tr> <td>Lower ranking</td> <td> <ul style="list-style-type: none"> <li>Ordinary equity</li> <li>Total equity attributable to the owners of Virgin Australia</li> </ul> </td> <td>(\$111.0 million)</td> </tr> </tbody> </table> <p>Total equity attributable to the owners of Virgin Australia is an accounting measure. Measured by market capitalisation,<sup>4</sup> Virgin Australia's Ordinary Shares had a value of approximately \$1.35 billion as of close of trading on 25 October 2019.</p>		Existing debt and equity instruments	Relevant amount <sup>2</sup>	Higher ranking	<ul style="list-style-type: none"> <li>Prior ranking claims</li> <li>secured interest-bearing liabilities (including aircraft leases currently accounted for as finance leases)</li> <li>interest-bearing liabilities of and minority equity interests in Subsidiaries that are not Guarantors</li> </ul>	\$1,570 million		<ul style="list-style-type: none"> <li>Equal ranking claims</li> <li>Notes and US\$ Notes</li> <li>other unsecured interest-bearing liabilities of Virgin Australia and the Guarantors, including, among other securities, the Unlisted A\$ Notes and Virgin Australia's existing US\$ notes due 2021</li> </ul>	\$1,651 million		<ul style="list-style-type: none"> <li>Lower ranking claims</li> <li>Subordinated interest-bearing liabilities, preference shares and minority equity interests in Virgin Australia and Guarantors</li> </ul>	Nil <sup>3</sup>	Lower ranking	<ul style="list-style-type: none"> <li>Ordinary equity</li> <li>Total equity attributable to the owners of Virgin Australia</li> </ul>	(\$111.0 million)	Clause 2 of the Terms
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Lower ranking	<ul style="list-style-type: none"> <li>Ordinary equity</li> <li>Total equity attributable to the owners of Virgin Australia</li> </ul>	(\$111.0 million)															

- Pro forma, as of 30 June 2019. See Sections 6.6 and 6.7 for details of pro forma adjustments. The adjustments do not take account of the impact of AASB 16, which would result in additional amounts in respect of leases being recognised as interest-bearing liabilities.
- Currently Virgin Australia does not have any preference shares or subordinated debt on issue.
- It should be noted that Ordinary Shares in Virgin Australia have lower trading volumes compared to companies of a similar size due to a more limited free float, and, accordingly, sale prices may not necessarily be indicative of the price that a buyer of the whole, or a substantial portion, of the Ordinary Shares in Virgin Australia would be willing to pay. It should also be noted that, while a number of key aspects of the Velocity Acquisition, the US\$ Notes Offer and the Offer had been announced prior to close of trading on 25 October 2019, these transactions had not completed as at that time.



Topic	Summary	For more information
	<p>This is a simplified capital structure and does not identify every type of security issued or which may be issued by Virgin Australia or its Subsidiaries or every potential claim against Virgin Australia and its Guarantors or its Subsidiaries in a winding up. In particular, Virgin Australia may incur debt which is secured against its assets or permit Subsidiaries that are not Guarantors to incur further debt, either of which would effectively rank in priority to the Notes in the event of a winding up of Virgin Australia.</p> <p>Further, this table only illustrates interest-bearing liabilities of, and equity interests in, the Group. Virgin Australia and its Subsidiaries have, and will have, other liabilities (such as trade creditors, creditors in respect of its future contracted commitments, tax liabilities and employee entitlements) that will rank equally with or ahead of the Group's interest-bearing liabilities, including the Notes.</p>	
<p><b>2.5.4</b> <b>Why does Virgin Australia have a negative accounting equity and positive market capitalisation?</b></p>	<p>Market capitalisation is a measure of the value of Virgin Australia's equity based on the traded price of its Ordinary Shares.<sup>5</sup> This is contrasted with the total equity recorded in Virgin Australia's statutory financial statements of \$(111.0 million), which is determined in accordance with accounting standards as described below.</p> <p>Total equity attributable to the owners of Virgin Australia is calculated as total assets, less total liabilities and less non-controlling interests, all as determined in accordance with Australian Accounting Standards applicable to the Group for the financial year ended 30 June 2019 and reported in Virgin Australia's financial statements for the year ended 30 June 2019, adjusted to give pro forma effect to the issue of the Notes, the issue of the US\$ Notes, the repayment of the Nov-19 US\$ Notes and the completion of the Velocity Acquisition.</p> <p>Total assets measures the book values of assets determined in accordance with applicable accounting standards, and does not generally purport to reflect the market values of those assets or include the value of goodwill associated with the Group's business. In particular, total assets as at 30 June 2019 includes an amount equal to approximately \$657 million in respect of the assets of the Velocity business, and does not include any goodwill associated with that business. Further, the pro forma adjustments referred to above include a reduction in total equity attributable to the owners of Virgin Australia (calculated as above) of approximately \$680 million associated with the Velocity Acquisition. This reduction arises because Velocity Holdco is already consolidated in Virgin Australia's accounts for accounting purposes and, as a result, the acquisition is treated, in effect, as the payment of approximately \$710 million to eliminate the approximately \$30 million minority interests in Velocity Holdco, with the balance reducing total equity attributable to the owners of Virgin Australia, rather than as the acquisition of a new asset. See Section 6.6 for more information on the manner in which the Velocity Acquisition will be recorded in Virgin Australia's financial statements.</p>	

5. It should be noted that Ordinary Shares in Virgin Australia have lower trading volumes compared to companies of a similar size due to a more limited free float, and, accordingly, sale prices may not necessarily be indicative of the price that a buyer of the whole, or a substantial portion, of the Ordinary Shares in Virgin Australia would be willing to pay. It should also be noted that, while a number of key aspects of the Velocity Acquisition, the US\$ Notes Offer and the Offer had been announced prior to close of trading on 25 October 2019, these transactions had not completed as at that time.

## 2. ABOUT THE NOTES

Topic	Summary	For more information
<b>2.6. TAXATION</b>		
<b>2.6.1</b> <b>What are the taxation implications for Noteholders?</b>	<p>The taxation implications for Noteholders depend on Noteholders' individual circumstances.</p> <p>A general description of the Australian taxation consequences of investing in the Notes is set out in Section 8. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.</p>	Section 8
<b>2.7. FEES AND COSTS</b>		
<b>2.7.1</b> <b>Who pays the fees and costs of the Offer?</b>	<p>An Applicant is only required to pay a Face Value of \$100 per Note.</p> <p>All fees and costs of the Offer will be paid by Virgin Australia.</p>	Section 9.5
<b>2.8. OTHER</b>		
<b>2.8.1</b> <b>Enforcement of the Notes</b>	<p>If:</p> <ul style="list-style-type: none"> <li>• an Event of Default occurs and is subsisting; or</li> <li>• Virgin Australia is in default of payment or performance of any of its other obligations in respect of the Notes or the Note Trust Deed,</li> </ul> <p>the Note Trustee may take any action permitted under the Note Trust Deed to enforce the Notes or the Note Trust Deed.</p> <p>The obligations of the Note Trustee to take this or other action to enforce the Notes are limited as provided in the Note Trust Deed.</p> <p>Generally, the Note Trustee must take enforcement action if (in summary) it:</p> <ul style="list-style-type: none"> <li>• has been directed by a Noteholder Resolution or so requested in writing, by the Noteholders of at least 25% of the aggregate of the principal amount of all Notes Outstanding (ignoring any Notes held by Virgin Australia and not cancelled);</li> <li>• has been indemnified or secured to its satisfaction in respect of all liabilities, costs, charges, damages and expenses which it may incur; and</li> <li>• is not restricted by law to take such action.</li> </ul> <p>A direction referred to above, or action taken by the Note Trustee pursuant to it, may be rescinded by a subsequent Noteholder Resolution.</p>	<p>Clauses 5 and 8 of the Terms</p> <p>Clause 7 of the Note Trust Deed</p>

Topic	Summary	For more information
<p><b>2.8.2</b> <b>Can Virgin Australia amend the Terms of the Notes?</b></p>	<p>Subject to the Note Trust Deed, compliance with the Corporations Act and all other applicable laws, Virgin Australia (with the approval of the Note Trustee (which will not be unreasonably withheld or delayed)) may amend the Terms or the Note Trust Deed without the consent of Noteholders if Virgin Australia is of the opinion that the amendment is:</p> <ul style="list-style-type: none"> <li>• of a formal, technical or minor nature and not materially prejudicial to the interests of the Noteholders as a whole;</li> <li>• made to cure any ambiguity or correct an error;</li> <li>• necessary to facilitate the listing of the Notes;</li> <li>• necessary to comply with any laws or the Listing Rules; or</li> <li>• not otherwise, and is not likely to become, materially prejudicial to the interests of Noteholders as a whole.</li> </ul> <p>The Terms may also be amended if the amendment is approved by Noteholders by Special Resolution.</p>	<p>Clause 9 of the Terms</p>
<p><b>2.8.3</b> <b>What is a Special Resolution of Noteholders?</b></p>	<p>Noteholders may pass a Special Resolution:</p> <ul style="list-style-type: none"> <li>• at a duly convened meeting by at least 75% of the persons voting on a show of hands or if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or</li> <li>• by postal ballot or written resolution by Noteholders representing (in aggregate) at least 75% of the principal amount of all of the outstanding Notes.</li> </ul>	<p>Clause 11 of the Terms</p>
<p><b>2.8.4</b> <b>Does Virgin Australia have any restrictions on incurring more debt or making a dividend payment?</b></p>	<p>The Terms include restrictions on Virgin Australia’s ability to undertake further borrowings and pay dividends or make returns of capital on its Ordinary Shares. However, Virgin Australia retains discretions to do these things. In particular, Virgin Australia retains discretions to undertake further borrowings including for the purposes of acquiring assets or businesses or in the ordinary course of its business, and is not restricted from granting security in respect of such borrowings. See Section 7.2.4 and Clauses 2.43 to 2.5 of the Terms for more information.</p>	<p>Section 7.2.4 Clauses 2.43 to 2.5 of the Terms</p>
<p><b>2.8.5</b> <b>Do the Notes include a cross default?</b></p>	<p>The occurrence of an event of default resulting from a breach of any more restrictive restriction of a kind referred to above contained in the terms of Unlisted A\$ Notes or the US\$ Notes will be an Event of Default under the Notes.</p>	

**WHERE CAN I GET MORE INFORMATION?**

You should read this Prospectus in full, and can also call the Virgin Australia Notes Offer Information Line 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) during the Offer Period.

You should also seek advice from your financial adviser or other licenced professional adviser before making a decision to invest in the Notes.

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DETAILS OF  
THE OFFER

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## 3. DETAILS OF THE OFFER

### 3.1. THE OFFER

The Offer is for the issue of Notes with a Face Value of \$100 each to raise approximately \$150 million, with the ability to raise more or less.

All the Notes to be issued will be allotted under and subject to the disclosures made in this Prospectus.

Virgin Australia reserves the right, subject to the Corporations Act and the Listing Rules, to vary the timetable, including by extending the Closing Date, closing the Offer early without notice or accepting late applications, whether generally or in particular cases, or withdrawing the Offer at any time. If the Offer is withdrawn, all Application Payments received by Virgin Australia for which the Notes have not been issued will be refunded (without Interest) to Applicants as soon as possible after the withdrawal.

### 3.2. STRUCTURE OF THE OFFER

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors in Australia and certain other jurisdictions (excluding the United States); and
- a Broker Firm Offer made to Australian residents that are eligible clients of the Syndicate Brokers.

### 3.3. OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at [www.virginaustralianotes.com](http://www.virginaustralianotes.com). Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus (or the Replacement Prospectus) with an Application Form will be available at [www.virginaustralianotes.com](http://www.virginaustralianotes.com).

This Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia. If you access this Prospectus electronically, you must download the entire Prospectus.

A paper copy of the Prospectus (or Replacement Prospectus) is also available during the Offer Period free of charge by contacting the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

### 3.4. CONSIDER THE OFFER IN LIGHT OF YOUR PARTICULAR INVESTMENT OBJECTIVES AND CIRCUMSTANCES

You should seek professional guidance from your financial or other professional adviser before deciding whether to invest. You should also refer to the “Risk factors” disclosed in Section 7.

### 3.5. APPLYING FOR NOTES

To apply for Notes, you must follow the instructions set out in the Application Form attached to, or accompanying, the Prospectus (or the Replacement Prospectus). The instructions on how to complete and lodge your Application will depend on whether you are applying under the Institutional Offer or the Broker Firm Offer.

#### 3.5.1. Minimum application

Your Application must be for a minimum of 50 Notes (\$5,000).

If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes; that is, for incremental multiples of \$1,000.

#### 3.5.2. Applying under the Institutional Offer

The Institutional Offer is made to Institutional Investors who are invited by Virgin Australia or the Joint Lead Managers to bid for Notes in the Bookbuild to be completed on or before 4 November 2019.

Institutional Investors will receive instructions from the Joint Lead Managers on the Application and settlement procedures.

### **3.5.3. Applying under the Broker Firm Offer and completing your Application and payment of Application Monies**

The Broker Firm Offer is made to clients of a Syndicate Broker invited to participate through the Broker Firm Offer.

If you are applying under the Broker Firm Offer you should contact the relevant Syndicate Broker for their specific instructions on how and when to lodge your Application and accompanying Application Payment. Your Syndicate Broker must have received your Application and accompanying Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer (being 10.00am on 25 November 2019) and will act as your agent in processing your paper Application Form and providing your Application details and Application Payment to Virgin Australia.

You must not return your Application Form to the Registry.

Virgin Australia and the Registry take no responsibility for any acts or omission by your Syndicate Broker in connection with your Application.

### **3.5.4. No brokerage or stamp duty**

You do not have to pay brokerage or stamp duty on your Application for Notes. However, you may have to pay brokerage (and application GST) on any subsequent purchases or sales of Notes on ASX.

## **3.6. BOOKBUILD**

The Joint Lead Managers will conduct a Bookbuild to determine the Offer size, Interest Rate and firm allocations of Notes to Bookbuild participants. The Bookbuild is expected to be completed on or before 4 November 2019 in accordance with the terms and conditions agreed by Virgin Australia and the Joint Lead Managers. As part of the Bookbuild, certain Institutional Investors and Syndicate Brokers will be invited to lodge bids for the Notes. On the basis of those bids, Virgin Australia and the Joint Lead Managers will determine the Offer size, Interest Rate and the firm allocations of the Notes to Syndicate Brokers and to certain Institutional Investors. Notes allocated during the Bookbuild will be issued pursuant to this Prospectus.

The outcome of the Bookbuild is expected to be announced on or before 4 November 2019 to the ASX and included in the Replacement Prospectus. Details will also be available by calling the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) from or about 4 November 2019.

Application and settlement procedures for the Bookbuild will be notified to Syndicate Brokers by the Joint Lead Managers, and to Institutional Investors by UBS.

## **3.7. ALLOCATION POLICY AND FINAL ALLOCATION ANNOUNCEMENT**

Allocations to Institutional Investors and Syndicate Brokers will be agreed by Virgin Australia and the Joint Lead Managers following the completion of the Bookbuild. The Joint Lead Managers will advise Institutional Investors and Syndicate Brokers of their allocation under the Bookbuild.

Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.

Applicants under the Broker Firm Offer will be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.

However, if you sell your Notes before receiving a Holding Statement, you do so at your own risk; even if you confirm your firm allocation through a Syndicate Broker.

## 3. DETAILS OF THE OFFER

### 3.8. EXPOSURE PERIOD

No Application can or will be processed until after the period of seven days from the date of lodgement of the Prospectus with ASIC or if that period is extended by ASIC by notice in writing, 14 days from the date of lodgement, being the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

Examination during the Exposure Period may result in the identification of deficiencies in this Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

### 3.9. ASX QUOTATION

Virgin Australia will apply for quotation of the Notes on ASX within seven days following the lodgement of this Prospectus with ASIC. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote the Notes is not to be taken as an indication of the merits of the Notes offered for subscription.

If ASX does not grant permission for the Notes to be quoted within three months after the date of this Prospectus (or any longer period permitted by law), the Notes will not be issued and all Application Payments will be refunded (without Interest) to Applicants as soon as practicable.

### 3.10. TRADING ON ASX

Subject to quotation being granted, Virgin Australia expects that the Notes will commence trading on ASX on a deferred settlement basis on 27 November 2019 under the ASX code "VAHHA". Trading on a deferred settlement basis will continue until Virgin Australia has advised ASX that Holding Statements have been dispatched to successful Applicants.

Normal settlement trading is expected to commence on or about 29 November 2019.

You are responsible for confirming your holding before trading in the Notes. If you sell Notes before you receive your Holding Statement, you do so at your own risk. Virgin Australia and the Registry disclaim all liability if you sell Notes before receiving your Holding Statement.

You may visit [www.virginaustralianotes.com](http://www.virginaustralianotes.com) or call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday - 8.30am to 5.00pm Sydney time) to confirm your Allocation of the Notes after the Issue Date.

### 3.11. CHESS AND ISSUER SPONSORED HOLDINGS

Virgin Australia will apply to ASX for the Notes to participate in the Securities Clearing House Electronic Sub-register System known as CHESS.

Under CHESS, Virgin Australia will not issue certificates to Noteholders. After the allotment of the Notes, successful Applicants will receive a Holding Statement that sets out the number of Notes allocated to that Applicant.

The statement will also provide details of the Applicant's holder identification number (**HIN**) (for the Notes held on CHESS) or securityholder reference number (**SRN**) (for the Notes held on the issuer sponsored sub-register). Noteholders will be required to quote a HIN or SRN, as applicable, in all dealings with a stockbroker or the Registry.

Further holding statements will be provided to Noteholders which reflect any changes in the number of the Notes held by them during a particular month. Additional statements may be requested at any time, although Virgin Australia reserves the right to charge a fee.

Virgin Australia expects that Holding Statements will be dispatched to successful Applicants by 28 November 2019. If you sell your Notes before you receive your Holding Statement, you do so at your own risk.



### 3.12. NOTE TRUSTEE AND NOTE TRUST DEED

Sargon CT Pty Ltd has agreed to act as the Note Trustee for the Noteholders. The Notes are issued subject to the terms and conditions contained in the Note Trust Deed.

A summary of the Note Trust Deed is set out in Section 11.4 and full details of the Terms are set out in Appendix A. A copy of the Note Trust Deed is available on Virgin Australia's website at [www.virginaustralianotes.com](http://www.virginaustralianotes.com).

### 3.13. FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer of the Notes or invitation in any place in which, or to any person to whom, it would not be lawful to make such offer or invitation. No offers or sales of the Notes may be made in the United States. For details of the selling restrictions that apply to the Notes in foreign jurisdictions, see Section 11.9.

### 3.14. PROVISION OF BANK ACCOUNT DETAILS FOR INTEREST PAYMENTS

Virgin Australia will pay your Interest directly into an Australian dollar account of a financial institution nominated by you. Virgin Australia will not issue cheques to pay your Interest.

If you do not provide your relevant details to the Registry, or the transfer of any Interest payment cannot be completed, Virgin Australia will have no obligation to make the payment until relevant details are provided. Virgin Australia may also pay any unpaid amount in accordance with laws relating to unclaimed money and, having done so, will have no further liability to the relevant Noteholder.

### 3.15. PROVISION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER OF AUSTRALIAN TAX RESIDENTS

If you are issued any Notes, when you are sent your Holding Statement you will also be advised to go to Virgin Australia's Registry's website, [www.computershare.com.au/easyupdate/vah](http://www.computershare.com.au/easyupdate/vah), to update your details including your Tax File Number (**TFN**) or Australian Business Number (**ABN**), or alternatively call the Registry to obtain a copy of a form in relation to the provision of your TFN or ABN.

The collection and quotation of TFNs and ABNs is authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act.

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, Virgin Australia may be required to withhold Australian tax at the maximum personal marginal tax rate plus the Medicare levy on the amount of any Interest payment unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if the Notes are held in the course of an enterprise carried on by you).

### 3.16. PROVISION OF PERSONAL INFORMATION

The information about you included on an Application Form is used for the purposes of processing the Application and, if it is successful, to administer your Notes holding and may be used for other purposes as required by applicable law or permitted by Virgin Australia's privacy policy from time to time. For information about the acknowledgements and privacy statement in relation to personal information that you provide by completing an Application Form, see the Important Notices Section at the front of this Prospectus and on the Application Form.

## 3. DETAILS OF THE OFFER

### 3.17. REPRESENTATIONS BY ACCEPTANCE

By completing and returning your Application Form with Application Payments, each Applicant is deemed to:

- acknowledge having personally received a printed or electronic copy of the Prospectus;
- acknowledge they understand the Terms and have had an opportunity to consider the suitability of an investment in the Notes with their professional advisers;
- agree to be bound by the Terms and the Note Trust Deed;
- agree to the terms of the Offer and provide authorisation to be registered as the holder of Notes;
- apply for, and agree to being allocated, the number of Notes set out in or determined in accordance with their Application Form and this Prospectus;
- represent and warrant that all details and statements on their Application Form are complete and accurate;
- declare, to the extent they are a natural person, that they are at least 18 years of age;
- authorise Virgin Australia to do anything on behalf of the Applicant(s) that is necessary for the Notes to be allocated to them;
- acknowledge that once received by the Registry or Virgin Australia, their Application may not be varied or withdrawn except as required by law;
- acknowledge that the information contained in this Prospectus is not personal investment advice or a recommendation that the Notes are suitable for the Applicant;
- declare that the Applicant is a resident of Australia and not otherwise prevented from receiving the Offer or Notes under the securities laws of another jurisdiction, or otherwise a person to whom the Offer can be made, and the Notes issued, without the need for any further registration, filing or other formality;
- declare that the Applicant is not in the United States; and
- acknowledge that any Application may be rejected without giving any reason, including where the Application Form is not properly completed.

### 3.18. ENQUIRIES

You should read the whole of this Prospectus and consider all of the risk factors that could affect the performance of the Notes, Virgin Australia and other information concerning the Notes in light of your own particular objectives, financial situation and needs (including financial and taxation issues) before deciding whether or not to invest in the Notes. Some of the risk factors that should be considered are set out in Section 7.

You can call the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday – 8.30am to 5.00pm Sydney time) if you:

- have further questions on how to apply for the Notes;
- require assistance to complete your Application Form; or
- have any questions about the Offer.

**You should seek professional advice from your financial or other licenced professional adviser before deciding whether to invest.**

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INDUSTRY  
OVERVIEW

# 4



## 4. INDUSTRY OVERVIEW

The Australian passenger aviation market includes both domestic travel within Australia and international travel inbound into Australia and outbound from Australia to the rest of the world. The Australian domestic market is serviced by two key airline groups, Qantas and Virgin Australia. The Australian international market is serviced by a broad range of international airline groups, some of which have alliance agreements with Qantas and Virgin Australia.

### 4.1. DOMESTIC PASSENGER AVIATION MARKET OVERVIEW

The Australian domestic passenger aviation market is characterised by a large geographic territory and long distances between major cities with high population concentrations. For example, the distance between Melbourne and Sydney is 706 kilometres, representing the shortest distance between any two of Australia's four most densely populated cities – Sydney, Melbourne, Brisbane and Perth. The population of Sydney (5.2 million), Melbourne (4.9 million), Brisbane (2.5 million) and Perth (2.1 million) represents approximately 56% of the total population of Australia (25.2 million).<sup>1</sup> Given the distance between capital cities in the states and territories, there are currently limited feasible alternatives to airline travel.

Commonly referred to as the Australian aviation “Golden Triangle”, the routes between the east coast state capital cities of Brisbane, Melbourne and Sydney are some of the busiest in the world.<sup>2</sup>

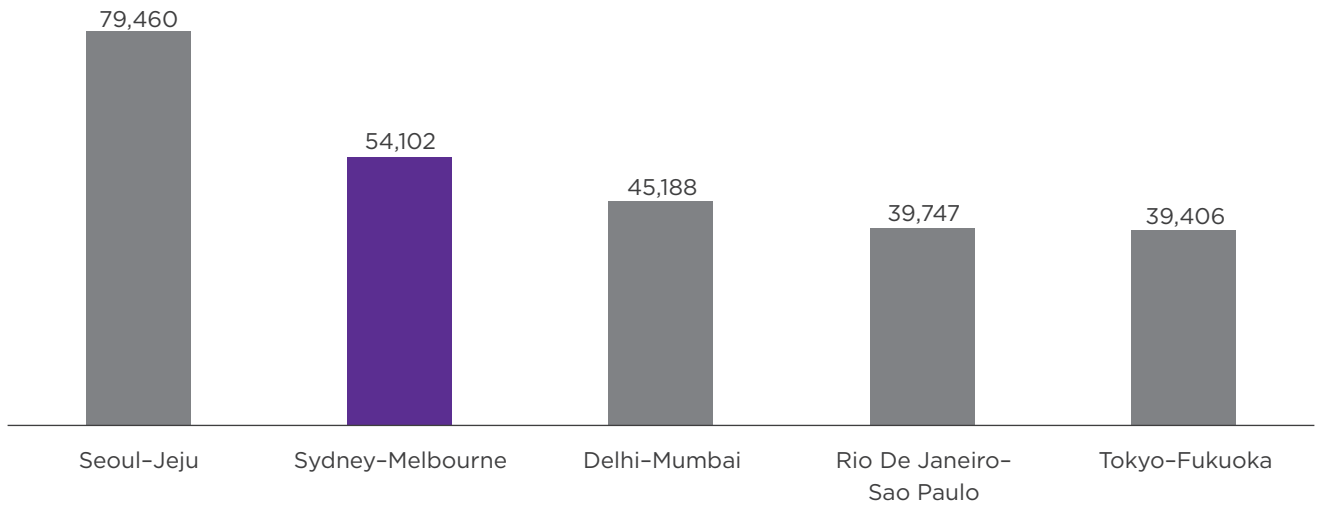
**FIGURE 1: DISTANCE BETWEEN KEY AUSTRALIAN CAPITAL CITIES<sup>3</sup>**



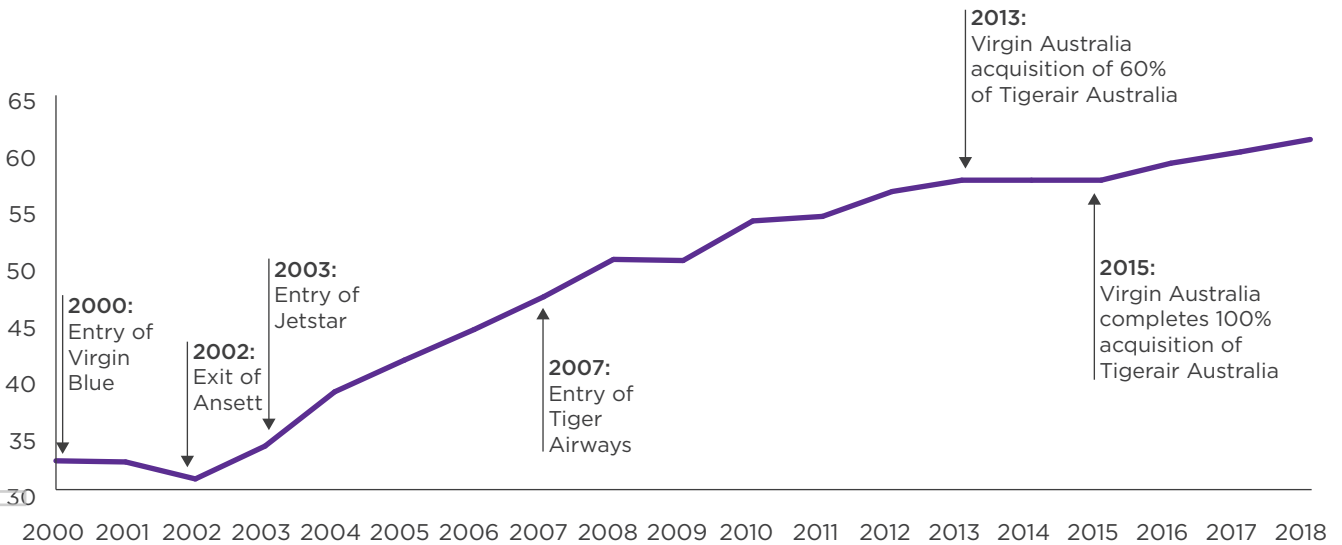
The Sydney-Melbourne route represented the second-busiest short-haul aviation route globally based on total number of flights during the 12-month period from March 2018 to February 2019.<sup>4</sup> The domestic aviation market is also supported by the distance of the other major city routes such as Sydney-Brisbane (12th-busiest short-haul aviation route globally based on total number of flights during the period from March 2018 to February 2019), in addition to the distances between capital cities and regional centres in the key mining regions of Western Australia and Queensland.<sup>5</sup>

1. ABS Statistics, Statistics Estimated Resident Population – Greater Capital City Statistical Area, as at June 2018.
2. OAG Busiest Routes 2019 (March 2018–February 2019).
3. Bureau of Infrastructure, Transport and Regional Economics, Australian Bureau of Statistics.
4. OAG Busiest Routes 2019 (March 2018–February 2019).
5. OAG Busiest Routes 2019 (March 2018–February 2019).

**FIGURE 2: TOP FIVE BUSIEST SHORT-HAUL AVIATION ROUTES GLOBALLY BY NUMBER OF FLIGHTS<sup>6</sup>**



**FIGURE 3: AUSTRALIAN DOMESTIC PASSENGER NUMBERS (MILLIONS) (CY2000-2018)<sup>7</sup>**



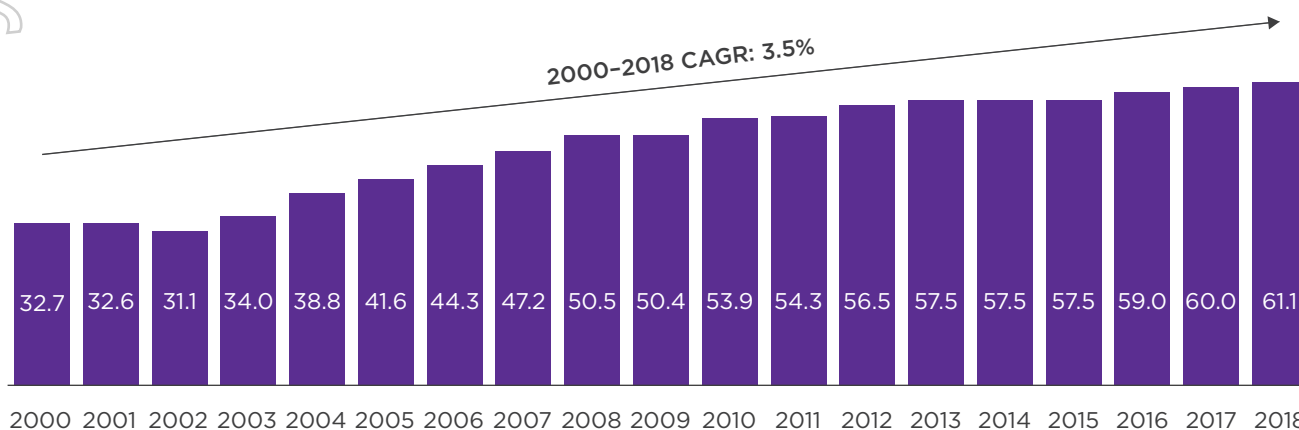
Australian domestic aviation travel demand is typically impacted by domestic and global economic conditions, and relative exchange movements, with the demand for Australian domestic leisure travel increasing with a weaker Australian dollar as international outbound travel from Australia becomes relatively more expensive. The weaker Australian dollar also typically stimulates international inbound travel which increases demand for domestic travel as well.

6. OAG Busiest Routes 2019 (March 2018–February 2019).

7. Bureau of Infrastructure, Transport and Regional Economics.

## 4. INDUSTRY OVERVIEW

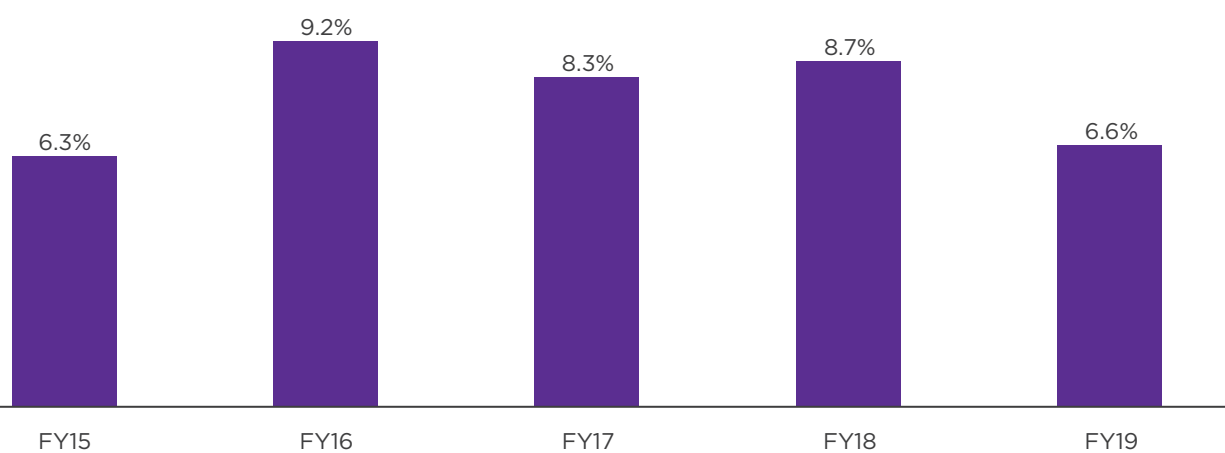
**FIGURE 4: AUSTRALIAN DOMESTIC PASSENGERS (MILLIONS) (CY2000-2018)<sup>8</sup>**



The Australian domestic aviation market is a market with steady passenger growth, recording a CAGR of 3.5% in domestic passenger numbers since Virgin Australia commenced operations in 2000.

The annual revenue for the Australian domestic aviation market is estimated to be approximately \$10 billion as at 30 June 2019.<sup>9</sup> The market is characterised by significant infrastructure, fleet and slot capacity requirements, in addition to strong brand recognition of participants.

**FIGURE 5: AVERAGE AGGREGATE EBIT MARGINS FOR THE DOMESTIC AVIATION MARKET (FY15-19)<sup>10</sup>**



Recent historical average aggregate EBIT margins for the domestic aviation market have been relatively stable. Virgin Australia believes that moderation in capacity growth, coupled with cost containment, will help support industry profitability with continued margins reflective of a “two-player” market.

8. Bureau of Infrastructure, Transport and Regional Economics.

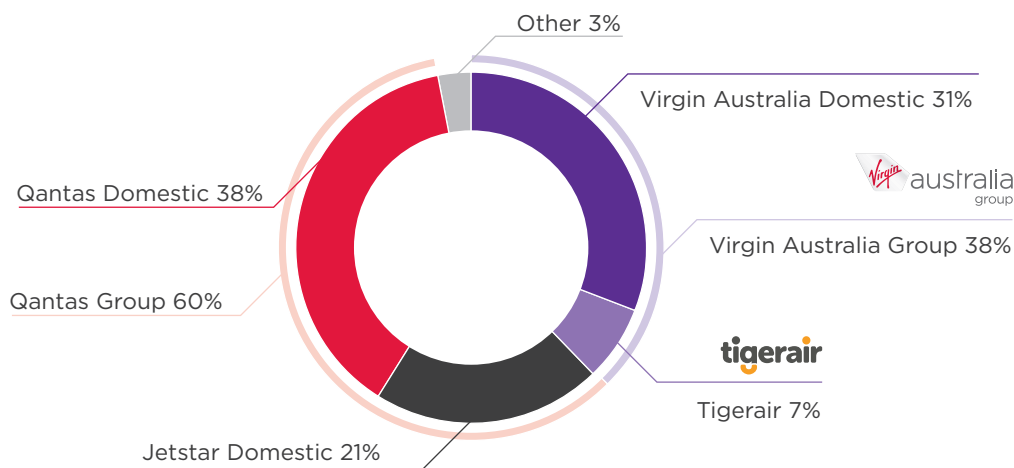
9. Company filings (market size estimated based on Virgin Australia Domestic and Qantas Domestic revenues).

10. Company filings, based on aggregate underlying EBIT as individually reported by Virgin Australia and Qantas.

## 4.2. DOMESTIC COMPETITIVE LANDSCAPE

The domestic aviation market in Australia is largely serviced by two airline groups. Together, Virgin Australia and Qantas brands provided approximately 97% of the domestic market capacity measured by available seat kilometres (ASKs) in FY19, with the Virgin Australia brand and Tigerair Australia brand providing approximately 38%, and Qantas group brands (including Qantas mainline, Jetstar Airways and QantasLink) providing approximately 60%. The other airlines operating in the Australian domestic aviation market are small regional carriers, including Regional Express (REX) and Alliance Airlines (with whom Virgin Australia codeshares on selected Regular Public Transport (RPT) routes and is in a long-term strategic charter business partnership that was renewed in February 2019), which together had a collective market share of less than 3% in the financial year ended 30 June 2019. In February 2019, Qantas acquired a 19.9% stake in Alliance Airlines and announced its intention to take a majority position in Alliance Airlines over the longer-term. As part of the ACCC's investigation into Qantas' acquisition of a 19.9% stake in Alliance Airlines, the ACCC released a statement of issues setting out its preliminary competition concerns in August 2019. Qantas has provided an undertaking not to acquire any further interest in Alliance Airlines until the ACCC's investigation is completed.

**FIGURE 6: AUSTRALIAN DOMESTIC MARKET CAPACITY SHARE BY AIRLINE (FY19)<sup>11</sup>**



Both Virgin Australia and Qantas operate with multi-branded strategies to compete in the mainline and budget markets.

### Mainline:

- The domestic mainline markets include domestic corporate and government travel, domestic leisure travel, regional travel and charter services and cargo operations.
- Customer preference and competition in the domestic mainline market is driven primarily by network frequency, schedule, price, product differentiation, service offering, on-time performance and the rewards program.
- Virgin Australia and Qantas each have their own frequent flyer loyalty programs, namely Velocity and Qantas Frequent Flyer, respectively. These programs offer members benefits for frequent use of the airlines' mainline services including premium lounge entry, airport priority services, status bonuses and points reward offerings.


### Budget:

- The domestic budget market is characterised by low-cost airlines that provide domestic aviation services at low fares with limited additional customer benefits.
- Customer preference and competition in the budget market is driven primarily by price.
- Under the multi-branded strategies, Virgin Australia competes in the budget market through its Tigerair Australia brand, and Qantas competes through its Jetstar brand.

11. Company filings, Bureau of Infrastructure, Transport and Regional Economics. RPT market capacity share. Capacity measured as ASKs. Note, aggregate of the Qantas group domestic market capacity share in the chart does not equal 60% due to rounding.

## 4. INDUSTRY OVERVIEW

**FIGURE 7: VIRGIN AUSTRALIA VS. QANTAS COMPETITIVE DYNAMIC<sup>12</sup>**

Market	Virgin Australia	Qantas
Domestic Mainline	Domestic corporate 	Qantas
	Domestic Leisure 	Qantas
	Charter 	QantasLink
	Cargo 	Qantas Freight
Budget		Jetstar
Loyalty		Qantas Frequent Flyer
International	 Delta Air Lines, Virgin Atlantic, Singapore Airlines, Hong Kong Airlines, Hainan Airlines, Etihad, South African Airways, Alitalia, Air Canada	Qantas, Emirates, American Airlines, British Airways, Qatar Airways, Royal Jordanian, Japan Airlines, Sri Lankan Airlines, S7 Airlines, Fiji Airways, Finnair, Cathay Pacific, LATAM Airlines

12. Company filings.

13. Capacity and revenue share for Virgin Australia Domestic (excluding Tigerair Australia) and Qantas Domestic (excluding Jetstar domestic) segments only. Note that the Virgin Australia segment revenue includes revenue from domestic cargo and charter operations. Capacity share is measured by ASKs.

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**FIGURE 8: VIRGIN AUSTRALIA DOMESTIC AND QANTAS DOMESTIC KEY OPERATING METRICS COMPARISON (FY19)<sup>13</sup>**

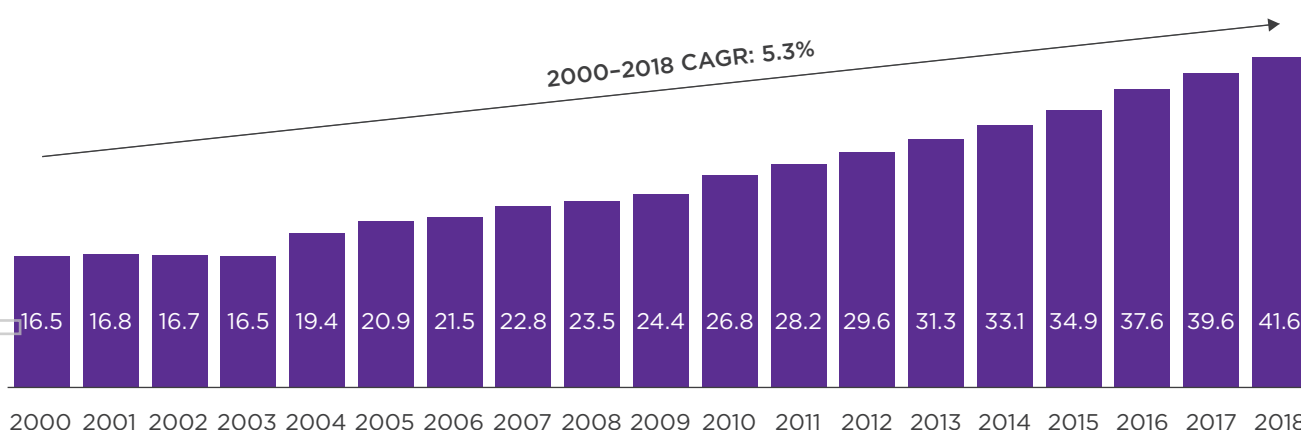
	Virgin Australia Domestic	Qantas Domestic
Revenue share (%)	39%	61%
Capacity share (%) <sup>14</sup>	45%	55%
On-time performance (%) <sup>15</sup>	81.9%	81.6%
Load Factor (%) <sup>16</sup>	79.5%	77.8%
Yield (cents) <sup>17</sup>	18.11	23.18
Revenue per Available Seat-Kilometre (RASK) (cents) <sup>18</sup>	14.40	18.03
CASK ex-fuel (cents)	8.90	8.37

### 4.3. INTERNATIONAL MARKET OVERVIEW

As an island continent geographically isolated from major international markets, Australia is highly dependent on international aviation services, as airline travel is the only viable method of time-urgent international travel. There are a total of 20 designated international airports within Australia,<sup>19</sup> with seven major international airports located in the cities of Adelaide, Brisbane, Cairns, Darwin, Melbourne, Perth and Sydney.<sup>20</sup> In the calendar year ended 31 December 2018, a total of 41.6 million international passengers travelled inbound into and outbound from Australia (excluding passengers transiting Australia).

There are approximately 63 international passenger airlines currently servicing Australian destinations, including the two Australian international carriers with three brands - Virgin Australia International, Qantas International and Jetstar.

**FIGURE 9: AUSTRALIAN INTERNATIONAL PASSENGERS (EXCLUDING PASSENGERS TRANSITING AUSTRALIA) (MILLIONS) (CY2008-2018)<sup>21</sup>**



14. Company filings, capacity measured as ASKs.

15. Bureau of Infrastructure, Transport and Regional Economics. On-time performance shown for Virgin Australia Domestic excluding VARA and Qantas Domestic excluding QantasLink.

16. Load Factor is calculated as Revenue Passenger Kilometres (RPKs) divided by ASKs. Load Factor is a measure of capacity utilisation and represents demand as a percentage of supply.

17. Yield is calculated as revenue divided by RPKs. Yield is a measure of average revenue per unit of demand.

18. RASK is calculated as revenue divided by ASKs. RASK is a measure of average revenue per unit of supply.

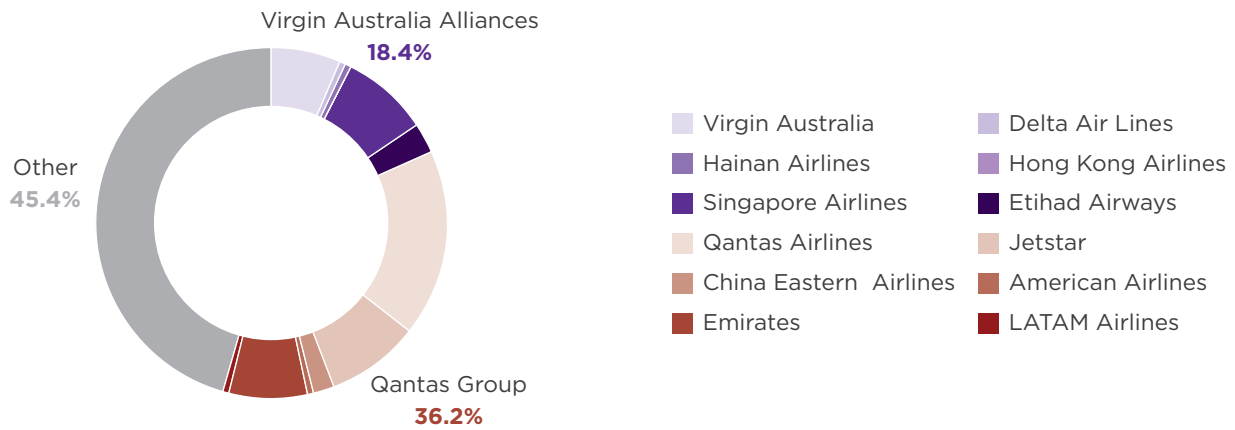
19. Department of Infrastructure, Transport, Cities and Regional Development.

20. Department of Infrastructure, Transport, Cities and Regional Development.

21. Bureau of Infrastructure, Transport and Regional Economics.

## 4. INDUSTRY OVERVIEW

**FIGURE 10: AUSTRALIAN INTERNATIONAL PASSENGER SHARE BY AIRLINE (FY19)<sup>22</sup>**



### 4.4. MARKET OUTLOOK

A number of factors, including a weakening Australian dollar, a positive trajectory in inbound travel to Australia, early signs of a recovery in the Australian housing market, and the “two-player” nature of the Australian domestic aviation market, are indicative of a generally favourable industry outlook. However, industry performance continues to be affected by current subdued demand and, across the international market, demand volatility driven by current macroeconomic conditions globally. Both Virgin Australia and Qantas have publicly expressed a focus on controlling and maintaining a disciplined cost base. These cost reduction programs are expected to support industry profitability and improved industry performance.

Virgin Australia believes that measured capacity growth and improvements in competitive dynamics will help support industry profitability across the Australian domestic market, notwithstanding continued softness in underlying economic conditions in Australia. Virgin Australia believes that in the current relatively weak Australian dollar environment, Australian leisure travellers will prefer domestic travel instead of outbound overseas travel, while international inbound travel may increase. Virgin Australia believes a weak Australian dollar environment will assist with supporting domestic demand in the medium term.

As announced to ASX on 28 August 2019, since 1 July 2019, Virgin Australia has seen a continuation of the softer market conditions that it began to experience in the second half of FY19. Virgin Australia expects that the benefits of its business improvement initiatives, announced in August 19, and its business reset, will begin to be realised in FY20, although no assurance can be given that any or all such benefits will be realised. Virgin Australia is focused on continued disciplined capacity and network management and expects capacity to be further reduced in the first half of FY20. Virgin Australia also anticipates fuel and foreign exchange costs net of hedging to increase by approximately \$100 million in FY20, when compared to FY19.

22. Bureau of Infrastructure, Transport and Regional Economics. By number of passengers carried in FY19.

#### 4.5. DOMESTIC REGULATORY ENVIRONMENT

The Australian domestic aviation market is subject to significant regulatory requirements and associated barriers to entry, including aircraft and route operating licence requirements, large capital commitments and cash commitments, infrastructure availability at terminals and gates and the availability of take-off and landing slots (particularly at Sydney, Brisbane and Perth airports, which are subject to strictly regulated slot restrictions).

The Department of Infrastructure, Transport, Cities and Regional Development advises the Australian Government on the policy and regulatory framework for Australia's aviation industry, including matters pertaining to economic regulation of international air services, airports, aviation security, airspace and aircraft noise and emissions. Aviation safety is regulated by the Civil Aviation Safety Authority (**CASA**), an independent statutory authority with the primary function of conducting safety regulation of civil air operations in Australia and the operation of Australian aircraft overseas. All Australian airlines and aircraft require CASA licensing and certification.

#### 4.6. INTERNATIONAL REGULATORY ENVIRONMENT

The international airline industry is subject to a high degree of regulation. Virgin Australia is subject not only to Australian law and regulation, but also to the laws and regulations of other countries, international organisations and international, bilateral and multilateral treaties. The regulatory environment in which airlines operate is constantly evolving, making it difficult to anticipate regulatory changes that may be made in the future, or the possible adverse impact of such changes.

The scope of such laws and regulations covers most aspects of airline operations and includes, among other things, international traffic rights, airport operation and access, the environment (including noise abatement and carbon emissions), civil aviation safety requirements, workplace health and safety regulations, licensing, competition, passenger protection, ticket pricing, privacy and tax.

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ABOUT  
VIRGIN AUSTRALIA

5

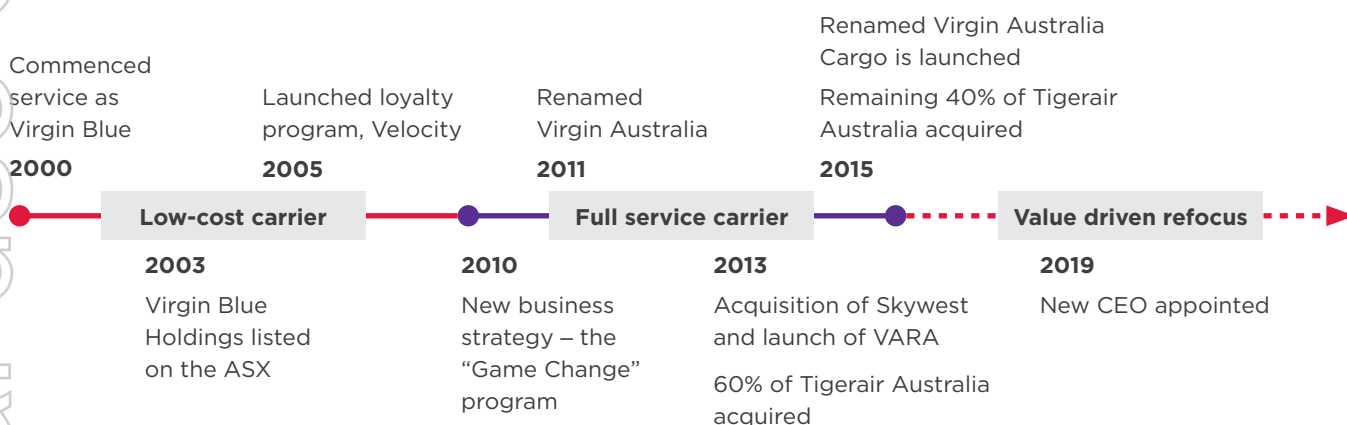


## 5. ABOUT VIRGIN AUSTRALIA

### 5.1. OVERVIEW

Virgin Australia is Australia's second largest airline group providing its customers with access to over 450 global destinations on approximately 2,856 flights per week in its global virtual network. In FY19, the Group carried 24.8 million passengers<sup>1</sup> and generated revenue and income of \$5,827.1 million. Virgin Australia provides its passengers with international and domestic air services, differentiated by its strong brand and award-winning loyalty program and customer service.

**FIGURE 11: VIRGIN AUSTRALIA'S HISTORY**



Virgin Australia's business spans across four operating segments: Virgin Australia Domestic (domestic Regular Passenger Transport (**RPT**) and charter services), Virgin Australia International (short-haul international and long-haul international RPT), Tigerair Australia (domestic RPT) and Velocity. Virgin Australia also operates in the domestic and short-haul international and long-haul international cargo market (**Virgin Australia Cargo**), the results of which are reported in the Virgin Australia Domestic and Tigerair Australia operating segments (for domestic cargo operations) and the Virgin Australia International operating segment (for international cargo operations).

#### 5.1.1. Virgin Australia Domestic

Virgin Australia provides an Australian domestic travel offering in the corporate and government travel, leisure travel, regional travel and charter service markets through its Virgin Australia brand (with charter services being operated by Virgin Australia Regional Airlines (**VARA**)). The Virgin Australia brand provides flights to 39 destinations in Australia using its fleet of 96 narrow body, wide body and turbo prop aircraft. Virgin Australia Domestic contributed 63.0% (excluding inter-segment revenue) of the total revenue and income of Virgin Australia in FY19.

#### 5.1.2. Virgin Australia International

Virgin Australia has established a global network, offering access to approximately 425 international destinations through its operations and five global alliances with leading international airlines. Virgin Australia International offers international services to 15 destinations across New Zealand, Pacific Islands, North America and Asia through its fleet of 22 aircraft. The remaining 408 international flights are operated through its strategic alliances and partnerships. Virgin Australia's international business contributed 21.04% (excluding inter-segment revenue) of the total revenue and income of Virgin Australia in FY19.

#### 5.1.3. Tigerair Australia

Tigerair Australia is Virgin Australia's low cost carrier that operates flights to 12 destinations within Australia using its fleet of 15 narrow body aircraft. Tigerair Australia contributed 10.00% (excluding inter-segment revenue) of the total revenue and income of Virgin Australia in FY19.

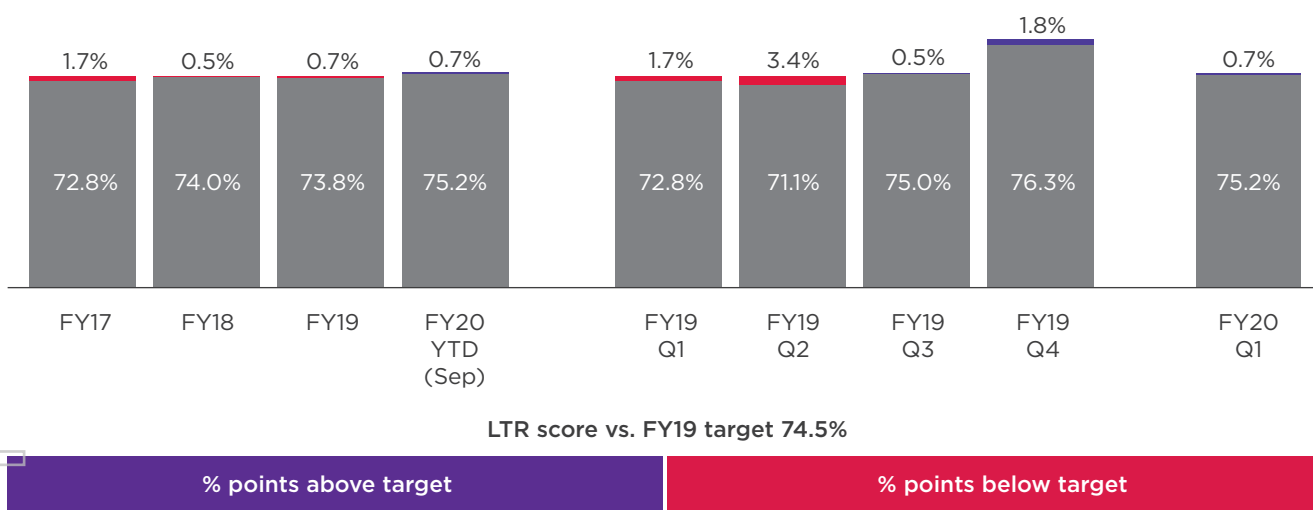
1. Company filings.

### 5.1.4. Velocity

Velocity is an award-winning loyalty program offering benefits for Virgin Australia’s most frequent travellers and opportunities for members to redeem loyalty points for a variety of rewards, including air travel, upgrades and non-aircraft travel awards such as hotel stays, travel experiences and car hire. Velocity’s program also comprises a network of almost 90 program partners who reward their customers with Velocity points for loyal spending behaviour. Velocity’s program provides benefits for both its members and its partners. For Velocity members, the Velocity program provides access to points which can be used to redeem products and experiences. For Velocity partners, Velocity provides opportunities to obtain new customers and create customer loyalty, with the objective of promoting increased spending with Velocity partners. Velocity has a diversified partnership base, with approximately 70% of Velocity points earned by members with partners other than Virgin Australia. Velocity contributed 6.0% (excluding inter-segment revenue) of the total revenue and income of Virgin Australia in FY19. Virgin Australia currently owns 64.66% of Velocity. The Offer, together with the US\$ Notes Offer, forms part of Virgin Australia’s funding strategy in connection with the Velocity Acquisition. Any surplus proceeds from the Offers will be used for general corporate purposes.

In addition to Virgin Australia’s passenger operations and Velocity loyalty program, Virgin Australia Cargo operates flights through access to Virgin Australia’s domestic and international network across Australia and the Asia-Pacific region, as well as capacity on a fleet of dedicated freighter aircraft, supported by access to specialist cargo handling terminals at all major Australian airports. Virgin Australia also has a number of other third party revenue streams, including commissions from the sale of insurance, car hire and hotel bookings.

**FIGURE 12: VIRGIN AUSTRALIA’S CUSTOMER SATISFACTION SCORES HAVE MAINTAINED AT POSITIVE LEVELS OVER THE LAST THREE FINANCIAL YEARS<sup>2</sup>**



### 5.2. STRATEGIC ALLIANCES AND “CAPITAL LIGHT” INTERNATIONAL NETWORK

Virgin Australia operates flights to 15 international destinations using its own fleet of 22 aircraft. Additionally, Virgin Australia operates a “capital light” international network through its strategic alliances and codeshare partnerships with major airlines. Through this virtual network, Virgin Australia offers Virgin Australia customers flights to approximately 425 destinations internationally and generates approximately 7% of its total revenue through direct interline revenue from partner airlines and another approximately 5-7% through enabled revenue, which is revenue to Virgin Australia from selling tickets that include both a Virgin Australia operated flight and an airline partner operated flight, plus additional corporate revenue on domestic flights booked by corporate accounts who have corporate deals enabled by Virgin Australia’s airline partnerships.

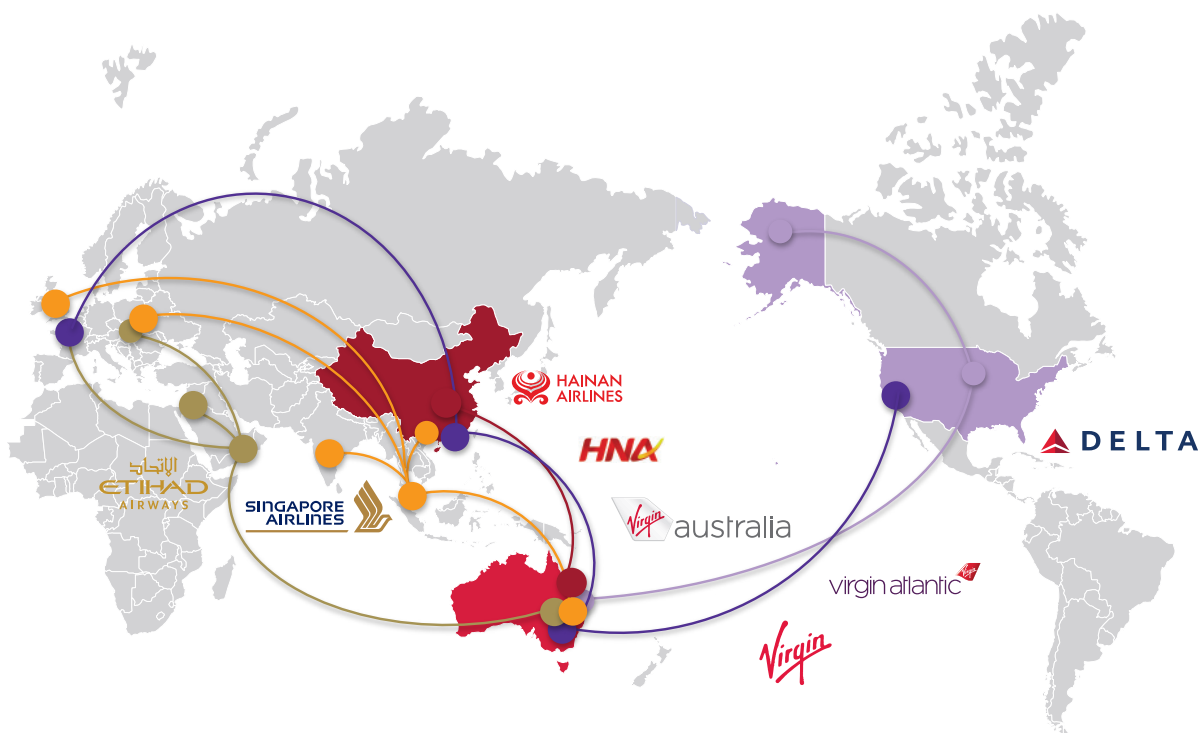
2. Customer satisfaction measured by likelihood to recommend percentage (LTR). Source for period May 2019 and prior Colmar Brunton Guest Satisfaction Tracker. Source for period June 2019 onwards Qualtrics Customer Pulse.

## 5. ABOUT VIRGIN AUSTRALIA

Virgin Australia maintains strategic alliances with the following major international airlines: Delta Air Lines (in North America and Mexico), Etihad Airways (in the United Arab Emirates and Europe), Singapore Airlines (in Asia, the Indian subcontinent and Europe) and HNA Group and Hong Kong Airlines (in Hong Kong and mainland China). In addition, in June 2019, Virgin Australia and Virgin Atlantic announced a planned alliance to coordinate network and pricing on scheduled flights between Australia and the United Kingdom through any intermediary points, enabling the airlines to compete more effectively for traffic against other competitors in the UK-Australia market. The Virgin Atlantic alliance is subject to approval by the ACCC. An interim authorisation was granted in September 2019 and a final authorisation decision is expected to be announced in November 2019. Virgin Australia has also entered into codeshare arrangements with leading airlines such as South African Airways, Hawaiian Airlines, Alitalia and Air Canada. In addition, in September 2019 and is expected in November 2019. Virgin Australia announced plans for a codeshare arrangement with All Nippon Airways to improve passenger connectivity and facilitate cross-selling of each carrier's services on Japan-Australia routes, in anticipation of Virgin Australia's application for capacity and slots to operate services between Brisbane and Tokyo Haneda.

These alliances and codeshare arrangements provide Virgin Australia with access to a significant number of international destinations while helping Virgin Australia maintain a disciplined capital expenditure strategy. Together with Virgin Australia's own operated flights, alliances help drive international inbound traffic to Virgin Australia's domestic platform. Additionally, Velocity members are able to redeem their points for flights across Virgin Australia's partner airlines, which also help generate increased customer loyalty and passenger traffic.

**FIGURE 13: VIRGIN AUSTRALIA'S VIRTUAL INTERNATIONAL NETWORK<sup>3,4,5</sup>**



3. Figure only shows routes with strategic alliances; other routes offered through strategic alliances, codeshare and interline services are not shown.
4. Virgin Australia International offers international services to 17 destinations across New Zealand, Pacific Islands, North America and Asia through its fleet of 22 aircraft. The remaining 408 international flights are operated through its strategic alliances and partnerships.
5. International market share based on passengers carried for the year ended 30 June 2019.

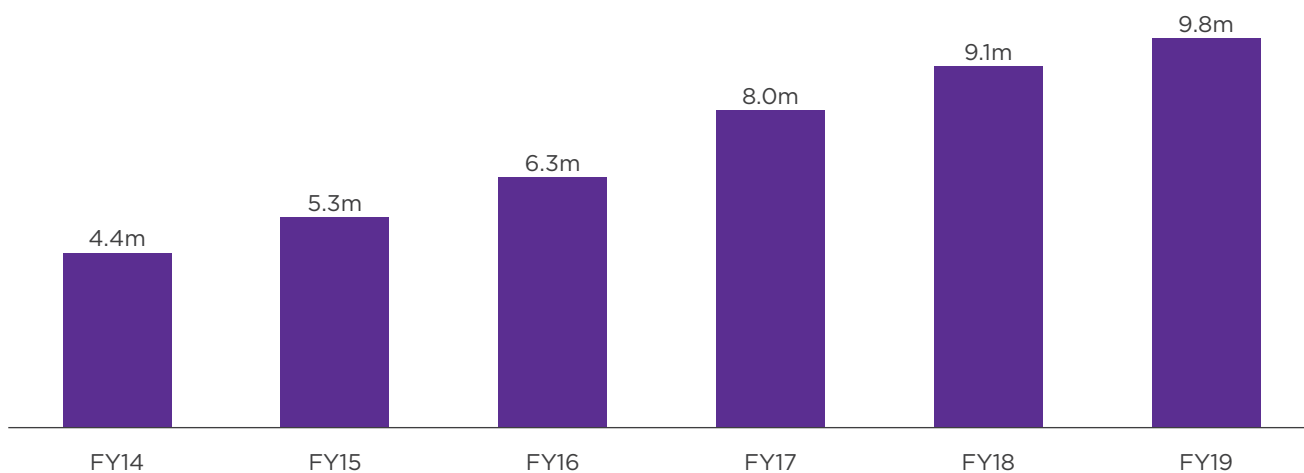


### 5.3. VELOCITY OVERVIEW

Velocity is an award-winning loyalty business and is the exclusive loyalty program of Virgin Australia. Since Velocity's re-launch in 2011, Velocity membership has grown significantly. At 30 June 2019, Velocity had 9.8 million members, up from 9.1 million members at 30 June 2018 and 8.0 million members at 30 June 2017. Over the period from FY17 to FY19, Velocity billings have grown at a CAGR of 6.2%.

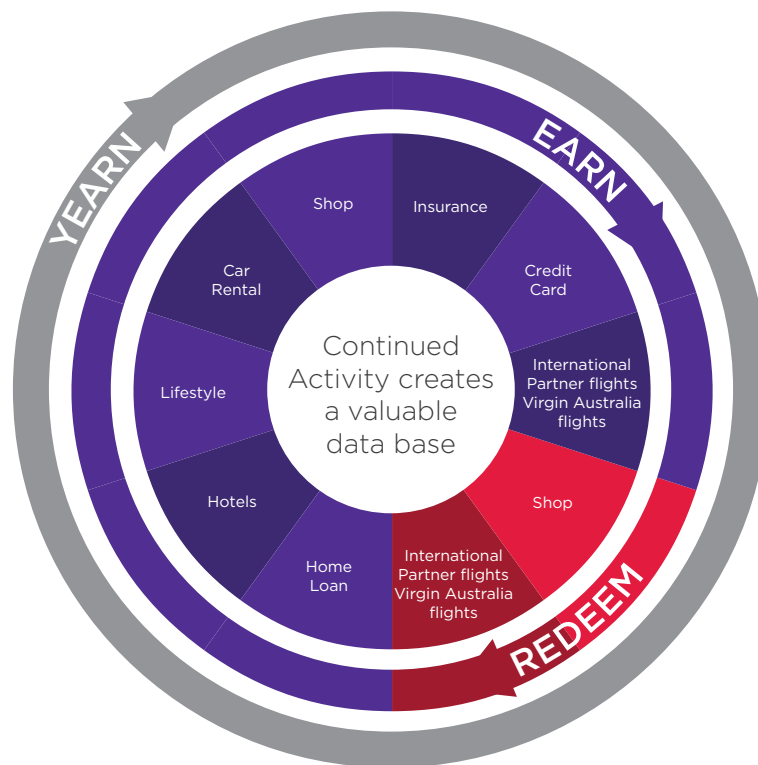
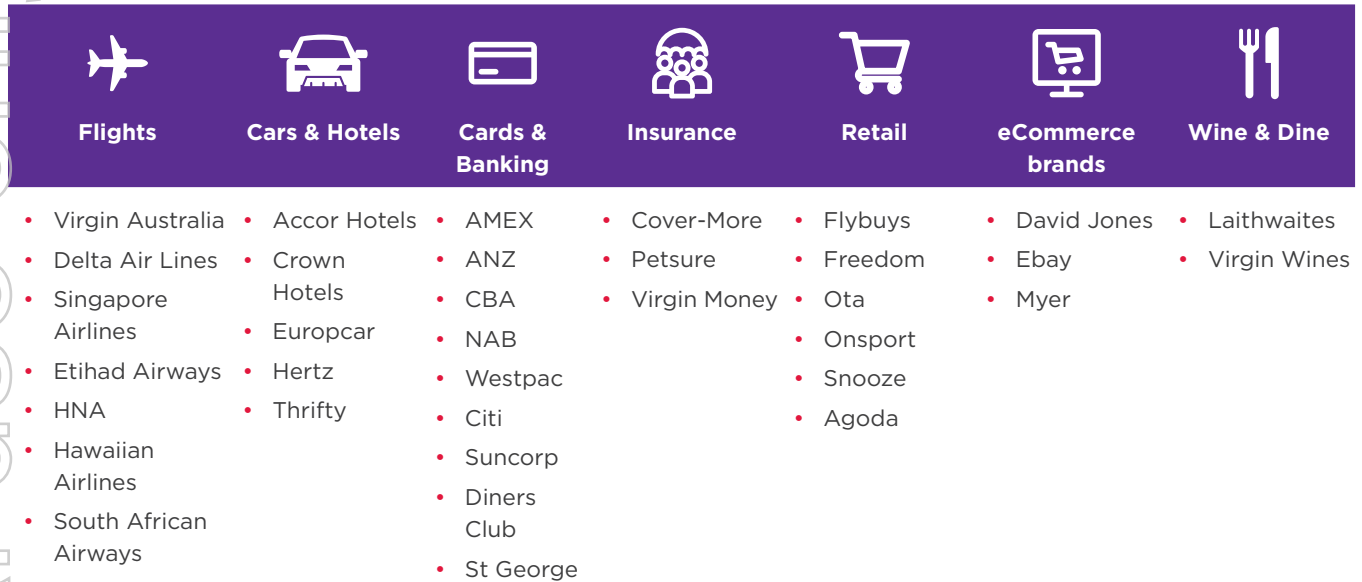
Membership of Velocity provides access to loyalty points and earning and redemption opportunities across a connected network of global airlines, financial institutions, and travel-focused and broad consumer rewards partners. Points earned can be redeemed for a variety of rewards, including air travel, upgrades and non-aircraft travel awards such as hotel stays, travel experiences and car hire.

**FIGURE 14: VELOCITY MEMBERS (MILLIONS) (FY14-19)**



## 5. ABOUT VIRGIN AUSTRALIA

**FIGURE 15: VELOCITY DIVERSIFIED NETWORK OF PARTNERS (REPRESENTS AN ILLUSTRATIVE SELECTION ONLY)**



Velocity has over 9.8 million members (as at 30 June 2019), approximately 45% of the Australian adult population. Velocity's membership base is diversified across age, gender and geographical location.

Velocity's program receives data from member transactions creating a data platform at the centre of the program. Utilising this information, Velocity can identify, at an aggregated level, high value customers for partners, or those with similar characteristics for the partner's most engaged customers. Insights such as this assist Velocity and its partners in better engaging with Velocity members, and their own customers.

Velocity manages Virgin Australia's Tier Status Program (**TSP**) and awards Velocity members with status credits when they fly on eligible flights with Virgin Australia, or on its eligible international airline partner flights. Velocity has four levels of membership: Red, Silver, Gold and Platinum. Members are automatically awarded Red Membership upon joining Velocity. Silver, Gold and Platinum Membership provide benefits to members including (depending on status) accelerated points earn, priority check-in, additional baggage allowance and access to Virgin Australia and over 150 international airline partner lounges when flying and complementary fare upgrades.

Velocity is an award-winning program as recognised in five categories in the Middle East/Asia/Oceania region at the 2019 Freddie Awards: Program of the Year, Best Customer Service, Best Redemption Ability, Best Elite Program and Best Promotion.

**FIGURE 16: VELOCITY'S FREDDIE AWARDS<sup>6</sup>**

Freddie Awards	Years
Program of the Year	2019, 2018, 2016, 2015, 2014, 2013
Best Redemption Ability	2019, 2018, 2017, 2016, 2015, 2014, 2013
Best Customer Service	2019, 2018, 2016, 2015, 2014
Best Elite Program	2019, 2018, 2017, 2014, 2013
Best Promotion	2019, 2014

#### 5.4. VELOCITY ACQUISITION

On 4 October 2019, Virgin Australia entered into the Acquisition Agreement with Affinity, to acquire Affinity's 34.82% interest in Velocity Holdco held via convertible notes,<sup>7</sup> for consideration of approximately \$700 million, implying an enterprise value of \$2.1 billion.<sup>8</sup> This represents an EV/FY19 Segment EBITDA multiple of 16.1x pre-synergies (14.0x post cost-synergies).<sup>9</sup>

Following the receipt of FIRB approval on 22 October 2019, completion of the Velocity Acquisition is only subject to Virgin Australia obtaining financing for that acquisition. In connection with the Velocity Acquisition, Velocity management will exit from their 0.52% interest in Velocity Holdco (including a 0.23% interest relating to a management incentive plan), resulting in Virgin Australia owning 100% of Velocity Holdco.

Virgin Australia believes that there are significant benefits to the Velocity Acquisition, including:

- the ability to retain 100% of the cash flows and equity upside from the cash-generative loyalty program;
- the simplification of the business, which enables cost savings and operational integration;
- revenue synergy and diversification opportunities from integration and improved loyalty engagement;
- increased wallet share with Velocity members through enhanced data and analytics initiatives;
- increased use of direct channel distribution; and
- substantial value driven by elimination of existing cash equity distributions to minority interests and identified \$20 million per annum of cost synergies, alongside revenue and operational initiatives, which is expected to more than offset the annual interest costs arising from proceeds of this Offer and the US\$ Notes Offer used to fund the Velocity Acquisition.<sup>10</sup>

6. Awards are for the Middle East, Asia and Oceania region in the Airlines category.

7. The acquisition will be undertaken through Virgin Australia's wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

8. Based on implied equity value of \$2.0 billion (100% basis) plus Velocity's net debt of \$120 million.

9. Pro-forma for \$20 million per annum of identified costs synergies.

10. Includes the add back of equity distributions to non-controlling interests of \$29.1 million in FY19, in addition to \$12.3 million of distributions that were paid in July 2019 in respect of the FY19 period.





## 5. ABOUT VIRGIN AUSTRALIA

### 5.5. INITIATIVES UNDERWAY TO RESET THE COST BASE AND IMPROVE PROFITABILITY

Virgin Australia has begun implementing a business improvement program to reduce costs and improve profitability. Following the appointment of its new chief executive officer in March 2019, Virgin Australia commenced a review of its business, with a focus on resetting its cost base, simplifying its fleet and optimising its network and capacity while focusing on providing high quality segment appropriate products and a unique customer experience. Virgin Australia also continues to be committed to ensuring the safety and on-time performance of its service offering.

Virgin Australia's new management team is focused on enhancing Virgin Australia's financial performance and value proposition of its customer offering. As set out below, Virgin Australia is investigating its route network and capacity deployment to maximise profit. Virgin Australia is also looking to provide its customers with a uniquely Virgin Australia experience through a combination of customer data-led products, a frictionless omni-channel experience (with segments guided to the appropriate channel) and a valued loyalty and service product through its Velocity program.

**FIGURE 17: KEY ELEMENTS OF VIRGIN AUSTRALIA'S FOCUS**

				
<b>What</b>	Pivot to profit	By providing customer-led experiences	And making transactions seamless	With deep, personal relationships
<b>How</b>	Fly where we profit or there is a path to profitability via revenue improvement and/or a relentless cost focus	A simple, relevant, customer proposition that is delivered by uniquely Virgin people	A frictionless omni-channel experience, with segments guided to the appropriate channel	And a valued loyalty and service product
<b>That means</b>	We know where to focus our efforts	Our customers know which airline experience suits them	We make it easy to choose Virgin Australia	Our customers choose us because it is rewarding and we are uniquely Virgin Australia
	<b>UNDERPINNED BY A FIT FOR PURPOSE OPERATING MODEL</b>			
<b>Outcomes</b>	Profitability	A customised offering	Simple and scalable delivery solutions	Loyalty

Virgin Australia has identified a number of initiatives to drive profitability, including:

• **Simplified organisational structure, rightsizing program and supplier review**

- **Simplified organisational structure and rightsizing program** involves streamlining common functions and removing duplication across all corporate functions. This initiative, which Virgin Australia announced in its 2019 Annual Report, is also aiming to reduce the corporate and head office workforce by 30% (an estimated reduction of 750 roles) by the end of FY20. Savings of \$75 million per annum are expected to be realised from this initiative.
- **Supplier review** involves reviewing supplier contracts (including aircraft leases, airports, maintenance and strategic supply agreements) and renegotiating suboptimal contracts. This initiative is focused on delivering commercial improvements and outcomes through an improved supply chain tailored to Virgin Australia's operational requirements and better supplier relationships. Cost savings of at least \$50 million per annum are targeted from this initiative.
- **Network and capacity review** involves a review that will focus on fleet requirement and capacity allocation to meet market conditions, improve revenue and allow for better management of costs. Virgin Australia is aiming to optimise the scheduling of flights between its Virgin Australia and Tigerair Australia brands. Additionally, Virgin Australia intends to re-optimize its network to increase profit by increasing aircraft utilisation reducing or exiting uneconomic flying and where appropriate redeploy into select profitable routes. Since identifying this initiative Virgin Australia has reduced its capacity by 1.5% in May/June 2019.

Virgin Australia is also focused on its key strategic airline alliances to drive growth through its virtual network while configuring its own fleet to operate more international flights. Together with its fleet simplification program, this initiative is expected to reduce earnings volatility and improve return on capital.

- **Fleet review** involves fleet simplification. Since FY15, Virgin Australia has simplified its fleet from eight aircraft models in FY15 to six aircraft models in FY19 with an ongoing initiative to further simplify its fleet. Virgin Australia intends that its fleet will be predominantly comprised of Boeing aircraft, for their operating economics and economies of scale. This simplified fleet structure is expected to drive cost savings per seat, including generating savings on maintenance and training costs, and provide for enhanced network flexibility and dependability.

Virgin Australia has also recently announced that it deferred the delivery of its first Boeing 737 MAX aircraft from November 2019 to July 2021 and will be converting an additional 15 of its Boeing 737 MAX8 aircraft on order to Boeing 737 MAX10 aircraft. This defers capital expenditure as well as providing access to the economic benefits of the Boeing 737 MAX10 aircraft. In addition, Virgin Australia is undertaking lease revisions and extensions to drive cost efficiencies.

- **Loyalty (Velocity)** involves driving revenue by increasing the membership base and enhancing engagement of the existing membership base. A key element of this strategy includes increasing penetration of the existing Virgin Australia customer base. The strategy also involves Velocity increasing collaboration with its existing partnership network, broadening its partnership network and the enhancement of its data and technology capabilities.

As a result of the Velocity Acquisition, Virgin Australia expects \$20 million per annum in synergies from cost savings from better operational integration. Virgin Australia also expects revenue opportunities through improved loyalty program engagement and ability to tailor offering to exclusively benefit Virgin Australia and its partners.

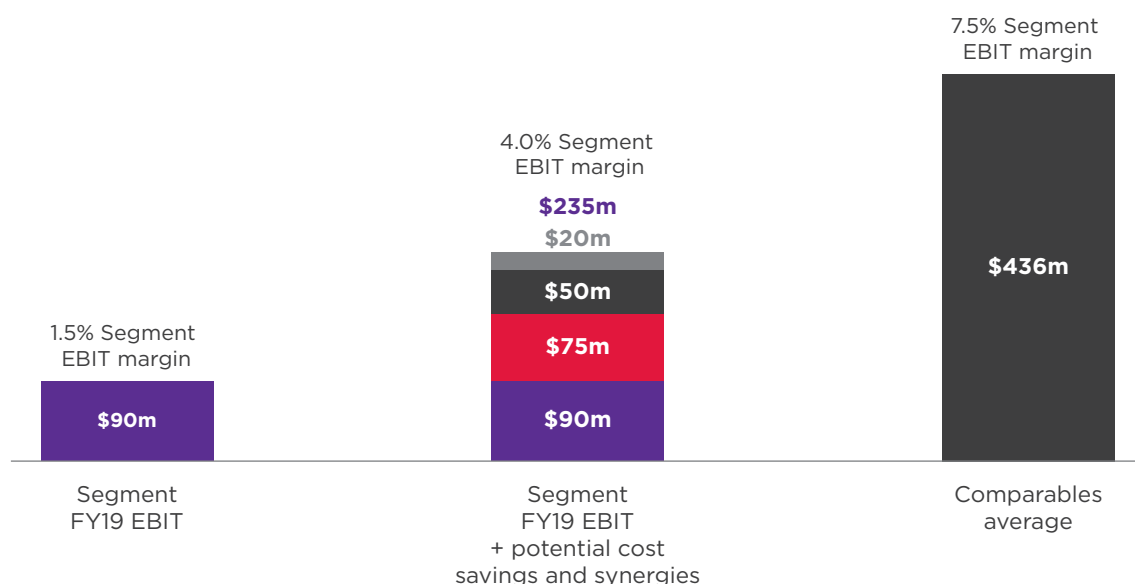
- **Customer and digital** initiative involves understanding Virgin Australia's customers better to further tailor services, including restructuring fares to personalise and appeal to key customer needs and offer a uniquely Virgin Australia experience.

Virgin Australia's initiatives seek to reduce cost and profitability differentials between Virgin Australia's operational and financial performance and the performance of its peers.

Differences between Virgin Australia's profitability, as measured by Segment EBIT, compared to its peers is illustrated below. Virgin Australia believes its initiatives will enable it to reduce this differential.

## 5. ABOUT VIRGIN AUSTRALIA

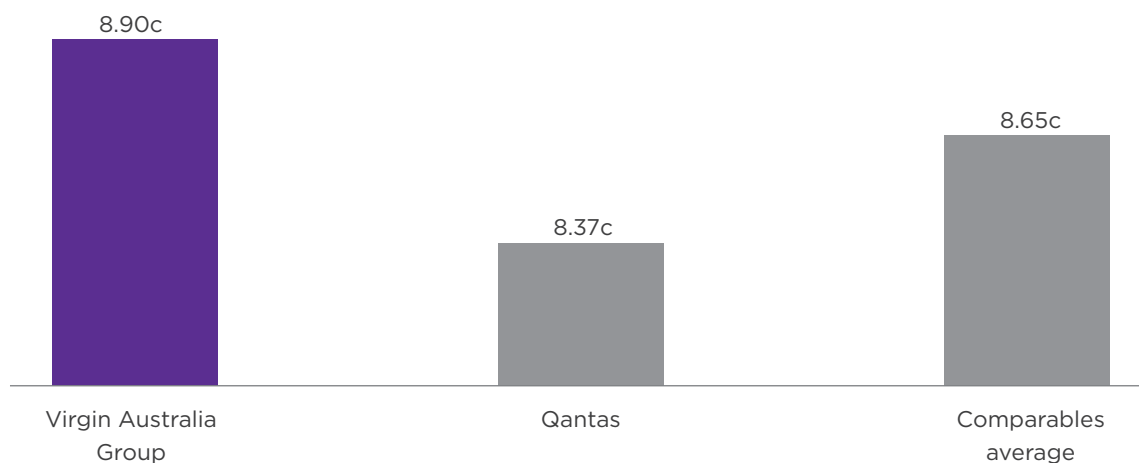
**FIGURE 18: VIRGIN AUSTRALIA COMPARABLE EBIT (\$M) AND EBIT MARGIN (%) (FY19)<sup>11</sup>**



■ Organisational right-sizing program ■ Supplier review ■ Cost synergies resulting from the Velocity Acquisition

Differences between Virgin Australia's operating costs, as measured by CASK ex-fuel, compared to those of its peers are illustrated in the following diagram. Virgin Australia's initiatives seek to reduce this differential.

**FIGURE 19: VIRGIN AUSTRALIA COMPARABLE CASK EX-FUEL (CENTS)<sup>12,13,14</sup>**



- Comparables benchmark based on last 12 months (LTM) financials to 30 June 2019 for Qantas, Air New Zealand, WestJet Airlines and Hawaiian Airlines Potential cost savings and synergies comprise: \$75 million from organisational right-sizing program, \$50 million from supplier review, and \$20 million from cost synergies resulting from the Velocity Acquisition.
- Cost per ASK excluding fuel or CASK ex-fuel is a non-statutory measure calculated based on Segment EBIT less revenue plus fuel expense divided ASKs.
- For Virgin Australia Group and Qantas, based on publicly FY19 reported financials.
- For comparables average, comparables average is based on reported financials for Qantas, Air New Zealand, WestJet Airlines and Hawaiian Airlines for the most recent completed financial year based on those companies' filings. WestJet Airlines and Hawaiian Airlines metrics converted into AUD based on an exchange rate of AUD/USD of 0.7020 as at 30 June 2019. This is not an indicator for future Virgin Australia performance.

## 5.6. FLEET OVERVIEW

As at 30 June 2019, the Group operated a young fleet of 133 aircraft (excluding aircraft that have been removed from operational service), including Boeing 737 and Boeing 777 aircraft, Airbus A330 and Airbus A320 aircraft, ATR aircraft and Fokker 100 aircraft. Of the 133 aircraft, 67 were under operating leases and the remaining 66 (representing 49.6% of the aircraft operated by the Group) were recognised on-balance sheet in accordance with applicable accounting standards. The average age of the aircraft in the Group's fleet was 8.7 years (as at 30 June 2019), excluding the aircraft in the VARA fleet which are principally used for charter operations.

Since FY15, Virgin Australia has simplified its fleet from eight aircraft models in FY15 to six aircraft models in FY19 with an ongoing initiative to further simplify its fleet. Virgin Australia intends that its fleet will be predominantly comprised of Boeing aircraft, for their operating economics and economies of scale. In addition, selective aircraft reduction is expected to drive cost savings per seat, generate savings on maintenance and training costs, and provide for enhanced network flexibility. Virgin Australia has also recently announced to the market that it has deferred the delivery of its first Boeing 737 MAX aircraft from November 2019 to July 2021 and will be converting an additional 15 of its Boeing 737 MAX8 aircraft on order to Boeing 737 MAX10 aircraft. This defers capital expenditure as well as providing access to the superior economic benefits of the MAX10 aircraft. Additionally, Virgin Australia is undertaking lease revisions and extensions to drive cost efficiencies.

## 5.7. SALES AND MARKETING

Virgin Australia promotes its business and brand through a strategy covering public relations, marketing, sponsorships, events, social media and performance media. Virgin Australia's general marketing strategy aims to support its business operations by building awareness of the Virgin Australia brand, promoting its products and services and delivering revenue growth.

Virgin Australia continues to focus on growing its corporate customer base through the acquisition of new business, while continuing to drive strong contract compliance for existing corporate customers. Virgin Australia continues to invest in a robust sales team and sales management software to target the Australian domestic corporate market as well as key strategic international corporate markets. Virgin Australia also continues to drive mutually beneficial commercial outcomes with its customers, generating strong customer advocacy levels while leveraging its highly regarded brand position and loyalty offering to successfully penetrate the domestic and international corporate travel markets.

## 5.8. SAFETY

Virgin Australia's first priority is to ensure a safe, secure and healthy environment for all customers, employees, contractors and visitors. Virgin Australia has a comprehensive and integrated Safety Management System (**SMS**) that has been designed to ensure the proactive and systematic identification of risk across all operational divisions.

Virgin Australia's SMS provides a multi-layered approach to safety governance incorporating appropriate management, executive and Board oversight, including through the Safety and Operational Risk Review Committee. The SMS sets out Virgin Australia's Safety Policy and Safety Culture Policy which defines the processes by which Virgin Australia manages risk as an integral part of its business. The SMS and associated Security Management System (**SeMS**) provides an integrated system for the management of operational and occupational safety and control and the reduction of security risks. Virgin Australia's SMS is broadly based on the International Civil Aviation Organisation (**ICAO**) SMS structure. The ICAO standard focuses on four areas of safety management including:

- established safety policy and objectives;
- safety risk management;
- safety assurance; and
- safety promotion.

The Virgin Australia SMS expands on the ICAO model to encompass occupational safety including Health and Wellbeing. Each function is supported by a Manager of Department to provide day-to-day oversight, direction and support including guidance and operational support to Operations Divisions and the broader business.

By promoting a strong safety culture throughout the network, Virgin Australia (excluding VARA and Tigerair Australia) recorded a year-on-year increase in the safety reporting rate of 14%, and a 23% reduction in the lost-time injury frequency rate in FY19.

## 5. ABOUT VIRGIN AUSTRALIA

### 5.9. LOCATION AND FACILITIES

#### 5.9.1. Australia

Virgin Australia's corporate headquarters are located in Brisbane, Queensland, with a secondary corporate office in Sydney, New South Wales. Tigerair Australia has its head office in Melbourne, Victoria; VARA has its head office in Perth, Western Australia; and Velocity has its head office in Sydney, New South Wales.

Virgin Australia also has significant operations at each of Australia's major airports, including Sydney, Melbourne, Brisbane and Perth. Offices, maintenance hangars and other support facilities used by Virgin Australia at these airports and other Australian airports at which it operates are generally held under long-term leases from the respective airport owners.

#### 5.9.2. International

Virgin Australia has significant operations at each of New Zealand's major international airports, including Auckland, Wellington, Christchurch, Queenstown and Dunedin.

In addition to its New Zealand operations, Virgin Australia operates to Los Angeles International Airport, Hong Kong, Ngurah Rai International Airport in Denpasar, Indonesia and the following Pacific Islands: Papua New Guinea, Fiji, Samoa, Rarotonga, Tonga, Vanuatu and Solomon Islands.

#### 5.9.3. Other Facilities

In both Virgin Australia's Australian and international locations, runway, ramp and terminal facilities are provided by airport operators that charge airlines for the use of such facilities, principally through landing, parking and passenger charges. Navigation charges are generally based on distance flown and weight of aircraft.

### 5.10. TECHNOLOGY

In January 2013, Virgin Australia migrated to SabreSonic, a single integrated technology platform for managing reservations and ticketing, provided by Sabre Inc (**SabreSonic**), and used by leading airline carriers around the world. SabreSonic provides a customer sales and service solution by delivering revenue-generating and customer-focused capabilities. It is a fully functional, end-to-end technology solution that complies with all regulations and mandates. The migration to this platform delivered a number of benefits to Virgin Australia's operations, including booking availability, customer recognition and integration with global distribution systems and partner airlines. The SabreSonic platform also provides improved security, disaster recovery and quality and timeliness of data for Virgin Australia.

Tigerair Australia's reservation platform is Navitaire, a fit-for-purpose low-cost reservation platform which supports Tigerair Australia's low-cost business model.

### 5.11. EMPLOYEES

Virgin Australia (including Tigerair Australia, VARA and Velocity) had more than 10,600 employees at 30 June 2019 throughout Australia, New Zealand and the United States. The majority of Virgin Australia's workforce is located in Brisbane, Sydney and Melbourne. Virgin Australia also works with third party contractors in order to supplement certain insourced services.

Virgin Australia is party to 17 different enterprise agreements (**EA**) that cover approximately 76.2% of Virgin Australia's employees. Several of the EAs are under current negotiations. In the negotiation of the Tigerair Australia Pilots EA, Tigerair Australia pilots took industrial action in the form of:

- a ban on performing work on rostered days off, annual leave and days free of duty from 4 January to 9 January 2019, and from 11 January to 31 January 2019; and
- a stoppage of work over a four-hour period on 25 January 2019.

A new Tigerair Australia Pilots EA has since been executed, resolving the industrial action.

There have not been any other instances of industrial action in Virgin Australia's operations in the last three years.

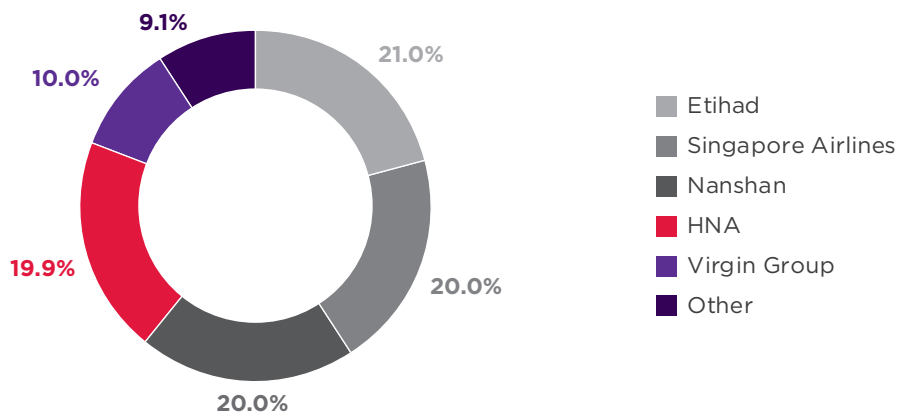
In August 2019, Virgin Australia announced that its corporate and head office workforce would be reduced by a target of 750 roles, with the majority of these employees expected to leave Virgin Australia by the end of FY20. This reduction is expected to generate cost savings of approximately \$75 million per annum.



## 5.12. SHAREHOLDER COMPOSITION

As at 30 September 2019, Virgin Australia's five largest Shareholders, Etihad Airways, Singapore Airlines, Nanshan Capital Holdings, HNA Group and the Virgin Group, collectively own approximately 90.9% of the Ordinary Shares in Virgin Australia, with the remaining Ordinary Shares owned by public Shareholders.

**FIGURE 20: VIRGIN AUSTRALIA'S BENEFICIAL SHAREHOLDER COMPOSITION AS AT 30 SEPTEMBER 2019**



The Directors and executive officers of Virgin Australia as at 30 September 2019 held, as at such date, an aggregate of 2,784,640 Ordinary Shares in Virgin Australia, which represented 0.033% of the total Ordinary Shares then outstanding. No one of the Directors or executive officers of Virgin Australia as at 30 September 2019 held, as at such date, more than 0.014% of Virgin Australia's Ordinary Shares.<sup>15</sup>

For further information in relation to the Ordinary Shares and options and performance rights over Ordinary Shares held by Virgin Australia's Directors and executive officers, see Virgin Australia's remuneration report for the financial year ended 30 June 2019 accompanying Virgin Australia's annual financial report for the financial year ended 30 June 2019.

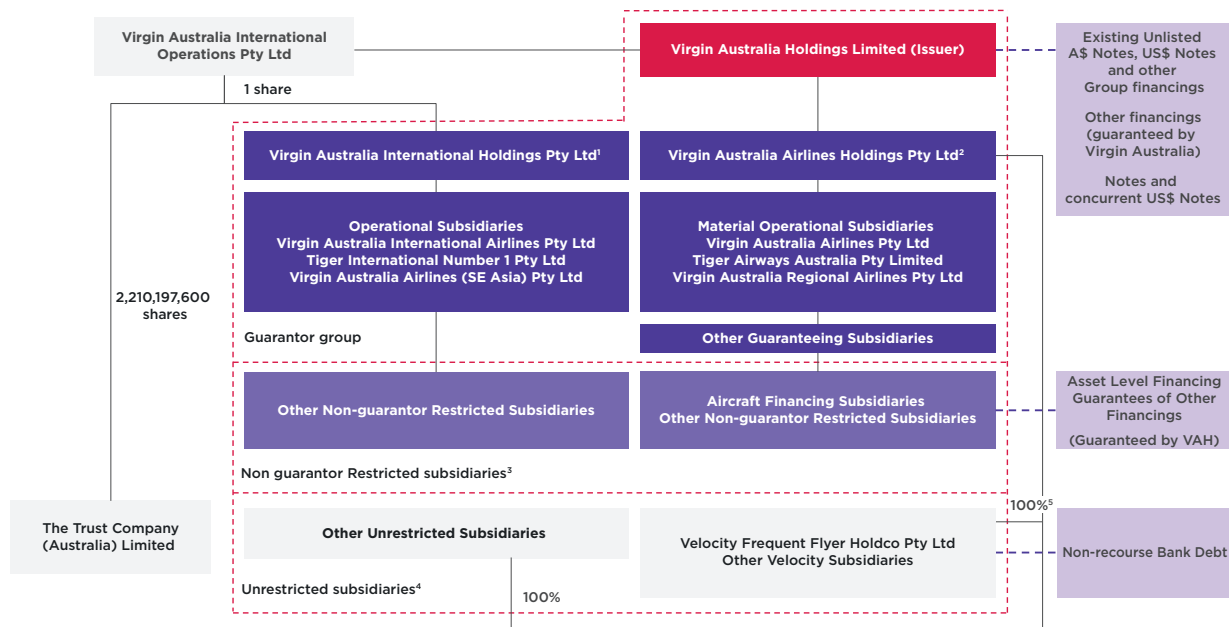
15. See Section 9.3.1 for further information in relation to the holdings of Directors and their associates.

## 5. ABOUT VIRGIN AUSTRALIA

### 5.13. GROUP STRUCTURE

The following diagram is a simplified representation of the corporate group headed by Virgin Australia, which is the issuer of the Notes. The diagram illustrates, at a high level, the classification of members of the Group for certain purposes under the Terms.

**FIGURE 21: GROUP STRUCTURE**



Notes: The above is a simplified representation of the Group's Corporate Structure

- Virgin Australia International Holdings Pty Ltd ("VAIH") conducts Virgin Australia's international operations. Despite Virgin Australia holding minimal issued share capital in VAIH, VAIH is consolidated for accounting purposes and is a Guarantor. Virgin Australia International Operations Pty Ltd is a Restricted Subsidiary but not a Guarantor
- Virgin Australia Airlines Holdings Pty Ltd is the holding company for the non-international arms of the Virgin Australia business which include the domestic operations (conducted principally through Virgin Australia Airlines Pty Ltd, Virgin Australia Regional Airlines Pty Ltd and Tigerair Australia), aircraft financing vehicles, the Velocity Frequent Flyer business and other investments
- Non-Guarantor Restricted Subsidiaries include the Group's special purpose aircraft leasing and financing vehicles, which own (typically subject to secured financing arrangements with third party financiers) or lease from third party financiers aircraft which they in turn lease to the Group's operational subsidiaries. Non-guarantor Restricted Subsidiaries also include Virgin Australia Cargo as well as a number of immaterial subsidiaries
- Unrestricted Subsidiaries include Velocity Frequent Flyer Holdco Pty Ltd and its subsidiaries, which own and operate the Velocity loyalty program. Unrestricted Subsidiaries also include a number of immaterial subsidiaries. Unrestricted Subsidiaries will not be guarantors of the Notes and will not be subject to the covenants in the indenture governing the Notes
- Assumes that Virgin Australia Airlines Holdings Pty Ltd (VAAH) acquires the 34.82% interest in Velocity Frequent Flyer Holdco Pty Ltd (VFF Holdco) currently held by third party investor and that remaining 0.52% non-controlling minority interests are cashed out by VFF Holdco, resulting in VAAH holding 100% interest in VFF Holdco

The Guarantors are those subsidiaries of Virgin Australia that guarantee the Notes. Not all Subsidiaries of Virgin Australia will be Guarantors. In particular, Virgin Australia's aircraft financing subsidiaries, which are special purpose subsidiaries that hold title or leases in respect of the Group's financed or leased aircraft, and the members of the Velocity Sub-Group, which own Velocity, and certain other Subsidiaries, are not Guarantors. In addition, those Subsidiaries that are Guarantors may be released from their guarantees where the Subsidiary does not, or ceases to, meet certain materiality tests, is designated an Unrestricted Subsidiary (as described below) or certain other conditions are met as described in clause 2.2 of the Terms. Noteholders will be structurally subordinated to the creditors of Virgin Australia's non-Guarantor Subsidiaries which, in aggregate with the Group's secured debt (which will also effectively rank ahead of the Notes), had liabilities totalling \$2,117.1 million at 30 June 2019. See Section 2.5.3 for an illustration of the effective ranking of the Notes as against certain other creditors of Virgin Australia and its Subsidiaries.

The Restricted Subsidiaries, which include the Guarantors and certain additional non-Guarantor Restricted Subsidiaries, are those Subsidiaries of Virgin Australia whose borrowings and certain other activities are subject to certain restrictions under the Terms. Restricted Subsidiaries may be required to be Guarantors, subject to certain tests and exceptions specified in the Terms. As at the date of this Prospectus, Virgin Australia's aircraft financing subsidiaries are non-Guarantor Restricted Subsidiaries and are not required to be Guarantors.

The Unrestricted Subsidiaries are Subsidiaries to which borrowing and other restrictions in the Terms do not apply. Further, Unrestricted Subsidiaries are not required to be Guarantors. Unrestricted Subsidiaries include the Velocity Sub-Group, and certain other Subsidiaries, and the Terms permit Virgin Australia to designate other Subsidiaries as Unrestricted Subsidiaries in the future subject to certain conditions.

It should be noted that the Velocity Sub-Group contributed a material portion of the Group's earnings during each of the last three financial years, including \$132.4 million Segment EBITDA in FY19. Virgin Australia's ability to access the earnings and cash flows generated by Velocity to meet its financial obligations (including amounts due on the Notes) will be subject to the members of the Velocity Sub-Group satisfying their own debts and satisfying the conditions of their own financing arrangements, which restrict the payment of dividends and other amounts to Virgin Australia unless certain conditions are satisfied. See Section 7.2.1 for a further discussion of these risks.

As described in Section 5.4, Virgin Australia believes that there are significant benefits to the Velocity Acquisition, including the ability to retain 100% of the cash flows and equity upside from the cash-generative loyalty program.

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FINANCIAL INFORMATION

6



## 6. FINANCIAL INFORMATION

### 6.1. BASIS OF PREPARATION

#### Historical financial information

The summary historical financial information in Sections 6.2 to 6.7 has been derived from Virgin Australia's audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. The historical financial information presented has, except as otherwise noted, been prepared in accordance with the measurement and recognition requirements, but not the disclosure requirements, of the Australian Accounting Standards (**AAS**) and other mandatory reporting requirements in Australia.

#### Pro forma historical financial information

The pro forma historical financial information (**Pro Forma Historical Financial Information**) comprises the pro forma historical balance sheet and the summary pro forma historical income statement information.

The pro forma historical balance sheet (**Pro Forma Historical Balance Sheet**) presented in Section 6.6 reflects the combined impact on Virgin Australia's consolidated statement of financial position as at 30 June 2019 of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and the repayment of the US\$400 million U.S. dollar denominated unsecured notes that mature in November 2019 (**Nov-19 US\$ Notes**).

The summary pro forma historical income statement (**Pro Forma Historical Income Statement**) presented in Section 6.7 reflects the combined impact on Virgin Australia's consolidated statement of profit or loss for the year ended 30 June 2019 of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and the repayment of the Nov-19 US\$ Notes. It is presented in an abbreviated form, including only limited disclosures presented on both a statutory reported basis (Revenue and NPAT) and adjusted basis (Segment EBITDAR, Segment EBITDA, Segment EBIT, Underlying PBT). The Pro Forma Historical Income Statement does not include all of the presentation disclosures, statements or comparative information as required by the AAS applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

Apart from the adjustments outlined in the notes to the Pro Forma Historical Financial Information, no adjustments have been made to the historical financial information of Virgin Australia. In particular, no adjustments have been made to allow for subsequent events or trading since 30 June 2019 unless specifically mentioned. The accounting policies adopted for the purposes of the Pro Forma Historical Financial Information are based on its current accounting policies and income and expense treatments as outlined in the financial statements for the year ended 30 June 2019. Specifically, no adjustment has been reflected for the expected impact of adopting the new accounting standard that considers accounting for leases (AASB 16) (see Section 6.8).

#### General

Virgin Australia is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC.

The Board of Virgin Australia is responsible for approving Virgin Australia's financial reports.

More detailed financial information is available in Virgin Australia's annual reports for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. A copy of these reports can be downloaded from Virgin Australia's website at [www.virginaustralia.com/au/en/about-us/company-overview/investor-information/annual-reports/](http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/annual-reports/). Statements and announcements to be lodged during the term of the Offer can also be obtained from [www.asx.com.au](http://www.asx.com.au).

## 6.2. HISTORICAL CONSOLIDATED INCOME STATEMENTS

The following table sets out Virgin Australia's consolidated income statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. This information has been derived from Virgin Australia's audited financial statements.

\$m	Restated Year ended 30 June 2017 <sup>1,2</sup>	Restated Year ended 30 June 2018 <sup>2</sup>	Year ended 30 June 2019
<b>Revenue and income</b>			
Airline passenger revenue	4,641.2	4,981.7	5,317.7
Freight revenue	76.6	105.2	125.6
Loyalty program revenue	322.8	330.3	383.8
Other income	3.8	3.5	-
Net foreign exchange gains	2.9	-	-
<b>Revenue and income</b>	<b>5,047.3</b>	<b>5,420.7</b>	<b>5,827.1</b>
<b>Operating expenditure</b>			
Aircraft operating lease expenses	(426.2)	(389.0)	(383.1)
Airport charges, navigation and station operations	(1,023.8)	(1,060.7)	(1,107.5)
Contract and other maintenance expenses	(242.6)	(246.4)	(246.0)
Commissions and other marketing and reservations expenses	(430.0)	(467.4)	(533.4)
Fuel and oil	(898.4)	(985.5)	(1,178.5)
Labour and staff related expenses	(1,219.2)	(1,246.7)	(1,346.0)
Impairment losses on assets classified as held for sale	(7.8)	-	-
Impairment losses on cash-generating units	-	(120.8)	(152.6)
Impairment losses on other assets	(65.9)	(47.8)	-
Onerous contract expenses	(29.6)	(58.5)	(47.4)
Other expenses from ordinary activities	(516.9)	(512.9)	(592.9)
Depreciation and amortisation	(309.7)	(337.3)	(373.4)
Ineffectiveness on cash flow hedges	0.7	-	(0.9)
<b>Net operating expenditure</b>	<b>(5,169.4)</b>	<b>(5,473.0)</b>	<b>(5,961.7)</b>
Share or net profit of equity – accounted investee	2.1	3.5	-
<b>Loss before net finance costs and tax</b>	<b>(120.0)</b>	<b>(48.8)</b>	<b>(134.6)</b>
Finance income	16.9	19.2	28.5
Finance costs	(186.5)	(171.8)	(189.2)
<b>Net finance costs</b>	<b>(169.6)</b>	<b>(152.6)</b>	<b>(160.7)</b>
<b>Loss before tax</b>	<b>(289.6)</b>	<b>(201.4)</b>	<b>(295.3)</b>
Income tax (expense)/benefit	103.8	(451.9)	(20.1)
<b>Loss after tax</b>	<b>(185.8)</b>	<b>(653.3)</b>	<b>(315.4)</b>
<b>Attributable to</b>			
Owners of Virgin Australia	(220.3)	(681.0)	(349.1)
Non-controlling interests <sup>3</sup>	34.5	27.7	33.7

- FY17 has been restated to allocate time value movements on cash flow hedges to the operating expenditure item to which the hedge relates, primarily to fuel and oil expense.
- FY18 and FY17 have been restated to be consistent with the FY19 revenue presentation which separately presents freight and loyalty program revenue.
- Virgin Australia is currently the 64.66% shareholder of Velocity Holdco and consolidates the balance sheet and profit or loss of Velocity Holdco. The Velocity Acquisition will be accounted for as an equity transaction under AASB 10 *Consolidated Financial Statements* and therefore the difference between the consideration paid (\$710.4 million) and the carrying value of non-controlling interests at the acquisition date (\$29.2 million) will be recognised directly in equity, resulting in a reduction in equity attributable to the owners of Virgin Australia of \$681.2 million. In Virgin Australia's consolidated statement of profit or loss, effective from the date of the Velocity Acquisition, 100% of the earnings of Velocity Holdco will be attributable to the owners of Virgin Australia and non-controlling interests will be nil.

## 6. FINANCIAL INFORMATION

### 6.3. HISTORICAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out Virgin Australia's consolidated statements of financial position as at 30 June 2017, 30 June 2018 and 30 June 2019. This information has been derived from Virgin Australia's audited financial statements.

\$m	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2019
<b>Current assets</b>			
Cash and cash equivalents	1,396.1	1,415.5	1,740.0
Receivables	308.9	281.6	268.7
Inventories	46.3	47.6	51.3
Derivative financial instruments	2.4	220.0	71.5
Other financial assets	25.2	12.1	31.2
Assets classified as held for sale	4.3	-	-
Other	4.3	2.7	2.6
<b>Total current assets</b>	<b>1,787.5</b>	<b>1,979.5</b>	<b>2,165.3</b>
<b>Non-current assets</b>			
Receivables	162.4	191.6	182.6
Derivative financial instruments	6.6	64.0	13.6
Other financial assets	292.5	284.2	255.7
Investment accounted for using the equity method	4.6	8.2	-
Deferred tax assets	554.2	-	57.8
Property, plant and equipment	2,916.6	3,031.0	3,202.1
Intangible assets	617.2	617.0	580.7
Other	14.2	12.9	10.4
<b>Total non-current assets</b>	<b>4,568.3</b>	<b>4,208.9</b>	<b>4,302.9</b>
<b>Total assets</b>	<b>6,355.8</b>	<b>6,188.4</b>	<b>6,468.2</b>
<b>Current liabilities</b>			
Payables	679.9	807.5	929.1
Interest-bearing liabilities	280.9	295.1	771.9
Derivative financial instruments	57.1	6.6	14.8
Provisions	234.2	269.0	255.5
Unearned revenue	1,074.2	1,142.1	1,262.7
Other	22.0	3.6	2.9
<b>Total current liabilities</b>	<b>2,348.3</b>	<b>2,523.9</b>	<b>3,236.9</b>



\$m	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2019
<b>Non-current liabilities</b>			
Payables	6.3	5.6	2.7
Interest-bearing liabilities	2,152.4	2,273.0	2,256.9
Derivative financial instruments	6.4	0.2	2.8
Provisions	263.5	277.6	339.8
Other	5.1	13.1	10.2
<b>Total non-current liabilities</b>	<b>2,433.7</b>	<b>2,569.5</b>	<b>2,612.4</b>
<b>Total liabilities</b>	<b>4,782.0</b>	<b>5,093.4</b>	<b>5,849.3</b>
<b>Net assets</b>	<b>1,573.8</b>	<b>1,095.0</b>	<b>618.9</b>
<b>Equity</b>			
Share capital	2,243.7	2,238.9	2,238.5
Reserves	58.8	268.3	117.6
Retained earnings	(734.8)	(1,415.8)	(1,766.4)
<b>Equity attributable to the owners of Virgin Australia</b>	<b>1,567.7</b>	<b>1,091.4</b>	<b>589.7</b>
Non-controlling interests <sup>4</sup>	6.1	3.6	29.2
<b>Total equity</b>	<b>1,573.8</b>	<b>1,095.0</b>	<b>618.9</b>

4. Virgin Australia is currently the 64.66% shareholder of Velocity Holdco and consolidates the balance sheet and profit or loss of Velocity Holdco. The Velocity Acquisition will be accounted for as an equity transaction under AASB 10 *Consolidated Financial Statements* and therefore the difference between the consideration paid (\$710.4 million) and the carrying value of non-controlling interests at the acquisition date (\$29.2 million) will be recognised directly in equity, resulting in a reduction in equity attributable to Virgin Australia of \$681.2 million. In Virgin Australia's consolidated statement of profit or loss, effective from the date of the Velocity Acquisition, 100% of the earnings of Velocity Holdco will be attributable to the owners of Virgin Australia and non-controlling interests will be nil.

## 6. FINANCIAL INFORMATION

### 6.4. HISTORICAL CONSOLIDATED STATEMENT OF CASH FLOWS

The following table sets out Virgin Australia's consolidated statement of cash flows for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. This information has been derived from Virgin Australia's audited financial statements.

\$m	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2019
<b>Cash flows from operating activities</b>			
Cash receipts from customers	5,657.1	6,099.7	6,530.1
Cash payments to suppliers and employees	(5,131.2)	(5,366.0)	(5,888.8)
<b>Cash generated from operating activities</b>	<b>525.9</b>	<b>733.7</b>	<b>641.3</b>
Cash payments for business restructuring expenses	(121.8)	(44.8)	(46.5)
Finance income received	17.0	19.2	28.5
Finance costs paid	(147.2)	(137.7)	(153.3)
<b>Net cash from operating activities</b>	<b>273.9</b>	<b>570.4</b>	<b>470.0</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(436.7)	(546.5)	(486.3)
Proceeds from the disposal of property, plant and equipment	188.0	7.7	2.7
Acquisition of intangible assets	(37.2)	(44.4)	(61.0)
Payments for other deposits	(48.4)	(56.8)	(40.7)
Proceeds from other deposits	1.2	77.0	65.3
Dividends from equity-accounted investee	1.5	-	8.2
<b>Net cash used in investing activities (excluding aircraft operating lease refinancing)</b>	<b>(331.6)</b>	<b>(563.0)</b>	<b>(511.8)</b>
Aircraft operating refinancing	-	(5.7)	-
<b>Net cash used in investing activities</b>	<b>(331.6)</b>	<b>(568.7)</b>	<b>(511.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	557.0	356.9	798.5
Repayment of borrowings	(1,098.9)	(307.1)	(429.4)
Payments of transaction costs related to borrowings	(13.1)	(6.0)	(9.2)
Net proceeds from share issue	931.4	-	-
Net payment for share buy-back	-	(5.3)	(0.7)
Equity distributions paid to non-controlling interests	(38.2)	(47.1)	(29.1)
<b>Net cash from/(used in) financing activities</b>	<b>338.2</b>	<b>(8.6)</b>	<b>330.1</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>280.5</b>	<b>(6.9)</b>	<b>288.3</b>
Cash and cash equivalents at 1 July	1,123.8	1,396.1	1,415.5
Effect of exchange rate fluctuations on cash and cash equivalents	(8.2)	26.3	36.2
<b>Cash and cash equivalents at 30 June</b>	<b>1,396.1</b>	<b>1,415.5</b>	<b>1,740.0</b>

## 6.5. VELOCITY SEGMENT RECONCILIATION

The following table sets out a reconciliation of Segment EBIT and Segment EBITDA for Velocity to segment revenue for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. This information has been derived from Virgin Australia's audited financial statements.

\$m	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2019
<b>Reported Velocity revenue</b>	<b>371.0</b>	<b>372.0</b>	<b>411.0</b>
Operating expenses	(223.5)	(254.9)	(278.6)
<b>Segment EBITDA</b>	<b>147.5</b>	<b>117.1</b>	<b>132.4</b>
Less depreciation and amortisation	(4.7)	(7.0)	(10.2)
<b>Segment EBIT</b>	<b>142.8</b>	<b>110.1</b>	<b>122.2</b>

The following table sets out a reconciliation of Segment EBITDA for Velocity to Adjusted free cash flow for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. This information has been derived from Virgin Australia's audited financial statements.

\$m	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2019
<b>Segment EBITDA</b>	<b>147.5</b>	<b>117.1</b>	<b>132.4</b>
Capital Expenditure	(11.4)	(11.8)	(12.0)
<b>Velocity Adjusted free cash flow</b>	<b>136.1</b>	<b>105.3</b>	<b>120.4</b>

## 6.6. PRO FORMA HISTORICAL BALANCE SHEET AS AT 30 JUNE 2019

This section has been prepared to illustrate the Pro Forma Historical Balance Sheet of Virgin Australia post the following pro forma adjustments:

- (a) Issuance of US\$425 million under the concurrent US\$ Notes Offer;
- (b) Issuance of \$150 million of the Notes under the Offer;
- (c) Velocity Acquisition; and
- (d) Repayment of the Nov-19 US\$ Notes.

## 6. FINANCIAL INFORMATION

### CONSOLIDATED PRO FORMA BALANCE SHEET (FY19)

\$m	Virgin Australia Reported <sup>1</sup>	US\$ Notes Offer <sup>2</sup>	Offer <sup>3</sup>	Velocity Acquisition <sup>4</sup>	Repayment of Nov-19 US\$ Notes <sup>5</sup>	Virgin Australia Pro Forma
<b>Current assets</b>						
Cash and cash equivalents	1,740.0	617.6	144.4	(732.7)	(575.3)	1,194.0
Receivables	268.7	-	-	-	-	268.7
Inventories	51.3	-	-	-	-	51.3
Derivative financial instruments	71.5	-	-	-	-	71.5
Other financial assets	31.2	-	-	-	-	31.2
Other	2.6	-	-	-	-	2.6
<b>Total current assets</b>	<b>2,165.3</b>	<b>617.6</b>	<b>144.4</b>	<b>(732.7)</b>	<b>(575.3)</b>	<b>1,619.3</b>
<b>Non-current assets</b>						
Receivables	182.6	-	-	-	-	182.6
Derivative financial instruments	13.6	-	-	-	-	13.6
Other financial assets	255.7	-	-	-	-	255.7
Investment accounted for using the equity method	-	-	-	-	-	-
Deferred tax assets	57.8	-	-	-	-	57.8
Property, plant and equipment	3,202.1	-	-	-	-	3,202.1
Intangible assets	580.7	-	-	-	-	580.7
Other	10.4	-	-	-	-	10.4
<b>Total non-current assets</b>	<b>4,302.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,302.9</b>
<b>Total assets</b>	<b>6,468.2</b>	<b>617.6</b>	<b>144.4</b>	<b>(732.7)</b>	<b>(575.3)</b>	<b>5,922.2</b>
<b>Current liabilities</b>						
Payables	929.1	-	-	-	-	929.1
Interest-bearing liabilities	771.9	-	-	-	(569.8)	202.1
Derivative financial instruments	14.8	-	-	-	-	14.8
Provisions	255.5	-	-	(8.3)	-	247.2
Unearned revenue	1,262.7	-	-	-	-	1,262.7
Other	2.9	-	-	-	-	2.9
<b>Total current liabilities</b>	<b>3,236.9</b>	<b>-</b>	<b>-</b>	<b>(8.3)</b>	<b>(569.8)</b>	<b>2,658.8</b>

\$m	Virgin Australia Reported <sup>1</sup>	US\$ Notes Offer <sup>2</sup>	Offer <sup>3</sup>	Velocity Acquisition <sup>4</sup>	Repayment of Nov-19 US\$ Notes <sup>5</sup>	Virgin Australia Pro Forma
<b>Non-current liabilities</b>					-	
Payables	2.7	-	-	-	-	2.7
Interest-bearing liabilities	2,256.9	617.6	144.4	-	-	3,018.9
Derivative financial instruments	2.8	-	-	-	-	2.8
Provisions	339.8	-	-	-	-	339.8
Other	10.2	-	-	-	-	10.2
<b>Total non-current liabilities</b>	<b>2,612.4</b>	<b>617.6</b>	<b>144.4</b>	<b>-</b>	<b>-</b>	<b>3,374.4</b>
<b>Total liabilities</b>	<b>5,849.3</b>	<b>617.6</b>	<b>144.4</b>	<b>(8.3)</b>	<b>(569.8)</b>	<b>6,033.2</b>
<b>Net assets</b>	<b>618.9</b>	<b>-</b>	<b>-</b>	<b>(724.5)</b>	<b>(5.5)</b>	<b>(111.0)</b>
<b>Equity</b>						
Share capital	2,238.5	-	-	-	-	2,238.5
Reserves	117.6	-	-	(681.8)	-	564.2
Retained earnings	(1,766.4)	-	-	(13.4)	(5.5)	(1,785.3)
<b>Equity attributable to the owners of Virgin Australia</b>	<b>589.7</b>	<b>-</b>	<b>-</b>	<b>(695.3)</b>	<b>(5.5)</b>	<b>(111.0)</b>
Non-controlling interests	29.2	-	-	(29.2)	-	-
<b>Total equity</b>	<b>618.9</b>	<b>-</b>	<b>-</b>	<b>(724.5)</b>	<b>(5.5)</b>	<b>(111.0)</b>

Notes:

- Virgin Australia reported financial information presented above has been derived from the audited financial statements for the year ended 30 June 2019. Virgin Australia consolidated the assets and liabilities of Velocity in its audited financial statements.
- Issuance of US\$425 million (\$629.7 million) under the concurrent US\$ Notes Offer and assumes AUD/USD of 0.6749 as at 30 September 2019. Net of transaction costs of \$12.1 million.
- Issuance of \$150 million Notes under the Offer. Net of transaction costs of \$5.6 million.
- Assumes that Virgin Australia acquires the 34.82% interest in Velocity Holdco<sup>5</sup> currently held by Affinity and that Velocity Holdco management exit from their remaining 0.52% non-controlling interests, resulting in Virgin Australia holding 100% interest in Velocity Holdco. This adjustment is comprised of:
  - \$700 million consideration payable by Virgin Australia to Affinity under the Acquisition Agreement (plus transaction costs of \$3.5 million);
  - \$4.6 million close out of the Velocity co-investment participation notes held by employees including the recognition of an additional provision of \$1.5 million in relation to these notes;
  - \$5.8 million close out of the Velocity co-investment participation notes held by the former owners of Torque; and
  - \$18.9 million payment of management incentive plan, including the recognition of an additional provision of \$12 million in relation to these notes.
- Repayment of the Nov-19 US\$ Notes and assumes an AUD/USD exchange rate of 0.6749 as at 30 September 2019. This adjustment also includes the impact of re-measurement of fair value of liability between 30 June 2019 and proposed repayment of the Nov-19 US\$ Notes and the impact of hedging arrangements.

5. The acquisition will be undertaken through Virgin Australia's wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

## 6. FINANCIAL INFORMATION

### 6.7. PRO FORMA HISTORICAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

The transactions below will have an impact on the earnings of Virgin Australia and have been reflected as pro forma adjustments:

- The Velocity Acquisition will eliminate the profit allocated to the current non-controlling interest in Velocity Holdco and the amount of transaction costs incurred;
- The Offer will increase interest expense (with the amount of the increase dependent on the final Interest Rate and the amount of transaction costs incurred);
- The concurrent US\$ Notes Offer will increase interest expense based on the final pricing of the concurrent US\$ Notes Offer in addition to the amount of transaction costs incurred;
- The repayment of the Nov-19 US\$ Notes will reduce interest expense; and
- One-off management incentive plan and transaction costs would not be incurred on an ongoing basis.

Virgin Australia management has estimated cost synergies of \$20 million per annum that will be realised following the Velocity Acquisition. The pro forma analysis presented below does not include the estimated \$20 million per annum of expected cost synergies.

\$m

Key reported metrics <sup>1,2</sup>	FY19 Reported <sup>1,2</sup>	FY19 Pro forma <sup>3</sup>
Revenue	5,827.1	5,827.1
NPAT <sup>4,5</sup>	(315.4)	(322.0)
Key underlying metrics	FY19 Underlying <sup>1,2</sup>	FY19 Pro forma <sup>3</sup>
Segment EBITDAR	843.9	851.1
Segment EBITDA	460.8	468.0
Segment EBIT	89.5	96.7
Underlying PBT	(71.2)	(80.3)

Notes:

1. Virgin Australia's reported and underlying financial information presented above has been derived from the audited financial statements of Virgin Australia for the year ended 30 June 2019. Virgin Australia consolidated the results of Velocity in its audited financial statements.
2. Revenue and NPAT are presented on a statutory reported basis. Segment EBITDAR, Segment EBITDA and Segment EBIT are presented in note B1 of Virgin Australia's 2019 Annual Report, but certain items have been excluded from these disclosures and therefore these measures are not presented on a statutory basis. Specifically, Segment EBITDAR, Segment EBITDA and Segment EBIT do not include the impact of gains on disposal of assets (\$1.1 million), impairment losses on cash-generating units (\$152.6 million), onerous contract expenses (\$47.4 million), business and capital restructure and transaction costs (\$24.3 million) and ineffectiveness on cash flow hedges (\$0.9 million). Underlying PBT is presented in the Directors' Report of the Annual Report of Virgin Australia which is not audited. It is defined as Segment EBIT less net finance costs.
3. The pro forma income statement information includes adjustments to reflect:
  - a. The incremental interest expense associated with the Offer based on the expected interest rate of 8.00% and transaction costs incurred, reflecting a full year of interest expense.
  - b. The incremental interest expense associated with the concurrent US\$ Notes Offer based on the final interest rate of 8.125% and transaction costs incurred, reflecting a full year of interest expense.
  - c. Removal of one-off expense in relation to Velocity management incentive plan and other transaction costs in relation to the Velocity Acquisition, the latter of which is not reflected in Segment EBIT or Underlying PBT.
  - d. Reduction in interest expense from the repayment of the existing Nov-19 US\$ Notes, equivalent to a full year of interest.
  - e. Amortisation of debt financing costs relating to both the Offer and the concurrent US\$ Notes Offer.
4. Virgin Australia's NPAT disclosed above excludes the non-controlling interest's share of NPAT on the basis that the Pro Forma Historical Income Statement assumes that Virgin Australia has acquired this interest through the Velocity Acquisition.
5. Income tax expense is based on an assumed 30% tax rate on profit before tax, adjusted for derecognition of deferred tax assets as Virgin Australia has derecognised tax losses during the year. No additional tax benefits have been recognised in relation to the pro forma adjustments.

### Cash flow impact of the transactions

The Velocity Acquisition will allow Virgin Australia to retain minority distributions previously paid to Affinity. In addition, Virgin Australia expects to achieve cost synergies of \$20 million per annum, providing increased cash flow to the Group.

Taking into account the expected interest costs associated with the Offer and the interest rate of the concurrent US\$ Notes Offer, the Velocity Acquisition and \$20 million per annum of expected cost synergies, Virgin Australia expects these transactions to be net cash flow positive for the Group, and therefore supportive of the overall capital management and funding strategy of the Group.

### 6.8. AASB 16 LEASES CHANGE IN ACCOUNTING STANDARDS

AASB 16 replaces AASB 117 Leases (**AASB 117**) and Interpretation 4 *Determining whether an Arrangement contains a Lease* (Interpretation 4). As AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, Virgin Australia will adopt AASB 16 in the financial year beginning on 1 July 2019, or FY20, using the modified retrospective approach, with the cumulative effect of initially applying the standard recognised as an adjustment to retained earnings at 1 July 2019.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under AASB 117. The adoption of the new standard will result in Virgin Australia recognising a right-of-use (ROU) asset and corresponding lease liability for all leases with a term of more than 12 months, excluding low-value assets. Operating lease expense will be replaced by depreciation expense on the ROU assets and interest expense as the lease liabilities unwind.

On transition to AASB 16, the impact on the Group's consolidated statement of financial position is estimated to be:

\$m	<b>Estimated impact of adopting AASB 16 at 1 July 2019</b>
Right-of-use assets	1,100 - 1,300
Lease liabilities	(1,850) - (2,050)
Maintenance provisions	(350) - (450)
Other	(90 - 100)

Virgin Australia expects to refine the above range following the finalisation of assumptions around discount rates and recently executed lease contracts, among other things. The first reporting period reflecting the impact of the transition to AASB 16 will be the Group's consolidated financial statements for the six months ended 31 December 2019. No impact of AASB 16 has been included in the Pro Forma Historical Financial Information presented.

More detailed information about the changes in AASB accounting standards is available in Virgin Australia's financial report for the year ended 30 June 2019.

## 6. FINANCIAL INFORMATION

### 6.9. RELEVANT FINANCIAL RATIOS

#### Financial Leverage Ratio (pre-AASB 16)

Virgin Australia has a Financial Leverage Ratio of 4.7x based on financial information for the 12 months to 30 June 2019 and derived from the audited financial statements, calculated using the following formula:

$$\text{Financial Leverage Ratio} = \text{Adjusted Net Debt}^6 \div \text{Segment EBITDAR}$$

Pro forma for the combined impact of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and the repayment of the Nov-19 US\$ Notes, Virgin Australia's Financial Leverage Ratio would increase to 5.5x.

The above calculations exclude the impact of AASB 16.

#### Financial Leverage Ratio (post AASB 16)

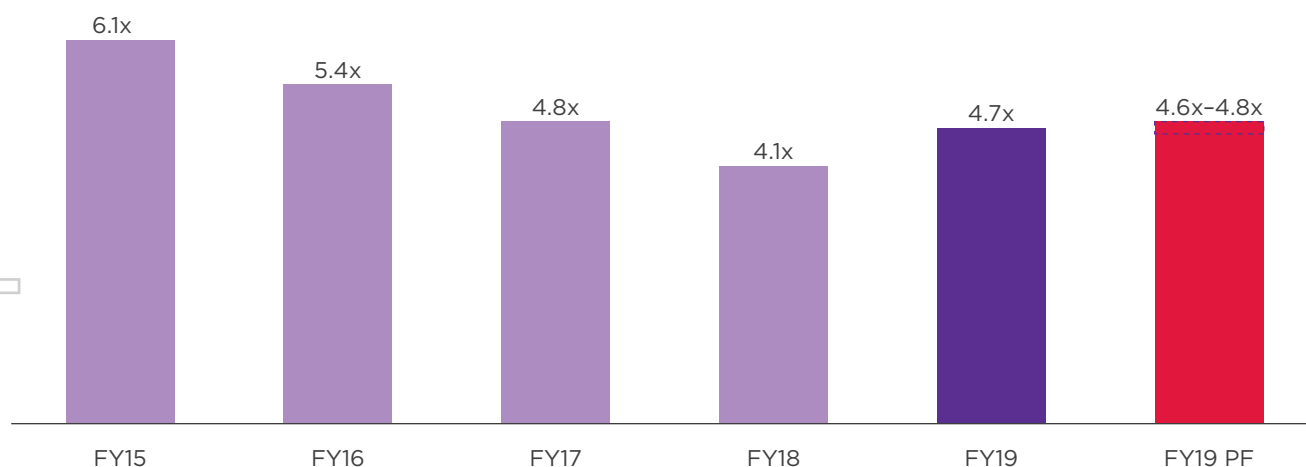
The adoption of AASB 16 will have an impact on the calculation of the Financial Leverage Ratio given Virgin Australia will recognise lease liabilities on balance sheet. Based on Virgin Australia's latest estimate of the impact of AASB 16, Virgin Australia would have a Financial Leverage Ratio (post AASB 16) of 3.7-4.0x.

Pro forma for the combined impact of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and repayment of the existing Nov-19 US\$ Notes, Virgin Australia's Financial Leverage Ratio (post AASB 16) would increase to 4.6-4.8x.<sup>7</sup>

Virgin Australia's Financial Leverage Ratios for the financial years ending 30 June 2015, 30 June 2016, 30 June 2017, 30 June 2018 and 30 June 2019, based on its published financial statements for the financial years, without adjusting for the impact of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and the repayment of the Nov-19 US\$ Notes or the application of AASB 16, are illustrated in the following graph.

Virgin Australia's Financial Leverage Ratio for the financial year ending 30 June 2019, based on its published financial statements for the financial year ending on that date, after adjusting for impact of the Velocity Acquisition, the Offer, the concurrent US\$ Notes Offer and the repayment of the Nov-19 US\$ Notes, and before and after the application of AASB 16, is illustrated in the pro forma capitalisation table which follows.

**FIGURE 22: FINANCIAL LEVERAGE RATIO - ADJUSTED NET DEBT/SEGMENT EBITDAR**



6. The calculation of Adjusted Net Debt includes Virgin Australia's net debt and adding seven times annual aircraft rentals.

7. Financial leverage is expected to be in the range of 4.6-4.8x when adjusting 30 June 2019 financial leverage for (i) AASB 16, (ii) the issuance of US\$425 million of US\$ Notes and \$150 million of Notes under the Offer, and (iii) the repayment of US\$400 million of Nov-19 US\$ Notes. AASB 16 will remove the seven times multiple on annual lease rentals totalling \$2,681.7 million and replace it with an estimated lease liability of \$1,850 - \$2,050 million. The issuance of the US\$ Notes and the Offer in connection with the Velocity Acquisition are expected to increase Net debt by \$725.6 million (before the repayment of the Nov-19 US\$ Notes).



## Pro forma capitalisation

\$m

Summary	Jun-19	Pro forma	Financial leverage <sup>1</sup> (x)	
			FY19	FY19 (PF)
Secured debt	1,570	1,570		
Unsecured debt <sup>2</sup>	1,459	1,651		
<b>Total debt</b>	<b>3,029</b>	<b>3,221</b>		
Cash <sup>3</sup>	(1,740)	(1,194)		
<b>Net debt</b>	<b>1,289</b>	<b>2,027</b>		
Aircraft operating lease expense	383	383		
Capitalised operating leases @ 7.0x	2,682	2,682		
<b>Adjusted Net Debt (Pre AASB 16)<sup>4</sup></b>	<b>3,971</b>	<b>4,709</b>	<b>4.7x</b>	<b>5.5x</b>
Capitalised operating leases (AASB 16) <sup>5</sup>	1,850-2,050	1,850-2,050		
<b>Adjusted Net Debt (Post AASB 16)</b>	<b>3,139-3,339</b>	<b>3,877-4,077</b>	<b>3.7x-4.0x</b>	<b>4.6x-4.8x</b>

### Notes:

1. Financial leverage defined as Adjusted Net Debt divided by Segment EBITDAR. FY19 Segment EBITDAR of \$844 million. Adjusted Net Debt and Segment EBITDAR are non-IFRS financial measures; see the annex to this presentation.
2. Net of proceeds of the US\$ Notes Offer, net of transaction costs of US\$8.2 million, converted to AUD based on the 5.00pm New York closing rate on 30 September 2019 of US\$0.6749 = A\$1.00 for net proceeds of \$617.6 million, and the Offer, net of transaction costs of \$5.6 million for net proceeds of \$144.4 million, and repayment of the existing Nov-19 US\$ Notes that had a face value of \$569.8 million as at 30 June 2019.
3. Reflects the following adjustments: FY19 pro forma cash reflects net proceeds from incremental debt issuance of US\$425 million in US\$ Notes, net of transaction costs of US\$8.2 million, converted to AUD based on the 5.00pm New York closing rate on 30 September 2019 of US\$0.6749 = A\$1.00 for net proceeds of \$617.6 million; \$150 million in Notes, net of transaction costs of \$5.6 million for net proceeds of \$144.4 million; repayment of US\$400 million of the Nov-19 US\$ Notes, converted to AUD based on the 5.00pm New York closing rate on 30 September 2019 of US\$0.6749 = A\$1.00, offset by \$17.4 million of hedging gains for net payment of \$575.3 million; and, Velocity Acquisition of \$700 million (equity value) plus transaction costs of \$3.5 million, close-out costs relating to convertible preference notes of \$10.4 million, management incentive plan payments of \$18.9 million.
4. Calculated as net debt plus seven times annual aircraft rentals.
5. Assumed range estimated by Virgin Australia for the impact of AASB 16, refer to Section 6.8.

## 6. FINANCIAL INFORMATION

### 6.10. CAPITAL MANAGEMENT AND FUNDING STRATEGY

Capital management is a key focus of the Board and senior management. Virgin Australia is targeting an improvement in credit profile through a re-focus on business initiatives to drive profitability, free cash flow and deleveraging so as to maintain a strong capital base and ensure continuing investor, creditor and market support at reasonable cost for the future development of the business.

The Group seeks to maintain a diversified debt portfolio that enables it to access a range of debt markets and instruments to meet its ongoing business requirements and investment opportunities. The Group has accessed a range of sources of funding in previous years.

The following table summarises Virgin Australia's net debt position:

\$m	FY 17 \$m	FY 18 \$m	FY19 \$m
Current interest-bearing liabilities	280.9	295.1	771.9
Cash and cash equivalents (including restricted cash)	(1,396.1)	(1,415.5)	(1,740.0)
Current net debt	(1,115.2)	(1,120.4)	(968.1)
Non-current interest-bearing liabilities	2,152.4	2,273.0	2,256.9
Net debt (non-IFRS measure)	1,037.2	1,152.6	1,288.8

Virgin Australia has diverse funding sources across the secured and unsecured debt markets, and the aircraft leasing market (aircraft assets secure \$1,316.6 million of Virgin Australia's interest-bearing liabilities as at 30 June 2019 net of \$34.7 million of deferred borrowing costs).

Virgin Australia's capital and funding strategy remains focussed on maintaining a strong capital base and balance sheet to support the future development of the business through the following priorities:

#### 6.10.1. Leverage

- Virgin Australia is targeting generation of free cash flow over time to improve its credit profile; and
- The next major debt maturity for Virgin Australia will be the Nov-19 US\$ Notes, which will be repaid from existing cash balances.

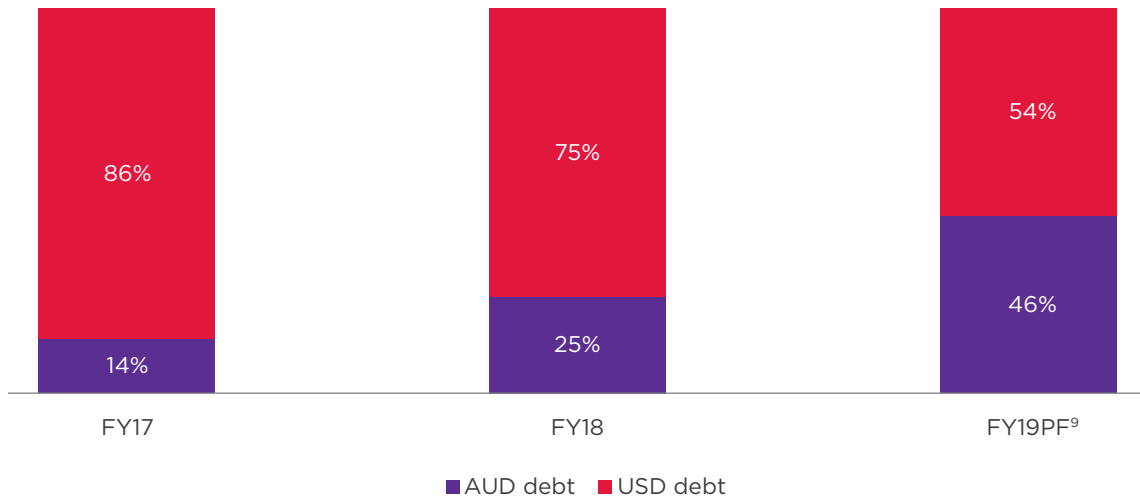
#### 6.10.2. Liquidity

- Maintain a strong level of liquidity, and improve free cash flow through the efficient management of working capital and investing cash flows;
- Key highlights from the recent annual financial results for the year ended 30 June 2019 include:
  - The highest ever cash balance of \$1,740.0 million as at 30 June 2019; and
  - Group free cash flow<sup>8</sup> of \$53.9 million inclusive of \$158.8 million in fuel and foreign exchange headwinds.

#### 6.10.3. Funding

- Maintaining access to diverse sources of funding from debt capital markets (unsecured or secured against assets), commercial bank markets and aircraft operating lease markets;
- Continuing to increase the proportion of Australian dollar debt to U.S. dollar funding mix across both secured and unsecured markets, and smooth the debt maturity profile over time;
- The Offer aligns with the funding plan to diversify the investor base and increase Virgin Australia's Australian dollar denominated debt.
- Key transactions in FY19 include:
  - Unsecured funding of \$250 million Unlisted A\$ Notes issued under Virgin Australia's Australian Medium Term Note Programme;
  - Secured funding - refinancing of owned aircraft resulting in net proceeds of \$446.5 million; and
  - Net undrawn facilities of \$300.8 million as at 30 June 2019.

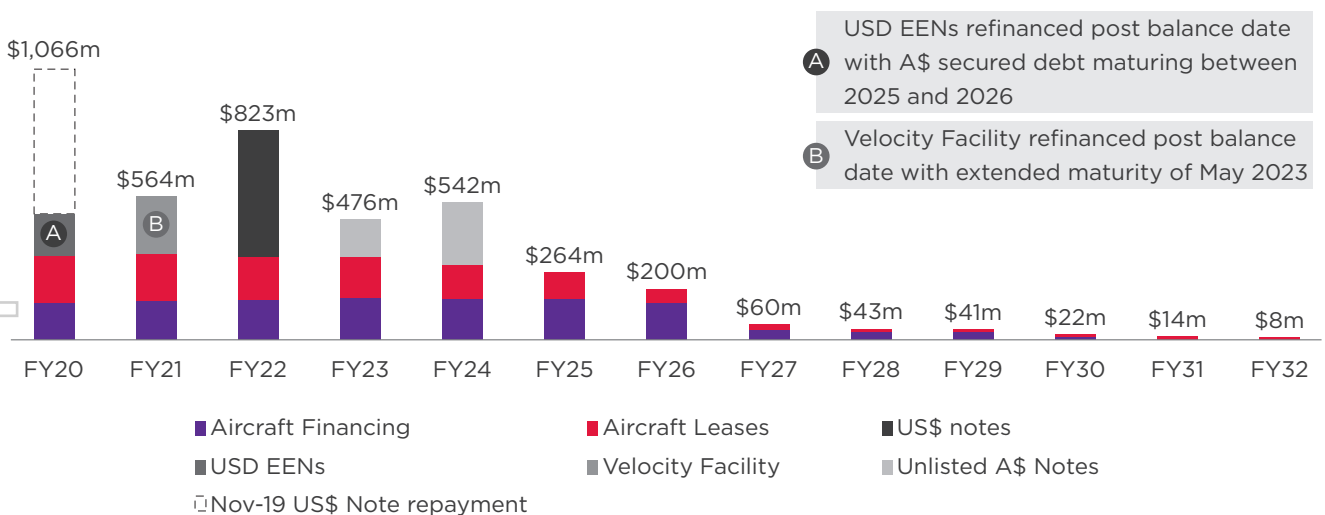
**FIGURE 23: DEBT PORTFOLIO CURRENCY MIX (CONSTANT CURRENCY)<sup>8</sup>**



As at 30 June 2019, Virgin Australia had drawn down debt (interest-bearing liabilities) of \$3,028.8 million, \$300.8 million of available liquidity from undrawn debt facilities and \$1,740.0 million of cash and cash equivalents.

The debt maturity profile below sets out the maturity profile of Virgin Australia's drawn committed facilities as at 30 June 2019 and does not include any adjustment for the concurrent US\$ Notes Offer and the Offer.

**FIGURE 24: DEBT MATURITY PROFILE (PRIOR TO ISSUE OF THE US\$ NOTES AND THE NOTES) AS AT 30 JUNE 2019**



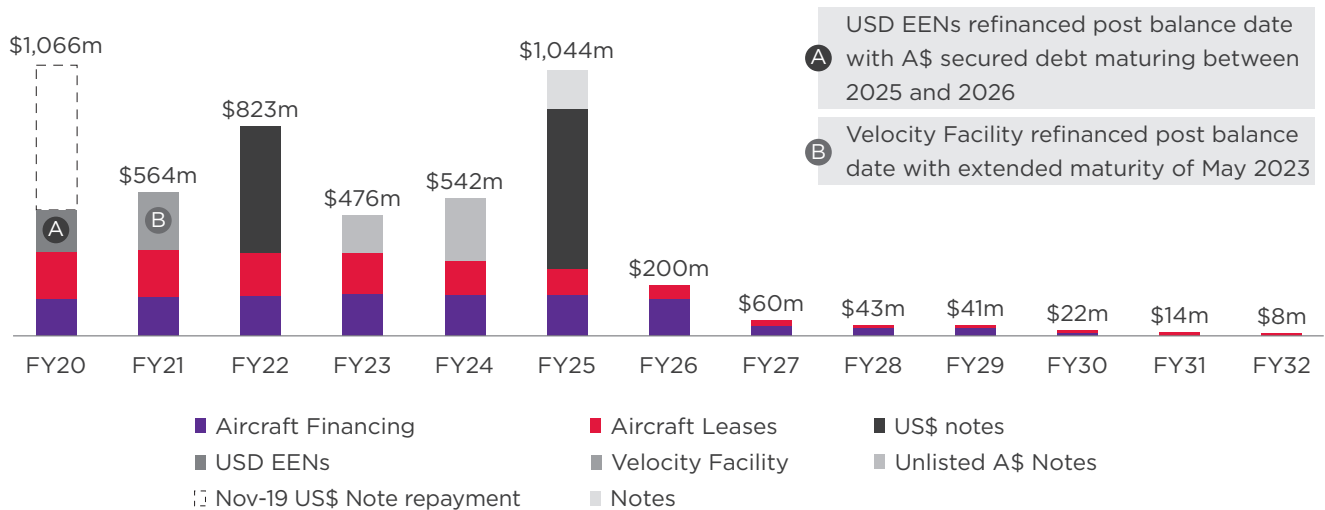
It is the intention that the funds raised under the US\$ Notes Offer and the Offer will be used to fund the purchase consideration of Velocity Holdco, with any surplus proceeds from the Offers being used for general corporate purposes.

- Non-IFRS measure derived from cash generated from operating activities less cash payments for business restructuring expenses less net cash from/(used) in investing activities less equity distributions paid to non-controlling interests.
- FY19 adjusted debt includes assumed proceeds from incremental debt issuance of US\$425m under the concurrent US\$ Notes Offer, \$150m of the Notes under the Offer and repayment of Nov-19 US\$ Notes. Repayment of the Nov-19 US\$ Notes assumes an AUD/USD exchange rate as at June 30 2019 of 0.7020. The issuance of the US\$ Notes Offer and the Notes under the Offer assumes an AUD / USD exchange rate as at 30 September 2019 of 0.6749.

## 6. FINANCIAL INFORMATION

The chart below sets out the debt maturity profile of Virgin Australia's committed facilities after completion of the Offer and the US\$ Notes Offer.

**FIGURE 25: PRO FORMA DEBT MATURITY PROFILE (FOLLOWING ISSUE OF THE US\$ NOTES AND THE NOTES) AS AT 30 JUNE 2019**



### 6.10.4. Hedging

- Maintain an appropriate level of hedging against adverse fuel and foreign exchange movements to reduce cash flow volatility while retaining participation to favourable moves through the partial use of options.
- Under Virgin Australia's hedging and risk management policy, Virgin Australia hedges fuel price and foreign currency exchange rate risk on operating expenses over a two-year time horizon and capital expenses over a three-year time horizon.
- Virgin Australia hedges a portion of its USD denominated debt commitments by holding derivative hedging positions and cash reserves in USD.
- Virgin Australia has taken additional steps to mitigate fuel price and foreign currency exchange rate risk in the near-term. Virgin Australia's hedge positions as at 24 September 2019 in respect of the financial years ending 30 June 2020 and 30 June 2021 are set out below.

	FY20	FY21
Fuel (AUD Brent/bbl)	92%	54%
Foreign currency exchange rate (AUD/USD)	91%	55%

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RISK FACTORS

7



## 7. RISK FACTORS

Before applying for the Notes, you should consider whether the Notes are a suitable investment for you. You should be aware that there are risks associated with an investment in the Notes.

These include risks that arise from the nature of the Notes and the Terms and a number of factors, specific to Virgin Australia and of a general nature, which may affect the ability of Virgin Australia to perform its obligations under the Notes or the value of, or liquidity of the market for, the Notes.

A number of these risks are discussed below. The risks discussed below are those which Virgin Australia's Directors consider most likely to be material to a decision to invest in the Notes based on the knowledge of the Directors as at the date of this Prospectus. The risks discussed below do not include all risks that may be associated with an investment in the Notes and there is no assurance that the importance of different risks will not change or other risks will not emerge, or an investor may attach greater weight to a particular risk than a weight attached to it by Virgin Australia's Directors.

The occurrence and consequences of some of the risks described in this Section of the Prospectus are partially or completely outside the control of Virgin Australia and its Directors and senior management team. Each of the risks set out below could, if they eventuate, adversely affect Virgin Australia's revenues, earnings or financial condition and, as a result, the ability of Virgin Australia to Redeem or pay Interest on the Notes, or otherwise adversely affect a holder of Notes.

Prospective investors should carefully consider the factors in this Section in conjunction with other information disclosed in this Prospectus in order to appreciate the risks associated with an investment in the Notes. Prospective investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their financial adviser, accountant, lawyer or other professional adviser before deciding whether to invest.

### 7.1. RISKS ASSOCIATED WITH VIRGIN AUSTRALIA

Set out in this Section 7.1 are risks associated specifically with an investment in Virgin Australia. You should also consider the other risks in Section 7.2 relating to the Notes, which arise from the nature of the Notes and the Terms.

#### 7.1.1. The airline industry is extremely competitive and Virgin Australia faces competition from other airlines as well as from alternative means of transportation

The airline industry is highly competitive and Virgin Australia competes directly or indirectly against a number of other airlines on all routes on which it operates. Competitive intensity varies across different routes depending on the number and nature of competitors operating on any route, the applicable regulatory environment and associated barriers to entry, such as operating licences, capital requirements, infrastructure availability and the availability of take-off and landing slots.

Virgin Australia may face increased competition as a result of the expansion of existing airlines, the consolidation or formation of alliances between airlines and new airlines entering the market. Virgin Australia may also continue to face increasing competition from other modes of transportation, including road and rail travel, particularly if transport infrastructure facilities improve.

Some of Virgin Australia's international competitor airlines have access to larger and less expensive sources of funding which may enable them to be more competitive. In addition, in the Australian domestic aviation market, Qantas has a larger market share than Virgin Australia. Qantas has a strong position in all segments of the Australian domestic aviation market, including domestic corporate (full service offering), domestic leisure, budget (low-cost offering) and regional "regular passenger transport" (RPT) and charter services. Qantas also has a strong position in the international aviation market and is able to leverage alliances and partnerships with a number of international airline partners.

To the extent Virgin Australia is unable to effectively compete with its peers, including Qantas, Virgin Australia's operating and financial results could be negatively impacted.

### **7.1.2. Virgin Australia could be forced to match deeply discounted promotional fares and corporate discounting offered by its competitors, which may adversely affect its financial performance**

Virgin Australia operates in many markets characterised by high levels of price competition. Virgin Australia faces revenue risk as a result of the competitive nature of the airline industry. Aggressive pricing or capacity increases by Virgin Australia's competitors in domestic and international aviation markets can adversely affect Virgin Australia's revenue and yield performance. As the airline industry is characterised by low profit margins and high fixed costs, a relatively small change in the number of passengers or in fare pricing or fare mix in response to, or as a result of, competitive activity may have a material adverse effect on Virgin Australia's operating and financial results.

### **7.1.3. Virgin Australia incurred losses over the last three financial years and its loss position may continue or increase in future periods**

Virgin Australia incurred a statutory loss after tax of \$185.8 million for FY17, a statutory loss after tax of \$653.3 million for FY18 and a statutory loss after tax of \$315.4 million for FY19. In recent years, domestic and international passenger demand has proven volatile. At times, both domestic and international routes suffer from overcapacity due to additions from competitors, which if in excess of passenger demand, results in a reduction in both passenger load factors and revenue yields. Such overcapacity, particularly if coupled with weak consumer sentiment, could have a negative impact on industry profitability and, in particular, Virgin Australia's profitability. In addition, the aviation industry is highly sensitive to changes in global economic conditions and political developments and, accordingly, unfavourable global macroeconomic trends, or the uncertainty caused by significant political events, could have a material adverse effect on Virgin Australia.

Virgin Australia recently announced that it is undertaking a business reset to address structural challenges in the industry and in its business, to help strengthen its financial performance. The reset calls for a number of cost-cutting and other initiatives, including the streamlining and simplification of the Group's corporate structure and a review of the Group's network, fleet requirements, capacity allocation and supply arrangements. There is no assurance that the business efficiencies Virgin Australia is targeting will be achieved to the extent expected or without incurring greater than expected costs or related impairments. If Virgin Australia is unable to effectively manage costs, Virgin Australia may continue to operate at a loss, and its loss position could increase in future financial periods. In addition, in developing its business improvement program Virgin Australia will be required to make certain assumptions relating to, among other things, customer demand, competition and economic and market conditions. Actual economic, market and other conditions will be different from these assumptions, and Virgin Australia may not be able to successfully execute its business improvement program, in which case Virgin Australia's business, operating and financial results, and financial condition could be materially impacted.

### **7.1.4. Virgin Australia is exposed to risks associated with higher aviation fuel prices**

Fuel costs constituted one of the largest operating costs of Virgin Australia for each of the three financial years ended 30 June 2019. For FY19, FY18 and FY17, fuel and oil costs amounted to 19.8%, 18.0% and 17.4% of Virgin Australia's net operating expenditure, respectively. The price for jet fuel is volatile and is strongly correlated to the price of petroleum and influenced by a number of factors, including global economic growth, political events, war or the threat of war, damage to production facilities (such as the recent damage sustained by Saudi Aramco's facilities in Saudi Arabia) and the impact on pricing of coordinated supply decisions of producer cartels, such as the Organization of Petroleum Exporting Countries. Elevated prices for, and increases in the price of, oil and petroleum products have had, and can continue to have, a material adverse effect on Virgin Australia's financial results and financial condition.

Price risks relating to fuel and oil are partially hedged in accordance with Virgin Australia hedging and risk management policies (refer to Section 6.10.5) through the purchase of oil derivatives in forward markets which can generate a profit or a loss. If Virgin Australia is exposed to significant price volatility or changes in prices for aviation fuel, there can be no assurance that Virgin Australia's hedging practices will effectively protect against these price risks or that Virgin Australia will be able to partially or fully offset these costs by passing on some or all of these costs to passengers and/or by cost reductions. To the extent Virgin Australia is unable to effectively hedge or offset these price risks, its financial performance and financial condition could be negatively impacted.

## 7. RISK FACTORS

### **7.1.5. Virgin Australia is exposed to currency exchange rate risks**

Virgin Australia is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than the Australian dollar. Virgin Australia undertakes transactions in a number of foreign currencies, the most material of which are transactions denominated in U.S. dollars, including the purchase of fuel, aircraft, aircraft lease payments, aircraft maintenance and the repayment of U.S. dollar-denominated debt. The Australian dollar declined against the U.S. dollar by approximately 5% in FY19, closing at US\$0.7020 at 30 June 2019 compared to US\$0.7405 at 30 June 2018. A significant change in the value of the Australian dollar or any other currency in which Virgin Australia operates, to the extent Virgin Australia is unable to protect against currency risk, could have a material adverse effect on Virgin Australia's results of operations and financial condition.

In addition, the translation of foreign currency assets and liabilities on Virgin Australia's balance sheet could have a material adverse effect on Virgin Australia's financial condition and credit metrics. Based on the amount of U.S. dollar interest-bearing liabilities held by Virgin Australia at 30 June 2019, the movement in the AUD/USD exchange rate between 30 June 2018 and 30 June 2019 increased the Australian dollar equivalent of the U.S. dollar debt by \$97.0 million.

In order to protect against exchange rate movements, Virgin Australia holds a portion of cash reserves in U.S. dollars and enters into forward exchange contracts and option contracts to purchase U.S. dollars to hedge highly probable forecasted purchases of currency for the ensuing financial periods in accordance with its hedging and risk management policies (refer to Section 6.10). The contracts are timed to mature when the operating expenses or capital expenditures are expected to be settled. Realised gains or losses on these contracts arise due to differences between the actual spot rates on settlement, the forward rates of the derivative contracts and the cost of option premiums paid. In addition, Virgin Australia holds a proportion of its cash and cash equivalents as a partial natural hedge of its U.S. dollar balance sheet exposure of US\$558.0 million as at 30 June 2019. There can be no assurance that Virgin Australia's hedging practices will effectively protect Virgin Australia against currency risk. To the extent Virgin Australia is unable to effectively hedge or offset these currency risks, Virgin Australia's financial performance and financial condition could be adversely impacted.

In addition, with effect from 1 July 2019, Virgin Australia is required to account for its leases under the new lease accounting standard (AASB 16). Under the new standard, a lease asset and lease liability are created on the balance sheet, and in the case of U.S. dollar leases, the lease liability is revalued through the profit and loss statement. The accounting treatment under AASB 16 may have a material adverse impact on Virgin Australia's unrealised foreign exchange gains or losses in its reported earnings.

### **7.1.6. Airport, transit and landing fees, along with charges and the costs that an airline must pay to ensure it has access to airports and air navigation and related services, may increase**

Virgin Australia is exposed to increases in airport, transit and landing fees, along with changes in air security policies, air traffic security costs and airport common use infrastructure upgrades. Airport, transit and landing fees and security charges or initiatives represent a significant operating cost of Virgin Australia and have a financial impact on its operations. In FY19, airport charges, navigation and station operations represented the third-largest operating cost of Virgin Australia, amounting to \$1,107.5 million for the year, compared to \$1,060.7 million in FY18 and \$1,023.8 million in FY17. Such charges were the second-largest operating cost in FY18 and FY17.

Australia's major airports are privatised, and airport operators hold significant power in negotiating prices for airport services with airlines under the Australian Government's framework for the economic regulation of airport services. Because airport charges represent one of Virgin Australia's largest expenditures, there is a risk that Virgin Australia's cost base will be negatively impacted in the future if the airport operators significantly increase prices and the current economic regulatory framework remains in place. To the extent Virgin Australia is unable to pass on any increases in charges, fees or other costs to its passengers in the short term, its financial and operating performance and financial condition could be materially impacted.



### **7.1.7. Virgin Australia is exposed to the risk of losses or harm to its business from major safety or security incidents**

The occurrence of or failure to prevent or respond effectively to a major safety or security incident relating to Virgin Australia could have a material adverse effect on Virgin Australia's reputation, operational and financial performance, and financial condition. Losses associated with these types of incidents may involve not only the costs associated with the repair or replacement of damaged or lost aircraft and their temporary or permanent loss from service, but also claims by affected passengers, owners of the aircraft and third parties, as well as the impact of any operating restrictions subsequently imposed by regulators. While Virgin Australia maintains certain levels of liability insurance, there can be no assurance that Virgin Australia's insurance coverage will be sufficient to cover all such losses. In addition, Virgin Australia's reputation may be harmed by a safety or security incident, which could negatively impact its future revenue generating capability. Further, if the Australian or other relevant international aviation safety regulatory bodies determine that Virgin Australia could not operate its services safely as a result of a safety or security incident, Virgin Australia could lose, or have conditions imposed on, its regulatory approval or operational licences which, in an extreme case, could result in the grounding of Virgin Australia's fleet.

An aircraft accident or any security or safety related incident involving a partner airline with which Virgin Australia has a codeshare arrangement might be associated with Virgin Australia by the public, and could potentially cause Virgin Australia to suffer reputational damage (and associated losses), even if none of its aircraft are involved. Further, aircraft accidents or similar incidents involving another airline could impact general passenger confidence and lead to a reduced demand for air travel, which in turn could adversely impact Virgin Australia, particularly if the accident or incident involved an aircraft type used by Virgin Australia. An airworthiness directive issued by a regulator in respect of, or a manufacturing design fault identified in, an aircraft type operated by Virgin Australia has the potential to impact the operations of that fleet.

Failure to prevent or respond effectively to a major safety or security incident could have a material adverse effect on Virgin Australia's financial and operating performance and financial condition.

### **7.1.8. The mandatory grounding of an aircraft type operated by Virgin Australia or one of its alliance or codeshare partners could have a material adverse effect on its business, operating results and financial condition**

Virgin Australia currently operates six aircraft types. If any of these aircraft types encounter technical or other difficulties, the affected aircraft types may be subject to mandatory regulatory groundings or Virgin Australia may choose to ground the aircraft until the difficulties have been resolved. For example, in March 2019, aviation authorities around the globe issued emergency orders prohibiting the operation of Boeing 737 MAX series aircraft. While Virgin Australia does not currently operate any 737 MAX aircraft (its first expected deliveries of the 737 MAX10 aircraft and 737 MAX8 aircraft are 2021 and 2025, respectively), if one of the aircraft types currently operated by Virgin Australia were subject to mandatory or optional grounding, it is unlikely that Virgin Australia would be able to lease or otherwise obtain the right to use a sufficient number of aircraft to maintain its flight schedule, which could have a material adverse effect on its results of operations and liquidity.

### **7.1.9. Virgin Australia is exposed to risks associated with the introduction of the Boeing B737 MAX10 and MAX8**

Virgin Australia has 50 Boeing B737 MAX10 and B737 MAX8 aircrafts on order, with the first expected deliveries in 2021 and 2025, respectively. Typically, when introducing a new aircraft model or type into the fleet there are risks associated with entry into service delays or cost overruns. Such delays or cost overruns can be due to aircraft manufacturing delays, the supply of buyer furnished equipment and seller purchased equipment, supplier delays, regulatory approvals, personnel training and licensing, provisioning of spare parts and special tooling, acquisition of ground support equipment, and delays regarding entry into on-going support and maintenance contracts.

In the case of MAX10 and MAX8 aircraft, there is additional risk associated with the travelling public's perception of the MAX aircraft due to the Lion Air and Ethiopian Airlines Boeing B737 MAX8 fatal accidents and the subsequent worldwide grounding of those aircraft. The travelling public may view the aircraft as unsafe and avoid travel on the aircraft or with airlines that operate the aircraft until its safety can be demonstrated.

## 7. RISK FACTORS

### **7.1.10. Virgin Australia is exposed to operational disruptions due to maintenance of its fleet, airport security incidents or other events**

Virgin Australia's business is highly dependent upon its ability to operate without interruption at a number of core airports. Delays or disruptions in service at any of these airports, including those due to security or other incidents, weather conditions, airport incidents, power failure, the unavailability of sufficient personnel or resources, or other causes beyond the control of Virgin Australia, such as industrial action by workers not employed by Virgin Australia, including baggage handlers, security or customs personnel or air traffic controllers, could have a material adverse impact on Virgin Australia's business, results of operations and financial condition.

Virgin Australia's fleet requires regularly scheduled maintenance work and, from time to time, unscheduled maintenance work, which may cause operational disruption. On occasion, airframe manufacturers and regulatory authorities may require mandatory or recommended modifications to be made across a particular fleet which may necessitate the temporary grounding of a particular type of aircraft. This may cause operational disruption to and impose significant costs on Virgin Australia, especially if the modifications are required on an aircraft type on which Virgin Australia is highly dependent. For instance, on 3 October 2019, the U.S. Federal Aviation Authority issued an Airworthiness Directive in respect of Boeing 737NG aircraft relating to cracking found in some aircraft on the side outboard chords of frame fittings and certain failsafe straps. The Airworthiness Directive requires inspections, reporting on such inspections, and repair in the event cracking is found. Future Airworthiness Directives may result from such inspections, and could require action regardless of whether cracking is present. While the costs to comply with the inspection and reporting obligations are expected to be minor, the cost of a repair could be substantial. Virgin Australia operates 80 Boeing 737NG aircraft and its domestic operations are heavily reliant on the ability to operate these aircraft. Any inability to operate its 737NG aircraft or need to expend significant amounts of money to repair such aircraft could have a material adverse effect on Virgin Australia.

### **7.1.11. Virgin Australia is dependent on uninterrupted operation of its information technology systems, which may be subject to failure, disruption or misuse**

Virgin Australia relies heavily on technology, including computer and telecommunications equipment and infrastructure and software and internet-based systems, to operate its business, generate revenues and reduce costs. Virgin Australia's ability to manage ticket sales, receive and process reservations, manage its network and perform other critical business operations is dependent on the efficient and uninterrupted operation of computer, internet and communication systems, including the SabreSonic online reservation and ticketing system used by Virgin Australia, the Tigerair Australia Navitaire reservations platform and the airport provided common user technology. The failure of these systems or another system on which Virgin Australia is substantially dependent could have a material adverse effect on Virgin Australia's business and operations.

In addition, computer and communications technology systems and associated infrastructure, including telecommunications infrastructure, may be vulnerable to disruption, power outages, acts of sabotage, data security breaches, a loss or unauthorised release of data, computer viruses, fires and other events. While Virgin Australia invests in technology initiatives, including security initiatives and disaster recovery plans, and also purchases cyber insurance to help protect against unexpected breaches, these measures may not be adequate or implemented properly, and there can be no assurance of efficient and uninterrupted operation of these systems and associated infrastructure or any assurance that data security measures will not be breached resulting in a loss or the unauthorised release of data.

Any such technology systems failure, disruption or misuse, whether by Virgin Australia or a third party, could adversely affect Virgin Australia's operations and have a material adverse effect on its financial condition and results of operations.

### **7.1.12. Virgin Australia is exposed to global and domestic economic conditions**

Virgin Australia's operating results are sensitive to global economic conditions. Demand for air travel depends on general global and domestic economic conditions, employment levels, consumer and business confidence and the availability of consumer credit. Economic conditions may also impact Virgin Australia's operating costs, fuel and other supply costs, and the cost and availability of capital required by Virgin Australia. In addition, due to the long lead-times associated with purchasing aircraft, changes in economic conditions may result in Virgin Australia having either too much or too little capacity at the time future aircraft orders are delivered.

Airline fares and passenger demand have fluctuated significantly in the past and may fluctuate significantly in the future. Airline industry growth is highly correlated to GDP growth and tends to experience significant adverse financial results during economic downturns, as passengers often choose to reduce their travel or reduce the price they are willing to pay for travel during such times. Depressed economic conditions, whether in Australia, in other areas serviced by Virgin Australia or elsewhere throughout the world, may therefore have a material adverse effect on Virgin Australia's financial and operating performance and financial condition.

### **7.1.13. Geopolitical conditions, including terrorist attacks and military conflicts, and other external events could have an adverse impact on Virgin Australia's business**

Political instability in markets served by Virgin Australia, as well as the occurrence of terrorist attacks, attempted terrorist attacks (whether domestic or international and whether involving Virgin Australia or another airline or no airline at all) or military conflicts worldwide, could adversely affect Virgin Australia. The adverse consequences of terrorist attacks, and the threat of such attacks, or government advisory alerts about such potential threats, could reduce demand for air travel, and could adversely impact the availability, amount and cost of insurance coverage.

Actual or threatened terrorist incidents could increase costs associated with preventative security measures or could add to fuel costs if alternative longer routes are required to be adopted for safety reasons. In addition, the incidence of terrorist attacks and military conflicts in oil producing regions may adversely impact fuel costs. Any resulting reduction in passenger revenues or increases in costs could have a material adverse effect on Virgin Australia's financial and operating performance and financial condition.

In addition, external events, such as epidemics and pandemics, natural disasters, trade wars, severe weather conditions or other "Acts of God" (whether on a regional or global scale) may cause a significant network disruption to the airline industry, resulting in reductions in or cancellations of bookings and flights in the affected region and, more generally, reducing overall demand for Virgin Australia's services. More generally, if external events were to weaken the demand for air travel or materially affect airline operations for a period of time, Virgin Australia's operating and financial performance and financial condition could be materially impacted.

### **7.1.14. Virgin Australia is dependent on the strength of its brands, which it uses under licences from third parties which may be terminated or not renewed or limit its ability to use its brands in new non-domestic destinations, and which may be harmed by actions of third parties**

Virgin Australia licences certain brands from Virgin Enterprises Limited (**Virgin Enterprises**), including "Virgin Australia" under long-term agreements with Virgin Enterprises. The "Tigerair Australia" brand is licenced from Tiger Airways Holdings Limited (**Tigerair Singapore**). Virgin Australia's brands have significant commercial value and damage to these brands could adversely impact Virgin Australia's business as Virgin Australia relies on the positive recognition of its brands to help attract and retain passengers, employees and investors. There is no guarantee that any brand licence will be renewed upon its expiration or on terms that are favourable to Virgin Australia. In addition, if Virgin Australia breaches a material term of a brand licence and the breach is not remedied, the relevant brand licence could be terminated.

## 7. RISK FACTORS

The “Virgin” brand is owned and controlled by Virgin Enterprises and is not under Virgin Australia’s control. The strength of the “Virgin” brand can be damaged by the actions of members of Virgin Enterprises or other licensees that are not affiliated with or controlled by Virgin Australia. In addition, due to the high profile of the “Virgin” brand internationally, Virgin Australia is susceptible to negative or inaccurate commentary on the “Virgin” brand and international and Australian domestic organisations associated with the “Virgin” brand, which may, in turn, harm Virgin Australia’s image and reputation. Losing the right to use the “Virgin” brand, being required to modify its use of the “Virgin” brand, a change in the perception of the “Virgin” brand or damage to the “Virgin” brand could have a material adverse effect on Virgin Australia’s business. Similarly, the reputation of the “Tigerair Australia” brand is not under Virgin Australia’s control and can be adversely affected by the actions of Tigerair Singapore or other licensees that are not affiliated with or controlled by Virgin Australia.

In addition, Virgin Australia’s ability to expand its operations under the “Virgin Australia” brand to include new non-domestic destinations is, in some circumstances, subject to Virgin Enterprises’ consent, which may place limitations on future expansion plans. Tigerair Australia’s operations under the “Tigerair Australia” brand are also subject to certain restrictions under its licence agreement with Tigerair Singapore. For example, the trademark licences for Virgin Australia’s business limit the use of any other trademark which could otherwise be used by Virgin Australia domestically and internationally for licenced activities.

### **7.1.15. Virgin Australia faces risks that its strategic alliances may not be reauthorised or renewed or deliver the anticipated results**

The development and maintenance of alliances and other strategic relationships is critical to Virgin Australia’s business and strategy. Virgin Australia has key strategic alliances with Delta Air Lines, Etihad Airways, HNA Group (including Hong Kong Airlines) and Singapore Airlines, and has recently announced a proposed strategic alliance with Virgin Atlantic, subject to final ACCC authorisation which is expected in November 2019, but may not be attained by then or at all. Combined, Virgin Australia’s airline partnerships contributed approximately 7% of direct revenue and an additional approximately 5-7% of enabled revenue in FY19. Direct revenue is generated by airline partners selling tickets with Virgin Australia operated flights. Enabled revenue is generated by: (i) Virgin Australia selling tickets that include both a Virgin Australia operated flight and an airline partner operated flight; and (ii) corporate customers who have corporate deals on airline partner networks booking Australian domestic flights operated by Virgin Australia. These strategic alliances are complemented by key partnerships with, among others, All Nippon Airways, Hawaiian Airlines and Alliance Airlines. Each of the strategic alliances, as well as the reciprocal frequent flyer program agreements with the alliance partners, is subject to termination by either party upon the occurrence of certain events, including insolvency, material defaults and other specified events and conditions.

Virgin Australia’s strategic alliances with its airline partners require ongoing authorisation from the ACCC or, in some circumstances, the relevant regulator in the home country of the strategic alliance partner. There is a risk that the ACCC or the relevant regulator in the alliance partner’s home jurisdiction could choose not to reauthorise a key strategic alliance for a number of reasons, including if aviation market conditions have changed since the previous authorisation was granted. It is also possible that the ACCC or the relevant regulator in the alliance partner’s home jurisdiction could impose new or additional conditions on a partnership or alliance in connection with reauthorisation, which could add additional costs and operational burdens on Virgin Australia’s business. The loss, non-renewal or non-reauthorisation of any one of these alliances could have an adverse material effect on Virgin Australia’s financial performance and financial condition. Further, no assurance can be given that Virgin Australia’s alliances or partner airlines will perform in line, from an operational perspective, with Virgin Australia’s expectations, which could result in a significant variation in the amount of transfer payments or receipts payable to Virgin Australia, and which, in turn, could adversely affect Virgin Australia’s results of operations and financial condition.

### **7.1.16. Virgin Australia may be unable to identify or obtain regulatory authorisations for new strategic alliances and partnerships, which are important to Virgin Australia's growth and strategy**

No assurance can be given that new potential alliances will be identified, or that existing or new alliances or partnerships will perform as expected or yield the anticipated benefits to Virgin Australia. In addition, there is a risk that the ACCC or the relevant regulator in the home country of a proposed strategic alliance partner may choose not to authorise a key strategic alliance or impose conditions on a partnership or alliance in connection with authorisation that may add additional costs and operational burdens on Virgin Australia's business. For example, Virgin Australia's proposed strategic alliance with Virgin Atlantic received draft authorisation on 13 September 2019. Although final authorisation of the Virgin Atlantic alliance is expected from the ACCC in November 2019, there is no assurance that such authorisation will be granted or that the proposed alliance will deliver the anticipated benefits.

### **7.1.17. Virgin Australia's maintenance capital costs are forecast to increase**

Virgin Australia's maintenance capital costs are expected to remain relatively stable in FY20 and then are expected to increase in FY21 and FY22. The projected increase is largely due to where the aircraft are in their heavy maintenance and engine overhaul cycles. In addition, this increase relates to a large cluster of B737-800 NG deliveries between FY10 and FY13 and their heavy maintenance is due in the next one to two years. Aircraft maintenance cycles operate over a number of years (in some cases over a decade) and, as such, can fluctuate materially from year to year. Over time, the cost to maintain aircraft generally increases as the aircraft age. As such, Virgin Australia actively manages its fleet with respect to the trade-off between fleet age, new aircraft capital investment and ongoing maintenance requirements. While Virgin Australia has tools to manage and reduce these costs, including fleet reductions and reduced capacity, there is a risk that it may not be able or prudent to do so, which could have a material adverse effect on Virgin Australia's financial results and financial condition.

### **7.1.18. Virgin Australia has incurred substantial indebtedness, including indebtedness that is secured or otherwise effectively ranks ahead of the Notes, and such indebtedness may limit Virgin Australia's ability to implement its business initiatives and adversely affect its ability to meet its obligations under the Notes**

The airline industry is capital intensive and, as a result, Virgin Australia has incurred indebtedness and capital commitments (primarily with respect to aircraft) to finance its material capital expenditure requirements. As a consequence, a substantial portion of Virgin Australia's existing borrowings is secured by Virgin Australia's assets, and such borrowings will effectively rank senior in priority to the Notes and the Guarantees to the extent of the value of assets by which they are secured. At 30 June 2019, without giving effect to the Offer, the concurrent US\$ Notes Offer or the repayment of Virgin Australia's Nov-19 US\$ Notes, Virgin Australia and its subsidiaries had current and non-current interest-bearing liabilities of \$3,028.8 million, of which \$1,570.2 million was secured. On an as adjusted basis to give effect to this Offer, the concurrent US\$ Notes Offer and the repayment of Virgin Australia's Nov-19 US\$ Notes, Virgin Australia and its subsidiaries would have had current and non-current interest-bearing liabilities of \$3,221.0 million of which \$1,570.2 million was secured, as at 30 June 2019. Further, a portion of Virgin Australia's consolidated indebtedness, though not secured, has been incurred by subsidiaries that are not Guarantors, including third party indebtedness incurred by the Velocity Sub-Group with a face value of \$225 million as at 30 June 2019, and such indebtedness will be structurally senior to the Notes and the Guarantees. As a result of covenants in Velocity's debt, the cash flow generated by the Velocity Sub-Group will not be available to service the indebtedness of members of Virgin Australia and each of the Restricted Subsidiaries, except to the extent of equity distributions permitted to be made to Virgin Australia in compliance with the limitations on such distributions contained in the Velocity Sub-Group's financing facilities. Virgin Australia has designated, and is permitted to create further, Unrestricted Subsidiaries, which will not be subject to any of the covenants in the Terms of Issue, and Virgin Australia may not be able to rely on the cash flow or assets of those Unrestricted Subsidiaries to pay its indebtedness.

Virgin Australia's substantial indebtedness could have important consequences. For example, it could reduce Virgin Australia's ability to grow its business through capital expenditures and acquisitions, reduce working capital, limit Virgin Australia's flexibility in planning for, or reacting to, changes in its business industry or the general economy, place Virgin Australia at a disadvantage compared to its competitors that have less debt, and limit Virgin Australia's ability to borrow additional funds or pay down existing debt. Further, in the event of a winding up of Virgin Australia or its subsidiaries, Virgin Australia may not have sufficient assets available following the satisfaction of effectively prior ranking claims, to repay the Notes.

## 7. RISK FACTORS

### **7.1.19. Virgin Australia has substantial future commitments and future financing needs and may not be able to obtain sufficient funds in a timely manner, on acceptable terms or at all**

Virgin Australia has substantial future commitments and future financing needs, including for capital expenditures and to refinance its existing indebtedness. Virgin Australia's ability to finance its operations is susceptible to various factors including financial market conditions. A failure to obtain adequate financing to meet necessary operating and capital expenditures could have a material adverse effect on Virgin Australia's financial condition and results of operations.

Virgin Australia's current liabilities exceeded its current assets as at 30 June 2019 by \$1,071.6 million (and by \$544.4 million as at 30 June 2018) including a current liability for unearned revenue of \$1,262.7 million (\$1,142.1 million as at 30 June 2018) and a current liability of \$569.8 million in relation to the Nov-19 US\$ Notes that mature (and will be repaid with cash on hand) in November 2019. Unearned revenue includes revenue received in advance which has been deferred in the statement of financial position until carriage is performed. The Group has built its cash and cash equivalents balance at 30 June 2019 to \$1,740.0 million (\$1,415.5 million in FY18), which includes an unrestricted cash balance of \$1,330.3 million (\$1,000.8 million in FY18), ahead of the US\$400 million maturity of the Nov-19 US\$ Notes. The Group also has \$470.2 million of undrawn financing facilities in place as at 30 June 2019, including \$84.8 million of standby multi-option facilities, \$350.0 million of committed undrawn secured funding facilities (which will raise \$180.4 million of additional cash after repayment of outstanding secured debt) and US\$25.0 million (\$35.6 million) of uncommitted facilities as at 30 June 2019.

In addition, Virgin Australia has substantial commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. As at 30 June 2019, commitments payable for the acquisition of property, plant and equipment and intangibles, including aircraft and aeronautic related assets, totalled \$4,240.6 million (as compared to \$3,814.2 million as at 30 June 2018).

Virgin Australia's ability to meet its financing needs will be contingent on its operating performance, cash flow and ability to source capital, including indebtedness in the capital markets, on commercially acceptable terms. There can be no assurance that Virgin Australia will be able to obtain financing on commercially acceptable terms, or at all, to refinance certain maturing debt, provide adequate liquidity, finance the operating and capital expenditures necessary to its ongoing operations and support its business strategy if cash flows from operations and cash on hand are insufficient.

### **7.1.20. Certain financing arrangements could significantly limit Virgin Australia's operating and financial flexibility**

Virgin Australia's failure to comply with its contractual obligations could result in a variety of material adverse consequences. Some of the financing and other major agreements to which Virgin Australia is a party contain provisions that affect the repayment profile, amount of security posted or applicable interest rates in respect of such arrangements, based on, among other things, liquidity and asset values. Some of the financing and other major agreements to which Virgin Australia may, in the future, become a party, including the Terms of Issue, may contain provisions that impact the terms under which future borrowings may be obtained. Current and future arrangements may affect and, in some cases, significantly limit or prohibit, among other things, the manner in which Virgin Australia may structure or operate its business, including by limiting Virgin Australia's ability to:

- maintain or improve its liquidity;
- incur indebtedness;
- create liens;
- sell assets;
- pay dividends;
- make capital expenditures; and
- engage in acquisitions, mergers or restructurings or a change of control.

These requirements may limit Virgin Australia's operating and financial flexibility, which could materially and adversely affect Virgin Australia's ability to operate its business and its profitability.

### **7.1.21. Increases in insurance costs or a reduction in insurance coverage could have an adverse effect on Virgin Australia's business**

Virgin Australia seeks to insure its fleet in accordance with financing, contractual and legislative requirements. Virgin Australia's ability to secure the desired policies or policies required under its various aircraft financings or leasing obligations is dependent on the availability of such insurance policies. These policies must be renewed at regular intervals and may be subject to renewal on less favourable terms. In addition, these policies stipulate a number of exclusions and conditions under which the insurers may terminate policies or deny coverage.

The airline industry is exposed to the risk that insurance coverage for aviation related risks will in the future become too expensive or too difficult to obtain. Future terrorist attacks or acts of sabotage, especially if they were to be directed against air traffic, or the occurrence of other incidents, such as natural or man-made disasters, could result in insurance coverage for aviation risks becoming more expensive or certain risks becoming uninsurable. For example, international aviation insurance markets introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, bio-hazard materials, electromagnetic pulsing and similar causes of loss. There can be no assurance that the amount of insurance coverage, if any, available to Virgin Australia will be adequate. Any shortfall may be material and could have an adverse effect on Virgin Australia's ability to operate, financial condition and results of operations.

### **7.1.22. Virgin Australia is subject to extensive regulation of its aviation and broader business activities**

Airlines are subject to extensive regulatory requirements. Virgin Australia is subject not only to Australian law and regulation, but also to the laws and regulations of other countries, international organisations and international, bilateral and multilateral treaties. The scope of such laws and regulations includes, among other things, international traffic rights, airport operation and access, the environment (including noise abatement and carbon emissions), civil aviation safety requirements, workplace health and safety regulation, licensing, competition, consumer protection, ticket pricing, privacy, data protection, corporate governance, employment and tax.

Additional laws, regulations, taxes and airport rates and charges, including significant increases in charges imposed directly on passengers, such as the Australian Government's Passenger Movement Charge and New Zealand's International Visitor Conservation and Tourism Levy, proposed or established from time to time could significantly increase the cost of airline operations or reduce revenues by, among other things, reducing demand for air travel. For example, changes in flight duty and rest requirement rules or the minimum required flight crew to passenger ratios could result in a material increase in Virgin Australia's employment-related costs. Similarly, new laws and regulations may change the way in which Virgin Australia is able to charge passengers for certain items. These changes may lead to a material loss of revenue if such fees cannot be separately charged and are not able to be offset by fare increases.

Certain foreign markets in which Virgin Australia operates are subject to government regulation which limit capacity and/or restrict market entry. For example, capacity is limited under the Australia-Indonesia air services agreement and under the Australian-Japan air services agreement for access to Tokyo Haneda airport. Some domestic intrastate routes also have market entry restrictions. There is also a risk that Virgin Australia's ability to enter new markets and pursue growth opportunities may be impeded as a result of government regulations restricting Virgin Australia's entry into new markets. Such regulation may prevent Virgin Australia from fully realising the anticipated benefits of any service expansions into new markets or the benefits of potential strategic alliances or key partnerships. If the expected benefits of new service offerings are not realised fully or at all, or take longer to realise than expected, Virgin Australia's operational and financial performance and financial condition could be materially impacted.

In addition, Velocity is subject to several types of regulation, including privacy, data, competition and advertising legislation, and may be subject to additional regulation in the future. For example, in September 2019, the ACCC released a draft report on Customer Loyalty Schemes in Australia, which addresses the collection, use and disclosure of consumer data as well as the terms and conditions of loyalty schemes. If enacted, legislation responding to this draft report could adversely affect Virgin Australia's ability to make unilateral changes to Velocity's terms and conditions of membership, regulate the "expiry" of points and restrict the ability of Virgin Australia to use Velocity's customer data.

Virgin Australia cannot fully anticipate regulatory changes that may be made in the future, or the possible adverse impact of such changes. Virgin Australia's ability to comply with such regulations is key to maintaining its operational and financial performance. If Virgin Australia is unable to fully comply with future regulations, or if the cost of compliance with new regulations is significant and Virgin Australia is unable to pass such costs on to its passengers, Virgin Australia's financial performance and financial condition could be materially impacted.

## 7. RISK FACTORS

### 7.1.23. Virgin Australia may be exposed to risks associated with climate change regulation

Various international, national and regional regulatory approaches are being taken to address climate change.

On 1 July 2012, the Australian federal government introduced a carbon price mechanism that imposed a fixed price on carbon emissions generated domestically. Legislation was passed on 17 July 2014 to end the carbon price mechanism effective 30 June 2014. Following the passage of legislation on 31 October 2014, the Australian federal government implemented an alternative climate change policy, known as Direct Action. Direct Action includes a government Emissions Reduction Fund to purchase Australian-based greenhouse gas emissions reductions and abatement at auctions. This presents an opportunity for businesses to be paid for their emissions reductions and abatement, subject to compliance with the conditions of the program. Direct Action also applied a “safeguard” baseline mechanism applicable to large (domestic) emitters from 1 July 2016. This mechanism applies to facilities with direct emissions of 100,000t carbon dioxide equivalent (CO<sub>2</sub>-e) per annum or more. On this basis, the “safeguard” baseline mechanism applies to Virgin Australia. If baselines are exceeded, Virgin Australia may be required to purchase and surrender Australian carbon credit units for emissions above the set baseline.

Internationally, the International Civil Aviation Organization (ICAO) is overseeing efforts to address greenhouse gas emissions from international aviation. On 7 October 2016, the General Assembly of the ICAO resolved to implement a new Global Market-Based Measure Scheme (GMBM) to offset certain CO<sub>2</sub> emissions from international flights. The GMBM will commence as a voluntary scheme from 2021 to 2026, and thereafter will become mandatory for ICAO member states generating more than 0.5% of global aviation emissions (other than member states exempt from the regime). Under the GMBM, airlines, including Virgin Australia, will be required to offset or reduce their CO<sub>2</sub> emissions on some international flights. Australia has indicated that it will participate in the voluntary GMBM from 2021. The financial impact of the GMBM cannot be accurately assessed at present. Virgin Australia is considering the GMBM and will look to develop compliance programs and offset procurement and reduction strategies in advance of its implementation to ensure that Virgin Australia can meet its obligations under the GMBM.

It is broadly expected that international and domestic regulation of climate change issues will increase over time and will likely involve increasing costs applied to greenhouse gas emissions or limits on such emissions. Climate change regulation in Australia and in other countries and regions may limit Virgin Australia’s operational flexibility and increase its costs. In addition, passenger attitudes regarding environmental and climate issues may also change, which could lead to reduced demand for air travel, in particular if ticket prices are increased by the impact of climate change regulation. The risks associated with climate change regulation could have a material adverse effect on Virgin Australia’s financial performance and financial condition.

### 7.1.24. The airline industry relies upon and is exposed to national and international infrastructure development

Virgin Australia is dependent on and may be affected by infrastructure decisions or changes in infrastructure policy by governments, regulators or other entities outside its control. Virgin Australia endeavours to mitigate medium- and long-term risks associated with infrastructure decisions and policies through regular planning and commercial consultations with key airports. However, if the governing bodies of any airports important to Virgin Australia’s operations do not make appropriate infrastructure decisions when needed, Virgin Australia’s ability to operate at such airports and Virgin Australia’s financial and operating performance could be adversely affected. Further, if the governing bodies of airports make or implement decisions to improve infrastructure, the resulting cash flow and/or expense requirements may have an adverse effect on Virgin Australia’s financial condition and results of operations.

### 7.1.25. Virgin Australia may fail to secure required slot allocations

Slot allocations can affect the competitiveness and financial condition of airlines. Airport slots are rights allocated to an entity by an airport, government agency or other agency granting the slot user the right to schedule a landing or departure during a specific time period. Slot allocations are based on a number of factors and, for many airports, airlines are required to participate in an application process to secure slot allocations at the particular airport. While the International Air Transport Association (IATA) has established best industry practice guidelines (based on such criteria as environmental issues and the appropriate use of slots) and a policy for worldwide application in relation to slot allocation and coordination, local regulation and legislation will override IATA’s procedures if such regulation or legislation exists. Virgin Australia operates (or is seeking to operate) at a number of congested and slot constrained airports, including Sydney, Melbourne, Brisbane, Perth, Hong Kong, Denpasar, Los Angeles and Tokyo Haneda. A failure of Virgin Australia to secure slots for current and future flights could affect its ability to add additional flights to its existing schedules at the relevant airports and could lead to changes in flight schedules or reduced aircraft utilisation, which in turn could adversely affect its operating and financial performance.



#### **7.1.26. Virgin Australia may be exposed to the loss of key airport capacity**

Virgin Australia is exposed to the loss of capacity at its core airports, including the Brisbane, Sydney and Melbourne airports, and at other airports where it flies to and from. Factors affecting such capacity, on either a short- or long-term basis, could have a material adverse effect on Virgin Australia's financial condition and results of operations.

The complete or partial loss or temporary closure of any terminal or other substantial facilities at Virgin Australia's core airports - for instance due to major IT outage, power outage, fire, collapse of the building, weather related events, major air crash at the site, a terrorist or similar security incident, significant construction or labour strikes - would be likely to disrupt Virgin Australia's operations and could have a material adverse effect on Virgin Australia and its partners' business, financial condition and results of operations.

#### **7.1.27. Virgin Australia is dependent on its employees, may not be able to maintain labour costs at sustainable levels and may be exposed to operational disruptions as a result of industrial action**

Employee costs represented the largest cost component of Virgin Australia's operating expenses for each of the three financial years ended 30 June 2017, 2018 and 2019. Several unions represent many of Virgin Australia's staff members. Enterprise agreement negotiations with unions over renewal of employee terms and conditions takes place on a regular basis, with multiple negotiations currently taking place. In addition, labour conflicts or a breakdown in the bargaining process with Virgin Australia's employees, including flight crew, cabin crew and ground operations employees, or workers not employed by Virgin Australia, could disrupt operations and adversely affect Virgin Australia's business performance.

Any drawn out industrial dispute which involves the prospect of industrial action could have a material adverse effect on Virgin Australia's reputation and cause passengers to fly with competitor airlines. In addition, if a labour union were to raise safety as an issue as part of an industrial dispute with Virgin Australia, Virgin Australia could be exposed to reputational damage. Further, the impact of an increase in labour costs for any reason, including as a result of enterprise agreement negotiations or union action, could have a material adverse effect on Virgin Australia's financial performance and financial condition.

Strikes or other industrial action associated with Virgin Australia's strategic alliances could also negatively reflect on Virgin Australia to the extent that passengers booked on Virgin Australia's codeshare or partner's flights are affected by such strikes.

#### **7.1.28. Virgin Australia is dependent on key suppliers and service providers**

Virgin Australia is dependent on a number of third parties for certain principal material business needs and services including aircraft manufacturers, airport operators, airport authorities, aircraft lessors, airframe and engine manufacturers, aircraft fuel providers, aircraft maintenance providers, software and IT service providers, global distribution systems, credit card issuers and processing service providers, air traffic controllers, ground handlers, caterers, security personnel, check-in staff, call centre services, baggage handlers and distributors and other general airport services. If these third parties are unable for any reason to continue to supply goods and services on terms acceptable to Virgin Australia, or at all, Virgin Australia may not be able to replace such third parties immediately or in some circumstances, may be required to provide in-house capability to deliver such services. In addition, Virgin Australia may be unable to source or internally develop alternative equivalent plant, equipment, goods and services in a timely manner due to the specialised nature of the supply or market. If one or more of these third party services were restricted or temporarily unavailable as a result of events such as strikes or technical problems or were permanently unavailable or only available on uncommercial terms, if a service provider failed to provide services to the standard expected by Virgin Australia, or if lessors and airframe and engine manufacturers were to delay delivery of aircraft, make scheduled deliveries of aircraft late, or deliver goods which do not meet the standards and specifications contracted for, Virgin Australia's business, reputation, financial performance and financial condition could be materially impacted.

## 7. RISK FACTORS

### 7.1.29. Virgin Australia is exposed to credit risk of counterparties

Virgin Australia is exposed to credit risk to the extent of non-performance by its counterparties to settle financial assets and receivables. Treasury activities, including money market deposits, fuel hedging and foreign currency transactions, could lead to a concentration of different credit risks on the same counterparty. Virgin Australia is also exposed to credit risk to the extent of non-performance by its insurance counterparties. Failure of any of Virgin Australia's counterparties, including aircraft manufacturers and aircraft lessors to whom deposits and prepayments have been made, could have a material adverse effect on Virgin Australia's financial condition and results of operations.

### 7.1.30. Virgin Australia is exposed to interest rate fluctuations

Virgin Australia is exposed to increases in interest rates when its floating rate debt in a particular currency exceeds floating rate cash deposits in that currency or decreases in interest rates when its floating rate cash deposits in a particular currency exceed floating rate debt in that currency.

As at 30 June 2019, US\$89.7 million (or A\$1,271 million) (7.5%) of Virgin Australia's interest-bearing liabilities denominated in U.S. dollars was at a floating rate, which was fully offset by floating rate assets. A further aggregate US\$61.3 million (or A\$87.5 million) of operating lease commitments in respect of Virgin Australia's operating leases denominated in U.S. dollars was at a floating rate. 41.8% of Virgin Australia's interest-bearing liabilities denominated in Australian dollars was at a floating rate, which was, however, fully offset by floating rate assets. Significant increases in the interest rate for floating rate debt or leases could have a material adverse effect on Virgin Australia.

### 7.1.31. Virgin Australia's reported financial position and results will be affected by changes in accounting standards

There is a risk that changes to accounting standards could have an impact on Virgin Australia's accounting policies, financial position or its performance.

Recent and current examples include:

- **AASB 15** - AASB 15 *Revenue from Contracts with Customers (AASB 15)* replaced previous revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and Interpretation 13 *Customer Loyalty Programmes*. AASB 15 requires an entity to recognise revenue as performance obligations within each revenue contract are satisfied, based on the amount of consideration the entity expects to be entitled to in exchange for those goods or services. AASB 15 was effective for annual reporting periods beginning on or after 1 January 2018, and was initially applied by Virgin Australia in its FY19 consolidated financial statements (although its comparative financial information for FY18 included in its FY19 consolidated financial statements was not restated to reflect the impact of AASB 15).
- **AASB 16** - AASB 16 replaces AASB 117 *Leases* (which incorporated IFRS 17 *Leases*) and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* (which incorporated IFRIC 4 *Determining Whether an Arrangement Contains a Lease*). AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, and Virgin Australia expects that it will adopt the standard in its financial year beginning on 1 July 2019 (that is, in FY20). While the impact of the standard is not yet known with certainty, Virgin Australia currently estimates that the impact on its consolidated statement of financial position of adopting AASB 16 at 1 July 2019 may be in the range of: \$1.1 billion - \$1.3 billion for right-of-use assets, \$(1.85) billion - \$(2.05) billion for lease liabilities, \$(350) million - \$(450) million for maintenance provisions, and a reduction of \$(90) million - \$(100) million in other assets. Virgin Australia is completing its assessment of the impact of the standard, and accordingly these estimates are subject to change. No assurances can be made that any such changes will not be material. For more information about the estimated impact of AASB 16 on Virgin Australia's consolidated statement of financial position, see Section 6.8.

The impact of AASB 16, or other changes in accounting standards in the future and/or the application of such accounting standards, could have a material effect on Virgin Australia's reported results of operations, financial position and financial metrics.

### **7.1.32. Virgin Australia may not realise anticipated benefits from the Velocity Acquisition or other initiatives**

Virgin Australia expects to realise cost and revenue benefits as a result of the Velocity Acquisition, including \$20 million per annum of cost synergies, as well as an increased cash flow because Velocity will no longer be required to make distributions to Affinity and other minority shareholders. These benefits are primarily intended to be achieved by the reduction in certain duplicate functions and roles that exist within Velocity and Virgin Australia and the optimisation of the customer loyalty program to increase revenue across Virgin Australia. There can be no assurance that the anticipated benefits or increased cash flow that Virgin Australia is expecting or targeting, including the \$75 million of savings per annum from the organisational structure review and the \$50 million of savings per annum from the review of supplier arrangements, will be achieved or that they will be achieved without incurring greater than expected costs or related impairments. If Virgin Australia is unable to effectively manage its costs and achieve anticipated synergies or is unable to complete the Velocity Acquisition, its business prospects and financial and operating results may be adversely impacted.

### **7.1.33. Virgin Australia's reported financial position and results may be impacted by future acquisitions or divestments**

In addition to organic growth, Virgin Australia evaluates potential strategic opportunities and selective acquisitions as they are presented. There can be no assurance that the anticipated benefits of any such strategic opportunities or acquisitions will be fully or timely realised. In addition, there is a risk that future acquisitions or divestments could impact the judgments, estimates and assumptions applied in preparing the consolidated financial statements and result in Virgin Australia making different assessments as to the carrying value of relevant assets and liabilities. Any such changes could have a material adverse effect on relevant financial metrics and/or on Virgin Australia's financial condition and results of operations and could result in write-downs and impairment charges in future periods.

### **7.1.34. Virgin Australia faces risks that future acquisitions may be blocked by the ACCC or that undertakings may be required**

Any future acquisitions by Virgin Australia of a competitor or potential competitor's operations related to Australia will likely require merger clearance from the ACCC. There is a risk that the ACCC will oppose any such acquisition or will require Virgin Australia to provide court enforceable undertakings (which may include a requirement to divest certain parts of its business) in order to approve the acquisition. Even if the acquisition is approved by the ACCC there is a risk that delay caused by seeking approval may jeopardise the acquisition.

### **7.1.35. Virgin Australia is exposed to liquidity risks associated with credit card processing service providers**

Virgin Australia has entered into certain card acceptance and merchant acquiring agreements in relation to customer credit card transactions for the sale of air travel and other services. Certain card acceptance and merchant acquiring agreements require a material portion of forward sales to be cash collateralised. In certain circumstances under these agreements, the required level of cash collateral may be increased. Depending on the facility, the level of required restricted cash collateral may be increased if Virgin Australia's unrestricted cash falls below a specified threshold, if either party terminates for convenience, if a termination event is continuing, if there is a failure to comply with specified reporting obligations, if there is a change of control of specified Virgin Australia entities, if there is a cross default by specified Virgin Australia entities above a specified threshold, or if the facility provider exercises its discretion to increase the required coverage. An increase in the current restricted cash collateral requirements could have an adverse effect on Virgin Australia's financial condition and results of operations.

### **7.1.36. Virgin Australia's strategic direction may be altered if one of its airline Shareholders substantially decreases or disposes of its shareholding**

A number of airlines hold large shareholdings in Virgin Australia. If one or more of these Shareholders, or any other person or company, acquires Virgin Australia or increases its shareholdings to initiate a change of control of Virgin Australia, or substantially decreases or disposes completely of its shareholding in Virgin Australia, such an acquisition or increase in, or decrease or disposition of, shareholding could have a material adverse effect on Virgin Australia's strategic direction, financial condition and results of operations.

In addition, Virgin Australia's major Shareholders have previously provided additional share capital and loan facilities to Virgin Australia. If these Shareholders do not provide similar support in the future if required by Virgin Australia, Virgin Australia's business and financial condition may be adversely impacted.

## 7. RISK FACTORS

### **7.1.37. Virgin Australia is exposed to cyber threats**

Virgin Australia's business requires the appropriate and secure utilisation of customer and other sensitive information. The occurrence of cyber-attacks or cyber intrusions could compromise sensitive information of Virgin Australia and its customers. The occurrence of such cyber threats could have a material adverse effect on Virgin Australia's reputation, operations and financial performance and could also result in the violation of certain laws and regulations related to the collection and storage of information. Losses associated with these types of incidents may involve not only the costs associated with the repair of systems and their temporary or permanent loss from service, but also claims by affected third parties or loss of reputation and fines for regulatory breaches.

While Virgin Australia's liability for cyber threats may be capped in some instances by applicable legislation, and Virgin Australia maintains insurance to mitigate risks associated with cyber threat claims, there can be no assurance that the legislative cap or Virgin Australia's insurance coverage will be sufficient to cover one or more large claims, and any shortfall could be material and could have a material adverse effect on Virgin Australia's financial condition and results of operations. In addition, Virgin Australia's ability to secure insurance coverage for cyber threats is dependent on the availability of such insurance policies. These policies must be renewed at regular intervals and may be subject to renewal on less favourable and more expensive terms. In addition, these policies stipulate a number of exclusions and conditions under which the insurers may terminate policies or deny coverage.

### **7.1.38. Virgin Australia is exposed to privacy concerns**

Virgin Australia may be impacted by customer concerns about data privacy, including the use of data that its Velocity loyalty program collects from customers. For example, Virgin Australia's customers may become more selective about the collection, storage and use of their personal and spending pattern data, and about permission concerning how and when such data may be shared with others. Restrictions imposed on the use of customer data, either by way of legislation or customer preferences, may impact Virgin Australia's business and growth strategies.

Although Virgin Australia has established security procedures designed to prevent data and privacy breaches, there is a risk that customer and other sensitive information may still be vulnerable to potential unauthorised access, use or disclosure. There is also a risk that the measures taken by Virgin Australia, such as the use of cyber security software, may not detect or prevent unauthorised access to, or disclosure of, such confidential or sensitive information, and any of these events may cause significant disruption to Virgin Australia, including reputational damage, legal complaints or claims by customers, regulatory scrutiny and fines, which could have a material adverse impact on Virgin Australia's business, operations and financial performance.

Virgin Australia's commercial partners, including credit card issuers and credit card processing service providers, also impose data security standards that must be met. Failure to comply with these legislative obligations and other standards (including the Payment Card Industry Data Security Standard administered by the Payment Card Industry Security Standards Council) may result in penalties, fines, the mandatory adoption of enforceable undertakings, adverse publicity and the commencement of civil proceedings against Virgin Australia, any of which may have an adverse effect on Virgin Australia's business, financial condition and results of operations.

### **7.1.39. The supply of pilots to the airline industry may become more limited**

The hiring of pilots is contingent on those pilots holding the necessary credentials and meeting the requirements for the role, and Australia-based pilot roles being an attractive option. If more robust pilot qualification standards are introduced, there may be a decrease in eligible pilots available for hiring. Pilot shortages may result in increased training costs and a shortage of pilots available to conduct operations, which could result in disruptions and cancellations among other things. This could have an adverse effect on Virgin Australia's financial condition and results of operations.

#### **7.1.40. A downgrade or withdrawal of the rating assigned to Virgin Australia's debt could adversely affect the market price or liquidity of the Notes or increase future borrowing costs and reduce access to capital or trade credit**

Virgin Australia's debt, excluding the Notes which will not be rated, is currently rated non-investment grade. Rating agencies may downgrade or withdraw an assigned rating based on their assessment of the future circumstances relating to the basis of the rating, including adverse changes in Virgin Australia's operations or a deterioration in the rating agencies' overall view of the airline industry. A downgrade of the rating of Virgin Australia's debt would generally be expected to have an adverse effect on the market for and price of the Notes.

In addition, such a downgrade could increase interest and other financial expenses relating to Virgin Australia's future borrowings and could restrict Virgin Australia's ability to obtain additional financing on satisfactory terms, if at all. Any downgrade could also restrict Virgin Australia's access to, and negatively impact the terms of, trade credit extended to Virgin Australia by its vendors, which could adversely impact Virgin Australia's business, operations and financial performance.

### **7.2. RISKS ASSOCIATED WITH THE NOTES**

Set out in this Section 7.2 are risks associated specifically with an investment in the Notes. In particular, these risks arise from the nature of the Notes and the Terms. You should also consider the other risks in Section 7.1 as they relate to Virgin Australia.

#### **7.2.1. The Notes and the Guarantees are unsecured and effectively subordinated to Virgin Australia's and the Guarantors' secured debt and all liabilities of Virgin Australia's subsidiaries that are not Guarantors**

In a winding up of Virgin Australia or a Guarantor, the assets available to meet the claims of creditors in such winding up or insolvency would generally be required to be applied, first, to meet certain preferred claims (such as certain employee entitlements) under the Corporations Act and, second, to meet all remaining claims (other than certain unsubordinated claims) on a pari passu basis. However, assets of Virgin Australia or the Guarantor (as the case may be) that are subject to any security interest would generally only be available to meet the claims of other creditors (including holders of the Notes) after the claims of the holder of such security interest had been satisfied in full.

The Notes will be unsecured obligations of Virgin Australia, and the Guarantee will be an unsecured obligation of each Guarantor. Accordingly, as the Notes and the Guarantees are not secured, they will be effectively subordinated to all of Virgin Australia's and the Guarantors' respective existing and future secured debt to the extent of the collateral securing such debt.

In addition, the Notes and Guarantees are only obligations of Virgin Australia and the Guarantors. Not all of Virgin Australia's subsidiaries will guarantee the Notes, and holders of the Notes will lose the benefit of a particular guarantee if it is released. In particular, the Guarantors do not include Velocity Holdco or other members of the Velocity Sub-Group, which own Velocity and accounted for a material portion of Virgin Australia's consolidated Segment EBITDAR for each of the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017, and the Terms do not impose any restrictions on the amount of indebtedness that may be incurred by those entities.

In the event of any winding up, liquidation, compromise, arrangement, or other insolvency process in respect of any of Virgin Australia's non-Guarantor Subsidiaries, the claims of all creditors of Virgin Australia's non-Guarantor Subsidiaries will need to be satisfied in full from the assets of those entities before any assets are made available for distribution to Virgin Australia (or the relevant subsidiary of Virgin Australia that holds the shares in such non-Guarantor Subsidiary). Further, in the case of Subsidiaries that are not wholly owned, Virgin Australia (or the relevant subsidiary of Virgin Australia that holds the shares in such non-Guarantor Subsidiary) would only be entitled to a return of such assets of such subsidiary after (in the case of any minority interests representing preferred equity claims) or on a pari passu basis with (in the case of any minority interests representing ordinary equity claims) minority interests. As a result, the Notes will be structurally subordinated to the prior payment of all of the liabilities of Virgin Australia's non-Guarantor Subsidiaries and to the entitlements of holders of such minority interests.

## 7. RISK FACTORS

On an as adjusted basis as at 30 June 2019, after giving effect to the concurrent US\$ Notes Offer, Virgin Australia and its consolidated subsidiaries would have had \$3,790.8 million of indebtedness (or \$3,221.0 million after the repayment of Virgin Australia's Nov-19 US\$ Notes which mature on 15 November 2019), of which \$1,570.2 million would have been secured indebtedness, including \$225 million of secured debt which would have been in the Velocity Sub-Group. Virgin Australia and its subsidiaries, including members of the Velocity Sub-Group and other non-Guarantor Subsidiaries, may also incur further secured or unsecured debt in the future.

Virgin Australia and each of the Guarantors cannot assure you that there will be sufficient assets to satisfy any outstanding debt under the Notes in the event of any winding up or other insolvency process in respect of Virgin Australia or any Guarantor.

### **7.2.2. Virgin Australia may not be able to generate or raise sufficient cash to meet its obligations in respect of all of its indebtedness, including the Notes, when due, particularly if such indebtedness becomes prematurely payable, or may be forced to take actions adverse to its business in order to do so**

Virgin Australia's ability to generate sufficient cash flows to make scheduled payments on, or refinance, its debt obligations, including the Notes, depends on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, competitive, legislative, regulatory and other factors beyond its control. Further, Virgin Australia's ability to receive cash flows generated by Velocity will be subject to the Velocity Sub-Group first meeting all debts and obligations due and payable by it and also satisfying the requirements of the financing arrangements to which they are a party, which restrict payment of dividends and other distributions to Virgin Australia unless certain tests are satisfied.

Virgin Australia may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness, including the Notes. Virgin Australia cannot assure you that its business will generate sufficient cash flow from operations, or that financing sources will be available to it, in amounts sufficient to enable it to pay its indebtedness, including the Notes, or to fund Virgin Australia's other liquidity needs.

In particular, Virgin Australia may be unable to meet its obligations in respect of indebtedness which become payable prior to its scheduled maturity, for example because an event of default or change of control event occurs which entitles the creditors in respect of such indebtedness to require Virgin Australia to repay it immediately.

If Virgin Australia's cash flows and capital resources are insufficient to fund its debt obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, sell assets, seek additional debt or equity capital or restructure or refinance its indebtedness. These measures, or the terms on which Virgin Australia effects them, may be adverse to Virgin Australia's business and adversely affect its ability to continue to generate cash flows or raise debt or equity capital in the future, and as a result may adversely affect its ability to meet its future debt obligations, including the Notes. Further, Virgin Australia may not be able to effect any measures at all, because of a lack of willing contractual counterparties or because of restrictions contained in the terms of its, or its Subsidiaries', financing arrangements.

Virgin Australia's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness, on commercially reasonable terms or at all, would materially and adversely affect its financial position and results of operations and Virgin Australia's ability to satisfy its obligations, including the Notes.

If such events occur, Virgin Australia and the Guarantors could be forced into winding up and you could lose all or part of your investment.

**7.2.3. The Notes may be redeemed prior to the Maturity Date, including if Virgin Australia fails to complete the Velocity Acquisition by 13 December 2019, and you may suffer loss on reinvestment of your money**

Virgin Australia may, or must, redeem the Notes prior to the Maturity Date in various circumstances, including on any Business Day where it elects to make such redemption under clause 4.2(a) of the Notes or if the Velocity Acquisition is not completed on or prior to 13 December 2019.

If the Notes are redeemed early, you will lose the benefit of your investment in the Notes and may not be able to reinvest your money at a return equivalent to the interest that would otherwise have been payable on the Notes and so may suffer loss as a result of the early redemption.

In some cases, the redemption amount payable by Virgin Australia to redeem the Notes prior to the Maturity Date includes an amount in excess of their Face Value plus accrued interest, which is intended to provide compensation to Noteholders for the loss of their investment. However, such additional amounts are not payable in all cases where the Notes are redeemed prior to the Maturity Date, and where such amounts are payable they may not be sufficient to fully compensate you for your loss.

**7.2.4. The Notes lack some events of default typically found in debt securities, and the covenants that are included in the Terms give Virgin Australia discretion to incur further secured or unsecured debt and take other action that may increase risks to Noteholders**

Debt securities commonly include events of default that are triggered by the occurrence of an event of default under the terms of other indebtedness (referred to as a “cross default”), the failure to satisfy judgments or the taking by creditors of enforcement action against the issuer or guarantors. The Notes lack the protections of these events of default, other than the limited cross default referred to below.

Further, debt securities issued by issuers with below-investment grade credit ratings, such as Virgin Australia, would commonly include covenants restricting actions that may increase risks to the holders of the debt securities, including covenants restricting the following:

- further borrowings;
- the grant of security or entry into of sale and leaseback transactions;
- the sale of assets and the use of proceeds therefrom;
- paying dividends and returning capital to Shareholders;
- acquisitions and investments;
- transactions with affiliates; and
- agreeing to dividend and other payment restrictions that limit the ability of subsidiaries to pay dividends or make other payments to Virgin Australia.

The Terms do not include these restrictions, other than restrictions on borrowings, paying dividends and return of capital, and certain merger transactions, which are subject to significant exceptions. In addition, the restrictive covenants that are included in the Notes do not apply to subsidiaries such as the Velocity Sub-Group that are designated as “Unrestricted Subsidiaries” for the purposes of the Terms and do not guarantee Virgin Australia’s existing unlisted A\$ Notes and US\$ notes.

Further, although the Notes contain a limited “cross default” that will be triggered if an event of default occurs under certain more restrictive covenants in certain of Virgin Australia’s other unsecured debt securities, it is possible that no such event of default will occur or continue if the holders of such other debt securities agree to waive the relevant breach.

As a result, Virgin Australia and its Subsidiaries may engage in a number of transactions which could increase the risks to Noteholders associated with their substantial indebtedness.

## 7. RISK FACTORS

### **7.2.5. Your ability to transfer the Notes may be limited by the absence of an active trading market, and an active trading market may not develop or be maintained for the Notes**

The Notes are a new issue of securities for which there is no established trading market. Although Virgin Australia intends to list the Notes on ASX, there is no guarantee that a liquid market will develop for the Notes or, if one does develop, that it will continue.

In particular, Australia does not have a deep and liquid market for trading in debt securities of below-investment grade issuers and, historically, global markets for such debt securities have been subject to disruptions that have caused substantial volatility in the prices of such securities. The market, if any, for the Notes may experience similar disruptions and any such disruptions may adversely affect the prices at which you may sell your Notes.

A lack of liquidity in the market for the Notes may increase the volatility of the market price of the Notes and may result in the Notes trading on ASX below fair value.

In addition, the Notes may trade at discounts from their initial offering price, depending upon prevailing interest rates, the market for similar notes, Virgin Australia's financial and operating performance and other factors. If the Notes trade at a market price below the amount at which you acquired them, there is a risk that if you sell them prior to the Maturity Date, you may lose some or all of the money you invested.

Accordingly, Noteholders who wish to sell their Notes may be unable to do so at an acceptable price, or at all.

### **7.2.6. The Notes bear interest at a fixed rate of interest and may become less attractive than other investments if interest rates change, and their value may fall**

The Interest Rate is fixed for the term of the Notes.

Investments in fixed interest rate securities carry the risk that, if market interest rates rise, or if there is an expectation that market interest rates will rise, returns on the securities may become less attractive than returns on comparable securities and, as a result, the market value of the securities may fall.

### **7.2.7. An investment in the Notes has taxation consequences for Noteholders which will depend on their individual circumstances and you should ensure you understand the consequences for you**

A general description of the Australian taxation consequences of investing in the Notes is set out in Section 8. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, prospective investors should seek independent tax advice in relation to their individual tax position.

Prospective investors should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of the Notes.

### **7.2.8. The Terms are subject to amendment or waiver by prescribed majorities of Noteholders, and in some circumstances without the consent of any Noteholders, and may not be enforced by the Note Trustee unless prescribed numbers of Noteholders direct it to do so and provide a satisfactory indemnity to the Note Trustee**

The Note Trust Deed and the Terms can be amended by Virgin Australia with the approval of a Special Resolution of Noteholders, or in certain circumstances without any approval of the Noteholders or the Note Trustee. In addition, provisions of the Note Trust Deed or the Terms may be waived by the Note Trustee or by a Noteholder Resolution. Accordingly, there is a risk that your rights as a Noteholder may be changed without your agreement.

Further, the Note Trust Deed and the Terms may generally only be enforced by the Note Trustee. Unless otherwise required by law, the Note Trustee has no obligation to enforce the Note Trust Deed or the Terms (including by requiring Redemption of the Notes if an Event of Default has occurred) unless (in summary):

- it has been directed by a Noteholder Resolution or requested in writing by the Noteholders of at least 25% of the Notes (ignoring any Notes held by Virgin Australia and not cancelled);
- it has been indemnified or secured to its satisfaction; and
- it is not restricted by law.

Accordingly, there is a risk that the Note Trust Deed or the Terms are not enforced in circumstances that you want enforcement action to be taken, or may be enforced in circumstances that you do not want such enforcement action to be taken.



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TAXATION  
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## 8. TAXATION INFORMATION



### **Private and confidential**

The Directors  
Virgin Australia Holdings Limited  
56 Edmondstone Road  
Bowen Hills QLD 4006

28 October 2019

Dear Directors

### **Australian taxation consequences of investing in Virgin Australia Unsecured Notes**

We have been instructed to prepare a summary of the Australian income tax, goods and services tax (**GST**) and stamp duty consequences regarding the issue of Notes by Virgin Australia Holdings Limited (**Virgin Australia**) for inclusion in the Prospectus dated on or about 28 October 2019, based upon the arrangements explained in the Prospectus.

This tax summary outlines the Australian taxation consequences for investors acquiring, holding and disposing on capital account of Notes (a **Noteholder**) to be acquired under this Offer and who are not associates of Virgin Australia for the purposes of the tax laws.

Each prospective investor should consult their own tax advisor as to the Australian income tax, GST and stamp duty implications of investing in Notes. This summary is intended as a guide only and is not intended to be an authoritative or exhaustive statement of the legislation applicable to all investors. KPMG disclaims all liability to any Holder arising from or in connection with any reliance by the Holder on the contents of this tax summary. This summary should not be relied on by prospective investors as a substitute for obtaining detailed advice in relation to the investor's specific circumstances. The views expressed in this summary are open to challenge by the Australian Commissioner of Taxation or Commissioner of State or Territory Revenue and we are unable to give any guarantee that our interpretation will ultimately be sustained in the event of such challenge.

The information contained in this section does not apply to Holders that:

- Are subject to the Taxation of Financial Arrangement (**TOFA**) provisions;
- Hold Notes as trading stock in the course of the carrying on of a business; or
- Hold Notes for the purposes of resale at a profit.

This summary is based on current taxation and duty law as at the date of this Prospectus. You will appreciate that the tax and duty law is frequently being changed, both prospectively and retrospectively. A number of key tax and duty reform measures have been implemented, a



number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

This summary does not take account of changes to the tax and / or duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities after the date of this Prospectus.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Unless the context indicates otherwise, all capitalised terms bear the same meaning as those contained in the Glossary of the Prospectus, and the Terms of the Notes.

## **1. Taxation consequences for Noteholders**

### ***1.1 Interest payments (including on Redemption)***

#### *a) Australian residents*

Interest payments made in respect of the Notes should be included in the assessable income of the Noteholders. The Interest payments should generally be recognised in their income tax return in the year of income in which the Interest payments are received.

#### *b) Non-residents*

Where:

- A Noteholder is a non-resident; and
- The Noteholder does not hold Notes through a permanent establishment in Australia, the Interest payments received in respect of the Notes should not be included in the Australian assessable income of the Noteholder.

Normally, interest payments made to such non-residents would be subject to Australian withholding tax. However, it is intended the Notes will be issued in a manner that will cause the Interest payments to be exempt from Australian withholding tax under section 128F of the *Income Tax Assessment Act 1936*.

The exemption in section 128F will not apply if, at the time of issue of the Notes, Virgin Australia knows or has reasonable grounds to suspect that Notes, or interests in Notes, are being or will be acquired, directly or indirectly, by an associate of Virgin Australia that is not a resident of Australia acting through a permanent establishment in Australia (or who is a resident of Australia acting through a permanent establishment outside Australia), other than in the capacity of a dealer, manager or underwriter in relation to a placement of Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (**an Offshore Associate**). Virgin Australia will take all reasonable steps to ensure that no Notes are acquired by an Offshore Associate under the Offer.

## 8. TAXATION INFORMATION



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If the exemption under section 128F does not apply and an Interest payment to a non-resident Noteholder is subject to withholding tax, in accordance with Clause 6.6 of the Terms, the amount of the Interest payment will be increased so that the net amount received by Noteholders is equal to the amount that would have been received if withholding tax had not applied, subject to certain restrictions.

If a non-resident Noteholder does hold Notes through a permanent establishment in Australia, then Interest payments will be included in the assessable income of the Noteholder for Australian taxation purposes. Interest withholding tax will not apply to Interest payments paid to such a Noteholder.

### **1.2 Disposal or redemption of Notes**

#### *a) Australian residents*

If an Australian resident Noteholder disposes of, or has redeemed, their Notes, and the proceeds of disposal, or redemption, exceed the cost of the Notes, the resulting gain should generally be assessable income of the Noteholder in the income year in which the sale or redemption takes place. The gain will be ordinary income and not a capital gain. Therefore, the Noteholder will not be entitled to apply the capital gains discount in respect of the gain and will not be entitled to apply any capital losses against the gain.

Conversely, if the proceeds of disposal, or redemption, are less than the cost of the Notes, the resulting loss may be deductible to the Noteholder in the income year in which the sale or redemption takes place. However, where Notes are acquired under this Offer, such a loss will not be deductible, and instead would be a capital loss, if:

- The disposal does not take place in the ordinary course of trading on a securities market (for example the ASX); and
- Having regard to:
  - The financial position of Virgin Australia; and
  - Perceptions of the financial position of Virgin Australia; and
  - Other relevant matters;

it would be concluded that one of the reasons for the disposal or redemption was that there was an apprehension or belief that Virgin Australia was, or would be likely to be, unable or unwilling to discharge its liabilities to pay amounts under the Notes.

For a Noteholder that acquires Notes under this Offer, the cost of a Note will include its Issue Price.

Generally, the proceeds of disposal would include the gross amount received by the Noteholder in respect of the disposal of Notes. If Notes are redeemed by Virgin Australia, the proceeds would exclude any amount referable to any accrued and unpaid interest. This amount would be included separately in the assessable income of the Noteholder, as outlined above.



*b) Non-residents*

Any gain arising to a non-resident Noteholder from disposal of their Notes should not be subject to Australian tax unless the gain has an Australian source.

The source of a gain on disposal, or redemption, of a security is a factual issue and would be determined by weighing all of the relevant factors including the location of the security, the place at which the contract to sell the security is concluded and the place at which the decision to sell the security is made. However, it should be noted that the Commissioner of Taxation has historically taken the view, in a non-binding Australian Taxation Office (ATO) Interpretative Decision, that the source of a gain arising from the sale of securities listed on the Australian Stock Exchange may be in Australia on the basis that contracts for the sale of such securities are made in Australia on behalf of the vendor.

Even if there is an Australian source, where the non-resident Noteholder is a resident of a country with which Australia has concluded a double tax treaty, any gain on disposal, or redemption, of the Notes should not be subject to Australian tax unless the Notes are held through a permanent establishment in Australia.

Generally, the proceeds of disposal would include the gross amount received by the Noteholder in respect of the disposal of Notes. If the gain is subject to Australian tax, it will be ordinary income and not a capital gain. Accordingly, the Noteholder will not be entitled to apply the capital gains discount in respect of this gain and will not be entitled to apply any capital losses against the gain.

If Notes are redeemed by Virgin Australia, the proceeds of disposal would exclude any amount referable to any accrued and unpaid interest. Provided that the Noteholder does not hold the Notes through a permanent establishment in Australia, the amount referable to a Distribution should not be subject to Australian income tax or withholding tax (see 1.3(b) below).

**1.3 Tax File Numbers and Australian Business Numbers**

A Noteholder need not quote a Tax File Number (TFN) when applying for or acquiring Notes. However, for resident taxpayers, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be deducted from any Interest payment at the highest marginal tax rate plus Medicare levy (currently 47 per cent). Noteholders that hold their Notes as part of their enterprise may quote their Australian Business Number instead of their TFN.

**2. Goods and Services Tax (GST)**

**2.1 The buying and selling of Notes is not subject to GST**

For Australian GST purposes, the buying and selling of Notes is treated as a financial supply. This means that GST is not charged on these supplies. Accordingly, the following will not be subject to GST:

- the issue, redemption or sale of Notes by Virgin Australia;

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- the subscription (applying to buy) for, and any subsequent disposal (sale or withdrawal) of, Notes by an investor, should this occur; or
- the payment of Interest payments on Notes.

If a non-resident investor purchases Notes, these supplies also will not be subject to GST.

### **2.2 Claiming GST on acquisitions**

Noteholders should seek their own advice as to whether GST on costs they incur, in relation to acquiring Notes, are recoverable.

### **3. FATCA**

The *Foreign Account Tax Compliance Act (FATCA)* was introduced to help reduce offshore tax evasion by United States (US) tax residents through the use of offshore investments. FATCA was enacted as part of the *Hiring Incentives to Restore Employment Act 2010* to provide the US Internal Revenue Service (IRS) with greater information reporting with respect to offshore accounts and investments held by US tax residents.

On 28 April 2014, Australia and the US signed an inter-governmental agreement (IGA) to improve international tax compliance and implement FATCA. Australia's obligations under the IGA were codified with the enactment of the *Tax Laws Amendment (Implementation of the FATCA Agreement) Act 2014*, which took effect on 1 July 2014. Australian law therefore now requires Reporting Australian Financial Institutions to provide the ATO with certain information on Financial Accounts they maintain that are held by US Persons. The ATO is required to provide this information to the IRS.

Under the Australian IGA, the definition of a Financial Institution includes "Depository Institutions", "Custodial Institutions", "Specified Insurance Companies" and "Investment Entities". Virgin Australia should not fall within the definition of a Financial Institution and therefore should have no reporting obligations to the ATO under FATCA.

### **4. Common Reporting Standard**

Separate to the implementation of FATCA, the Organisation for Economic Co-operation and Development (OECD) developed the Common Reporting Standard (CRS), which sets out a global framework for the automatic exchange of non-resident Financial Account holder information between tax authorities.

The ambit of the CRS is thus much wider than FATCA. Further, Australia has adopted the 'wider approach', which requires that its Reporting Financial Institutions must generally identify and report on *all* non-resident account holders to the ATO (regardless of whether the account holder is resident in a jurisdiction that has committed to exchanging information under the CRS itself).

Generally, the definition of "Financial Institution" may differ in certain respects between FATCA and the CRS. Nevertheless, Virgin Australia should equally not constitute a Financial

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Institution for the purposes of the CRS and therefore should have no reporting obligations to the ATO under the CRS.

### **5. Stamp duty on the issue, transfer or redemption of the Notes**

No stamp duty should be payable by Noteholders on the issue, transfer or redemption of the Notes in any jurisdiction.

In Queensland, the transfer of, or the agreement to transfer, an unsecured debt where the debtor resides in Queensland is, prima facie, a dutiable transaction. To the extent central management and control of Virgin Australia rests in Queensland, it will be taken to reside in Queensland for duty purposes. On that basis the Notes may be considered to be an unsecured debt interest for Queensland duty purposes.

However, under section 148 of the *Duties Act 2001* (Qld), duty will not apply if the transfer, or agreement for the transfer, is of a “corporate debt security”. A “corporate debt security” is defined to include a debenture, debenture stock, bond or note or other similar security of the corporation. In Public Ruling DA000.3.3, the Commissioner of State Revenue confirms that the transfer of unsecured notes held by an investor in a debt-based scheme falls within the definition of “corporate debt security”.

Therefore, on the basis of the exemption in section 148, any transfer of, or agreement to transfer, the Notes should be exempt from Queensland duty.

The issue or redemption of the Notes would not fall within the definition of a dutiable transaction for Queensland duty purposes.

Unsecured debt interests are not dutiable property in jurisdictions other than Queensland and Northern Territory, and a transaction solely over notes is not a dutiable transaction in the Northern Territory. Accordingly, no duty should apply to the issue, transfer or redemption of the Notes in any jurisdiction.

Yours faithfully

Tim Lynch  
Partner

Yours faithfully

Brendon Lamers  
Partner

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KEY PEOPLE,  
INTERESTS AND  
BENEFITS

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## 9. KEY PEOPLE, INTERESTS AND BENEFITS

This Section provides information about the Directors and key managers of Virgin Australia, the interests of people involved in the Offer and any benefits they may receive.

### 9.1. BOARD OF DIRECTORS

The Directors appointed to the Board of Virgin Australia bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience, qualifications and expertise
<b>Elizabeth Bryan</b> Chairman and Independent Non-Executive Director	<p>Ms Elizabeth Bryan is one of Australia's most respected corporate leaders, bringing more than 30 years of leadership experience and strategic and financial expertise to the Board. She has held senior positions in a diverse range of industries including financial services, oil and gas, agriculture, aviation, management consulting and the public sector.</p> <p>Elizabeth is also Chairman of Insurance Australia Group. Elizabeth has served as Chairman of Caltex Australia Limited and UniSuper Limited as well as a Director of Westpac Banking Corporation and a large number of other Australian public, private and government-owned companies. Elizabeth also held the position of Chief Executive Officer of Deutsche Asset Management Australia and its predecessor organisation the State Super Investment and Management Corporation for over a decade.</p>
<b>Paul Scurrah</b> Managing Director and Chief Executive Officer	<p>Mr Paul Scurrah has more than 20 years of leadership experience in the transport, logistics, travel and aviation sectors having previously been Chief Executive Officer of DP World Australia and Queensland Rail and held Executive Management roles at Aurizon, Flight Centre and Tourism Queensland.</p> <p>Paul is a Non-Executive Director of the Gold Coast Suns Football Club. Paul was previously a director of Australia Post (2017-2019), Asian Terminals Inc., the Australian Federation of Travel Agents, AOT Group, AWH Pty Ltd, Public Transport Group - Australasian Railway Association and Chairman of Australian Tourism Data Warehouse Ltd.</p>
<b>Trevor Bourne</b> Independent Non-Executive Director	<p>Mr Trevor Bourne is the Chairman of the ASX-listed company Senex Energy Limited. Trevor is also a Director of Sydney Water Corporation. Previously, Trevor served as a director of Origin Energy Limited for 12 years, a director of Caltex Australia Limited for 13 years and Coates Hire Ltd for four years, as well as holding other directorships. Trevor was Chief Executive Officer of Tenix Industries for four years and prior to that was a senior executive at Brambles Industries Limited for 15 years, the last six of which as Managing Director of Brambles Australia.</p>
<b>Mark Chellew</b> Independent Non-Executive Director	<p>Mr Mark Chellew is the Chairman of the ASX-listed company Cleanaway Waste Management Limited and has served as a Non-Executive Director of that company since 2013. Mark is also a Director of the ASX-listed group Infigen Energy Limited and Caltex Australia Limited and was previously Chairman of the industry body Manufacturing Australia. Mark was the Chief Executive Officer and Managing Director of Adelaide Brighton for 13 years. Prior to that, Mark held executive management positions at Blue Circle Industries and CSR.</p>

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**Director**

**Experience, qualifications and expertise**

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**Kenneth Dean**

Independent Non-Executive Director

Mr Ken Dean is a Director of Energy Australia. Ken is Chair of the Audit and Risk Committee and a member of the Health, Safety, Security and Environment Committee at Energy Australia. He is also the Non-Executive Chairman of the not-for-profit organisation Mission Australia.

Previously, Ken was a Director of BlueScope Steel Limited, Santos Limited, Woodside Petroleum Limited and the Chief Financial Officer of resources company Alumina Limited.

Ken worked for Shell Group for 30 years, during which time he held a number of executive roles, managing foreign exchange and money markets, insurance, mergers and acquisitions, internal audit, financial control and systems, applications and products implementation, and as a Shell nominee Director of joint venture companies and committees. He was Chief Executive Officer of Shell Financial Services, a member of the Shell Group Global Senior Management Team and Executive Director of Finance and Corporate Services for Shell Australia.

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**Sir Angus Houston**

Independent Non-Executive Director

Sir Angus is Chancellor of the University of the Sunshine Coast Council. He is also Chair of a number of Boards including the Defence South Australia Advisory Board, the Victorian Police Corporate Advisory Group, the University of NSW Canberra Advisory Board, the Canberra Symphony Orchestra and the Supashock Advanced Suspension Advisory Board. Sir Angus is a visiting fellow of the Australian National University National Security College and a Senior Counsellor for the Cohen Group. He was also a visiting fellow of the South Australian Special Envoy for International Trade and Investment.

In addition, Sir Angus serves as a board member for numerous organisations and is Ambassador/Patron of a number of charitable organisations.

Sir Angus was awarded the Knight of the Order of Australia in January 2015 for extraordinary and pre-eminent achievement and merit in service to Australia through distinguished service in the Australian Defence Force and continued commitment to serve the nation in leadership roles.

Sir Angus has been awarded four honorary doctorate degrees from the University of South Australia, the Australian National University, the University of New South Wales and Griffith University. In July 2011, Sir Angus retired as Chief of the Australian Defence Force after 41 years of service in the military.

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**Judith Swales**

Independent Non-Executive Director

Ms Judith Swales has been a Non-Executive Director for Dulux Group for the last eight years, and was a Non-Executive Director for Fosters.

Judith has been Chief Operating Officer Global Consumer and Foodservice for Fonterra since 2018, and was previously Chief Operating Officer Transformation and Innovation, Managing Director Oceania, and Managing Director Australia. Prior to her roles at Fonterra, Judith was Managing Director for Heinz Australia, Managing Director and Chief Executive Officer for Goodyear Dunlop Tyres Australia and New Zealand, and Managing Director for Angus & Robertson/W H Smith Australia. This follows management roles for WH Smith, Cullens Stores and Marks & Spencer in the United Kingdom.

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## 9. KEY PEOPLE, INTERESTS AND BENEFITS

Director	Experience, qualifications and expertise
<p><b>Raymond Gammell</b> Non-Executive Director</p>	<p>Mr Ray Gammell was appointed Senior Strategic Advisor to the Group Chief Executive Officer of Etihad Aviation Group in July 2018. He joined Etihad in 2009 as Chief People and Performance Officer, developing and leading the company's people strategy. He also served as Interim Group Chief Executive Officer of Etihad Aviation Group from May to December 2017, before taking on the role of Chief People and Transformation Officer.</p> <p>As Senior Advisor to the Group Chief Executive Officer, Ray leads the equity partner strategy in addition to other strategic responsibilities. He has almost 40 years of experience, gained internationally with the Intel Corporation in the US and Ireland and the Royal Bank of Scotland, and as an officer in the Irish Armed Forces.</p>
<p><b>Hou Wei</b> Non-Executive Director</p>	<p>Mr Hou Wei is a senior executive of HNA, having joined HNA in 2006.</p> <p>His roles with HNA have been Executive Chairman of Hong Kong Airlines International Holdings Limited, President of Capital Airlines, Vice Marketing President of Hainan Airlines Holding, Marketing Director of Hainan Airlines Holding, Vice General Manager of Market Sales, and International Affairs Manager of Market Sales.</p>
<p><b>Warwick Negus</b> Non-Executive Director</p>	<p>Mr Warwick Negus is Chairman of Pengana Capital Group and URB Investments Limited. He is also a Director of the ASX-listed companies Washington H Soul Pattinson &amp; Co and Bank of Queensland, a Director of the diversified real estate company Terrace Tower Group and Chairman of UNSW Global Limited.</p> <p>From 2005 to 2008, Warwick was Chief Executive of Colonial First State Global Asset Management, Australia's largest fund manager. Prior to this, Mr Negus co-founded 452 Capital, an independent fund management company, and held a number of senior positions in asset management and investment banking at Goldman Sachs in Hong Kong, Singapore, London and Sydney. He is also a member of the Council of the University of NSW.</p>
<p><b>Marvin Tan</b> Non-Executive Director</p>	<p>Mr Marvin Tan is the Senior Vice President Customer Services and Operations for Singapore Airlines. He joined Singapore Airlines in 1996 and has held various positions in the company both in Singapore and overseas. Prior to his current role, he was Senior Vice President Cabin Crew. He was also seconded to SilkAir, Singapore Airlines' regional subsidiary, as the airline's Chief Executive.</p> <p>Marvin holds a Bachelor of Arts degree in International Relations from Stanford University.</p>
<p><b>Kevin Xing</b> Non-Executive Director</p>	<p>Mr Kevin Xing has been a senior executive with the Nanshan Group's Australian operations since 2014. He is an experienced wool expert and leads Nanshan's wool procurement and export business in Australia.</p> <p>Kevin is on the board of Nanshan Australia's real estate development subsidiary where he oversees branding strategy and he has completed major projects in this area. He has also been involved in a range of Nanshan's investment activity from hotels, aviation and agriculture, being responsible for asset valuation and cost management.</p>

## 9.2. KEY MANAGEMENT

Name	Position	Executive officer since
Paul Scurrah	Chief Executive Officer	March 2019
Keith Neate	Chief Financial Officer	September 2019
Merren McArthur	Chief Executive Officer, Tigerair Australia	May 2008
John MacLeod	Chief Commercial Officer, Virgin Australia Airlines	October 2019
Karl Schuster	Chief Executive Officer, Velocity	October 2015
Stuart Aggs	Chief Operations Officer, Virgin Australia	September 2019
Danielle Keighery	Chief Experience Officer	July 2010
Lucinda Gemmell	Chief People and Culture Officer	October 2017
Dayna Field	Chief Legal and Risk Officer	November 2017

## 9.3. INTERESTS AND BENEFITS

### 9.3.1. Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Virgin Australia;
- the Offer; or
- any property acquired or proposed to be acquired by Virgin Australia in connection with the formation or promotion of Virgin Australia or the Offer.

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given, either to induce him or her to become, or to qualify him or her as, a director or otherwise for services rendered by him or her in connection with the formation or promotion of Virgin Australia or the Offer.

As at the date of this Prospectus, the Directors and their associates had relevant interests in the following numbers of Ordinary Shares:<sup>1</sup>

Director	Ordinary Shares
Ms Elizabeth Bryan	227,044
Mr Paul Scurrah	1,160,000
Mr Trevor Bourne	100,000
Mr Mark Chellew	100,000
Mr Kenneth Dean	40,000
Ms Judith Swales	200,000

As at the date of this Prospectus, Paul Scurrah holds Unlisted A\$ Notes with a face value of \$100,000.

1. Directors not named in the table below do not, and their associates do not, have relevant interests in Ordinary Shares. Note that the table below does not reflect the interests of those of Virgin Australia's major Shareholders which have employees or officers who have been appointed to Virgin Australia's Board. Refer to Section 5.12 for details of the interests of Virgin Australia's major Shareholders.

## 9. KEY PEOPLE, INTERESTS AND BENEFITS

No Director currently holds Notes or (except as described above in relation to Paul Scurrah) other debt securities of Virgin Australia, although Directors may apply for Notes under this Prospectus.

The Constitution contains provisions as to remuneration of Directors. Each Director is entitled to such remuneration from Virgin Australia for his or her services as approved by Shareholders in accordance with the Constitution, although, in practice, nominee directors who represent the major Shareholders which are airlines (Raymond Gammell in respect of Etihad Airways, Hou Wei in respect of HNA Group, Warwick Negus in respect of Virgin Atlantic, Marvin Tan in respect of Singapore Airlines and Kevin Xing in respect of Nanshan Capital Holdings) are not remunerated by Virgin Australia. Remuneration for Non-Executive Directors is currently capped at an aggregate amount for each financial year of \$2 million.

Further information in relation to the remuneration of the Directors is set out in the Remuneration Report included in Virgin Australia's Annual Report for the year ended 30 June 2019.

Directors (and their associates) may participate in the issue of the Notes.

### 9.3.2. Professionals

KPMG Transaction Services has acted as Virgin Australia's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG Transaction Services will be paid approximately \$150,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to KPMG Transaction Services in accordance with its time-based charges.

The KPMG Partnership, which is the Australian professional advisory and accounting practice of KPMG, acts as the auditor for Virgin Australia. KPMG is acting as the tax adviser to Virgin Australia in relation to the Offer and has prepared the taxation letter in Section 1. In respect of this work, the KPMG Partnership will be paid approximately \$55,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to KPMG in accordance with its time-based charges.

Herbert Smith Freehills has acted as Virgin Australia's Australian legal adviser in relation to the Offer. In respect of this work, Herbert Smith Freehills will be paid approximately \$400,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to Herbert Smith Freehills in accordance with its time-based charges.

UBS is acting as Arranger of the Offer, and Morgan Stanley, Morgans, Ord Minnett and UBS are acting as Joint Lead Managers of the Offer, and Bell Potter, Crestone Wealth Management and Escala Partners are acting as Co-Managers to the Offer, in respect of which they will receive the fees under the OMA described in Section 11.5.

Sargon CT Pty Ltd is acting as Note Trustee for Noteholders under the Note Trust Deed. In respect of this role, Virgin Australia has paid or agreed to pay an establishment fee of \$5,000 and an ongoing fee of \$40,000 per annum (excluding disbursements and GST).

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or interest of this Prospectus;
- promoter of Virgin Australia; or
- underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Virgin Australia;
- the Offer; or
- any property acquired or proposed to be acquired by Virgin Australia in connection with the formation or promotion of Virgin Australia or the Offer.

Other than as set out in this Prospectus, no such person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons for services provided by them, in connection with the formation or promotion of Virgin Australia or with the Offer.

#### 9.4. CORPORATE GOVERNANCE STATEMENT

Virgin Australia adopts an approach to corporate governance based on best practice and Australian law requirements. The Board and management are committed to corporate governance. To the extent appropriate to the scale and nature of Virgin Australia's business, Virgin Australia has adopted the ASX Corporate Governance Council's Principles and Recommendations.

The Board is responsible for the overall corporate governance of Virgin Australia, including setting the direction, strategies and financial objectives of Virgin Australia, setting and monitoring Virgin Australia's risk management strategy and overseeing the appointment, remuneration and performance of senior executives.

The Board will review the corporate governance policies and structures that Virgin Australia has in place on an ongoing basis to ensure that these are appropriate for the size of the company and the nature of its activities, and that these policies and structures continue to meet the standards to which the Board is committed.

To assist in the performance of its role, the Board has established a number of Committees which have specific roles and responsibilities in key areas. As at the date of this Prospectus, the Board has four standing committees, being the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety and Operational Risk Review Committee.

Under Virgin Australia's corporate governance policies, and to manage potential conflicts of interest, the nominee directors who represent the major Shareholders which are airlines (Raymond Gammell in respect of Etihad Airways, Hou Wei in respect of HNA Group, Warwick Negus in respect of Virgin Atlantic, Marvin Tan in respect of Singapore Airlines and Kevin Xing in respect of Nanshan Group) are only entitled to receive limited information in respect of Virgin Australia's international business. Accordingly, those directors have regard to the processes and procedures followed by Virgin Australia's management and the remaining directors in relation to those matters.

Further information about Virgin Australia's governance arrangements and practices, including the corporate governance statement, details of the key policies and practices and the charters for the Board and each of its committees, are available on Virgin Australia's website at [www.virginaustralia.com/au/en/about-us/company-overview/corporate-governance/](http://www.virginaustralia.com/au/en/about-us/company-overview/corporate-governance/).

#### 9.5. EXPENSES OF THE OFFER

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$150 million, then the net proceeds of the Offer are expected to be \$144.4 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, Co-Managers and Brokers, and legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$5.6 million. All of these expenses have been, or will be, borne by Virgin Australia.

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INDEPENDENT  
LIMITED ASSURANCE  
REPORT

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# 10. INDEPENDENT LIMITED ASSURANCE REPORT



ABN: 43 007 363 215

## **KPMG Transaction Services**

A division of KPMG Financial Advisory Services  
(Australia) Pty Ltd  
Australian Financial Services Licence No. 246901  
Level 38, Tower Three  
300 Barangaroo Avenue Sydney NSW 2000

Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

PO Box H67  
Australia Square 1213  
Australia

The Directors  
Virgin Australia Holdings Limited  
56 Edmondstone Road  
Bowen Hills QLD 4006

28 October 2019

Dear Directors

## **Limited Assurance Investigating Accountant's Report and Financial Services Guide**

### **Investigating Accountant's Report**

#### **Introduction**

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Virgin Australia Holdings Limited ("VAH") to prepare this report for inclusion in the Prospectus to be dated 28 October 2019 (the "Prospectus"), and to be issued by VAH, in respect of the offer of unsecured notes (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

#### **Scope**

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Prospectus.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Pro Forma Historical Financial Information**

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of VAH (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of VAH, after adjusting for the effects of pro forma adjustments described in Section 6 of the Prospectus.

The pro forma financial information consists of VAH's pro forma historical balance sheet as at 30 June 2019 and pro forma historical NPAT for the year ended 30 June 2019 as set out in section 6 of the Prospectus issued by VAH (collectively the "Pro Forma Historical Financial Information"). The basis on which VAH has compiled the Pro Forma Historical Financial Information is specified in section 6 of the Prospectus.

The Pro Forma Historical Financial Information has been compiled by VAH to illustrate the impact of the Offer on VAH's financial position as at 30 June 2019 and VAH's NPAT for the year ended 30 June 2019. As part of this process, information about VAH's financial position and NPAT has been extracted by VAH from VAH's financial statements for the year ended 30 June 2019.

The financial statements of VAH for the year ended 30 June 2019 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of VAH relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in Section 6 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

**Directors' responsibilities**

The directors of VAH are responsible for the preparation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or

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adjustments, and for properly compiling the Pro Forma Historical Information on the basis stated in section 6 of the Prospectus.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

## **Conclusions**

### ***Review statement on the Pro Forma Historical Financial Information***

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 6 of the Prospectus, comprising:

- the pro forma historical NPAT of VAH for the year ended 30 June 2019; and
- the pro forma historical balance sheet of VAH as at 30 June 2019,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 6 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and VAH's accounting policies.

## **Independence**

KPMG Transaction Services does not have any interest in the outcome of the Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of VAH and from time to time, KPMG also provides VAH with certain other professional services for which normal professional fees are received.

## **General advice warning**

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

## **Restriction on use**

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not

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authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



Matthew Saunders  
Authorised Representative

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## **Financial Services Guide Dated 28 October 2019**

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Matthew Saunders as an authorised representative of KPMG Transaction Services, authorised representative number 404266 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### **Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide**

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;

- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

**KPMG Transaction Services and the Authorised Representative's responsibility to you**

KPMG Transaction Services has been engaged by Virgin Australia Holdings Limited (VAH) to provide general financial product advice in the form of a Report to be included in the Prospectus dated 28 October 2019 (Prospectus) prepared by VAH.

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than VAH.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

**General Advice**

As KPMG Transaction Services has been engaged by VAH, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

**Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives**

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, VAH. Fees are agreed on either a fixed fee or a time cost basis. In this instance, VAH have agreed to pay KPMG Transaction Services \$150,000 (excluding GST and disbursements) for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

**Referrals**

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

**Associations and relationships**

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, VAH or has other material financial interests in the transaction.

**Complaints resolution**

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your

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complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

### External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO  
Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au).

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation arrangements**

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

### **Contact Details**

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

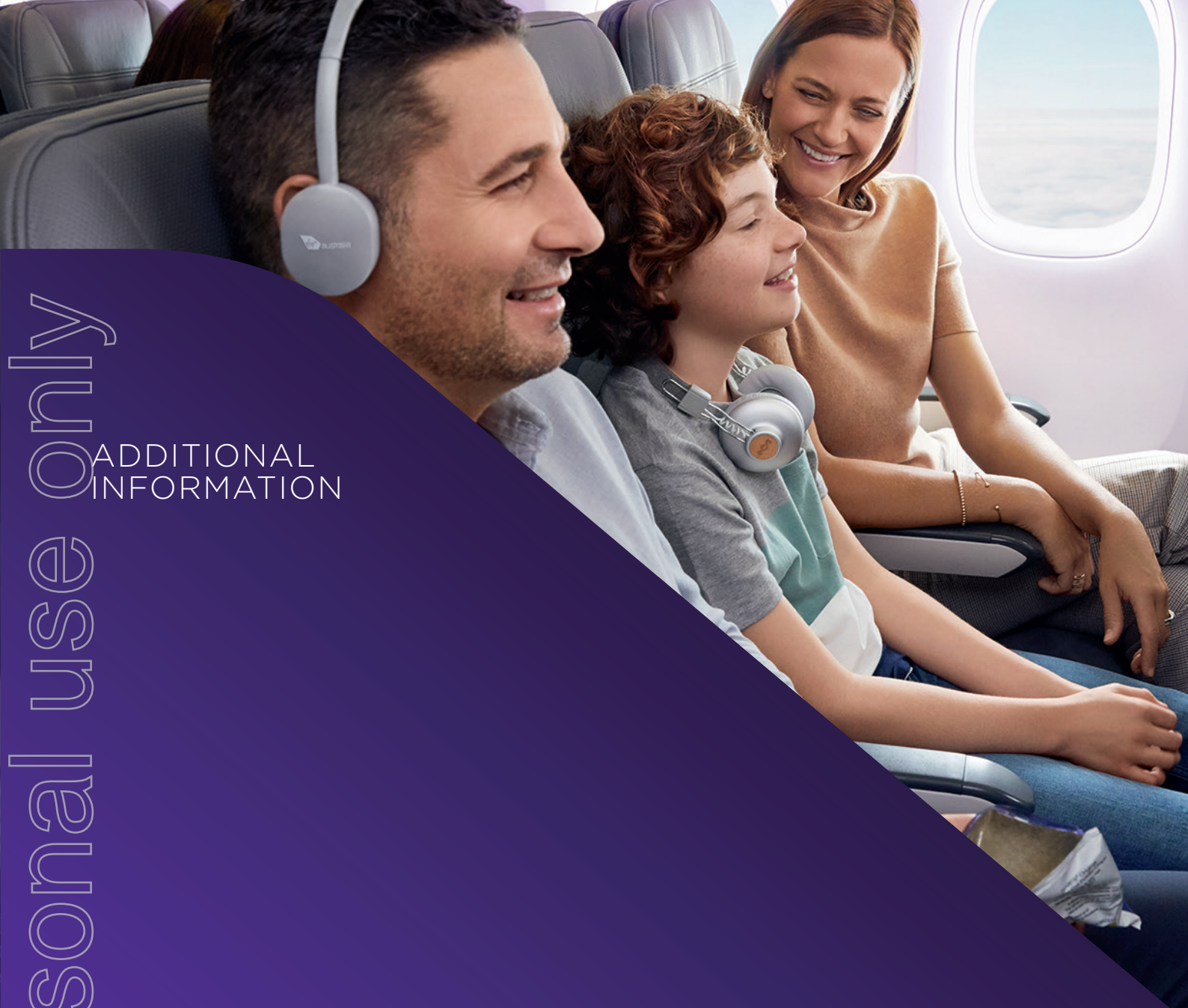
KPMG Transaction Services  
A division of KPMG Financial Advisory  
Services (Australia) Pty Ltd  
300 Barangaroo Avenue  
Sydney NSW 2000  
PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

Matthew Saunders  
C/O KPMG  
PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200



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ADDITIONAL  
INFORMATION



# 11. ADDITIONAL INFORMATION

## 11.1. RIGHTS AND LIABILITIES ATTACHING TO THE NOTES

The rights and liabilities attaching to the Notes are set out in the Terms. The Terms are set out in full in Appendix A. Rights and obligations attaching to the Notes may also arise under the Corporations Act and other laws.

## 11.2. REPORTING AND DISCLOSURE OBLIGATIONS

Virgin Australia is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Virgin Australia also has an obligation under the ASX Listing Rules to notify ASX immediately of any information concerning Virgin Australia of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of Virgin Australia’s quoted securities unless exceptions from disclosure apply under ASX Listing Rules. ASX maintains records of company announcements for all companies listed on ASX. Virgin Australia is also required to prepare and lodge with ASIC and ASX both yearly and half yearly financial statements accompanied by a Director’s declaration and report and an audit or review report. Virgin Australia’s announcements may be viewed on ASX’s website ([www.asx.com.au](http://www.asx.com.au)).

## 11.3. SUMMARY OF THE ACQUISITION AGREEMENT

Virgin Australia has entered into a securities sales agreement with Affinity dated 4 October 2019. Under the Acquisition Agreement, Virgin Australia has agreed to purchase 100% of the convertible notes held by Affinity in Velocity Holdco,<sup>1</sup> which represents an overall interest of 34.82% in Velocity Holdco.

### 11.3.1. Purchase price

The purchase price payable by Virgin Australia to Affinity under the Acquisition Agreement is approximately \$700 million.

There are no adjustments to the consideration other than to adjust for certain distributions by Velocity Holdco on the convertible notes and any co-investment participation notes issued by Velocity Holdco for the period from 1 July 2019 up until completion.

### 11.3.2. Conditions precedent

Completion of the Velocity Acquisition is only conditional upon Virgin Australia obtaining FIRB approval and Virgin Australia obtaining financing for the Velocity Acquisition. Following the receipt of FIRB approval on 22 October 2019, completion of the Velocity Acquisition is only subject to Virgin Australia obtaining financing for that acquisition.

### 11.3.3. Completion timing

Completion for the Velocity Acquisition is expected to occur on or about 29 November 2019.

The Acquisition Agreement provides for various adverse consequences if Virgin Australia fails to complete the transaction, but Virgin Australia does not expect these to be relevant provided the Offer, concurrent US\$ Notes Offer or other funding arrangements are completed. Virgin Australia may withdraw the Offer if Virgin Australia does not raise sufficient funding through the Offer, the concurrent US\$ Notes Offer or other sources to facilitate completion of the Velocity Acquisition.

1. The acquisition will be undertaken through Virgin Australia’s wholly owned subsidiary, Virgin Australia Airlines Holdings Limited (ACN 093 924 675), which is a Guarantor.

#### 11.3.4. Warranties and indemnities

Under the Acquisition Agreement, Affinity has provided limited warranties in favour of Virgin Australia. These include warranties in relation to authority and power, title, including its unencumbered title to its convertible notes, and solvency, but more general business warranties have not been provided given Virgin's existing interests in the business. Velocity Holdco has also provided limited warranties in favour of Affinity, including warranties in relation to authority, power and solvency.

Virgin Australia has provided limited warranties in favour of Affinity. These include warranties in relation to solvency and certain tax matters.

A standard customary warranty indemnity is also provided from each party. There are no other indemnities provided under the Acquisition Agreement.

#### 11.3.5. Other

The parties have also agreed to confidentiality arrangements.

### 11.4. SUMMARY OF NOTE TRUST DEED

Virgin Australia entered into a Note Trust Deed with Sargon CT Pty Ltd (as the Note Trustee) on or about the date of this Prospectus (**Note Trust Deed**). The Note Trust Deed is governed by New South Wales law and is the document which constitutes the Notes. The Terms are set out as an attachment to the Note Trust Deed. The full terms of the Note Trust Deed can be obtained from [www.virginaustralianotes.com](http://www.virginaustralianotes.com) during the Offer Period and after the Issue Date. Virgin Australia has lodged the Note Trust Deed with ASIC and the information in the Note Trust Deed is incorporated by reference into this Prospectus. Virgin Australia will provide a copy of the Note Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to Noteholders.

The Note Trustee has agreed to act as the trustee of the assets and rights held on trust for Noteholders (as described below) pursuant to the terms of the Note Trust Deed. The Notes are issued subject to the terms and conditions contained in the Note Trust Deed.

The Interest payments on the Notes are obligations of Virgin Australia. The Interest payments are not guaranteed by the Note Trustee or any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related bodies corporate or any other entity. The obligation to Redeem the Notes in accordance with their terms is a direct obligation of Virgin Australia. Neither the Note Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related bodies corporate or any other entity guarantees the Redemption of or repayment of the Face Value of the Notes.

The Note Trustee is not responsible for monitoring compliance by Virgin Australia of its obligations under the Note Trust Deed, taking steps to ascertain whether an Event of Default has occurred, or Virgin Australia's businesses except as required by law. In this regard, the Note Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including:

- exercising reasonable diligence to ascertain whether:
  - the property of Virgin Australia that is or should be available will be sufficient to repay the amounts lent by Noteholders in respect of the Notes; and
  - Virgin Australia has breached the Terms, the Note Trust Deed or the provisions of Chapter 2L of the Corporations Act,
- unless the Note Trustee is satisfied the breach will not materially prejudice Noteholders, do everything in its power to ensure Virgin Australia remedies such a breach (as the case may be).

The Noteholders are taken to have notice of, and are bound by, all the provisions of the Note Trust Deed and the Terms.

The following is a summary only of the principal provisions of the Note Trust Deed.

## 11. ADDITIONAL INFORMATION

### 11.4.1. Appointment of Note Trustee and declaration

The Note Trustee is appointed to hold on trust for Noteholders:

- the right to enforce Virgin Australia's duty to repay the Notes;
- the right to enforce Virgin Australia's obligation to pay all other amounts payable under Notes;
- the right to enforce all other duties or obligations of Virgin Australia and the Guarantors under the Terms, the provisions of the Note Trust Deed and Chapter 2L of the Corporations Act; and
- any other powers and property which the Note Trustee may receive or which may be vested in the Note Trustee.

Each Noteholder (and any person claiming through or under a Noteholder) is bound by, and is taken to have notice of, the Note Trust Deed and the Terms and to have irrevocably authorised the Note Trustee to exercise its rights under the Note Trust Deed, the Terms of Issue and Chapter 2L of the Corporations Act, in its capacity as trustee. It is a condition of receiving any of the rights or benefits under a Note that a Noteholder complies with the Note Trust Deed and the Terms of Issue.

### 11.4.2. Payments

Virgin Australia undertakes to pay all amounts due under the Notes to the Note Trustee. The Note Trustee directs Virgin Australia to pay such amounts to the Noteholders unless a winding up of Virgin Australia has commenced in which case the payment must be made to the Note Trustee. Payment to the Noteholders in accordance with the Terms satisfies Virgin Australia's obligation to pay this amount to the Note Trustee to the extent of the payment and payment to the Note Trustee satisfies Virgin Australia's obligation to pay any amount to the Noteholders.

The Note Trust Deed contains provisions entitling Virgin Australia to withhold payments in various circumstances, including where a Noteholder needs to obtain a governmental approval to be paid an amount, where Virgin Australia believes that a person other than the Noteholder has become entitled to be registered as Noteholder and receive the payment, and where the Noteholder has not provided sufficient account details to enable Virgin Australia to make a payment.

Amounts payable to the Note Trustee in respect of its remuneration, costs and various other amounts are not subordinated and will rank in priority to the payments due to the Noteholders.

### 11.4.3. Guarantee

The Guarantors jointly and severally and unconditionally and irrevocably guarantee:

- to the Note Trustee, the due and punctual payment of the Guaranteed Moneys of the Note Trustee; and
- to the Note Trustee for the benefit of each Noteholder, the due and punctual payment by Virgin Australia of the Guaranteed Moneys of that Noteholder.

Payments under the Guarantee are payable immediately on demand from the Note Trustee in the same manner and currency as the Guaranteed Moneys are required to be paid. The Guaranteed Moneys include amounts payable to the Note Trustee or the Noteholders under the Note Trust Deed and the Terms.

The Note Trust Deed contains provisions for new Subsidiaries to become Guarantors, and for existing Guarantors to be released, as contemplated by the Terms.

### 11.4.4. Obligors' undertakings

Each Obligor has undertaken to the Note Trustee that it will, amongst other things:

- comply with its obligations under the Notes, the Note Trust Deed, and Chapter 2L and section 318 of the Corporations Act;
- ensure that any financial statements it provides to the Note Trustee comply with Australian accounting practice (except to the extent disclosed in the financial statements) and applicable laws;
- promptly obtain, make and keep in effect all consents and filings required for it to enter into and perform its obligations under the Trust Deed and the Terms of Issue.

#### **11.4.5. Trustee protections and limitation of liability**

The Note Trust Deed contains various provisions which, subject to the Corporations Act, entitle the Note Trustee to make assumptions as to various matters, rely on information, statements and opinions provided to it and exercise various other discretions.

The Note Trustee is generally not liable to Virgin Australia, Noteholders or any other person, except where the Note Trustee acts fraudulently, negligently or wilfully defaults under the Note Trust Deed.

#### **11.4.6. Enforcement by Note Trustee**

Only the Note Trustee is entitled to enforce the Note Trust Deed or the Terms, except in cases described in Section 11.4.8 below. The Note Trustee is not required to notify any person of the occurrence of any default or breach of the Note Trust Deed or any other document relating to the Notes.

#### **11.4.7. Enforcement on direction by Noteholders**

The Note Trustee is only obliged to take action in relation to a Default or to otherwise enforce the Note Trust Deed where all the following conditions are met:

- the Note Trustee has been directed to take that action:
  - by a Noteholder Resolution; or
  - in the case of taking action under Clause 5.2 (Consequences of a default) of the Terms, in writing by Noteholders of at least 25% of the aggregate of the principal amount of all Notes Outstanding (ignoring any Notes held by Virgin Australia or any of Virgin Australia's Subsidiaries and not cancelled);
- the Note Trustee is indemnified to its satisfaction:
  - for all actions, proceedings, claims and demands to which the Note Trustee may render itself liable by taking such action;
  - in respect of all costs, charges, damages and expenses which the Note Trustee may thereby incur; and
  - in respect of the costs of all management time spent by employees or officers of the Note Trustee in relation to such action in the amount required under the Note Trust Deed;
- the Note Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

#### **11.4.8. Enforcement by Noteholders**

A Noteholder is entitled to take any action that the Note Trustee could take in relation to a Default or to otherwise enforce the Note Trust Deed if and only if the Note Trustee, having become bound to take that action, fails to do so within 30 Business Days and that failure is continuing. Any such action may be taken by a Noteholder:

- in the name of the Note Trustee; and
- following the giving to the Note Trustee of an indemnity satisfactory to it,

but not otherwise. Virgin Australia may plead this restriction in bar to any proceedings brought against it that are not permitted.

#### **11.4.9. Fees, expenses and indemnity**

Virgin Australia must pay to the Note Trustee by way of remuneration for its services as trustee under the Note Trust Deed a fee or such other remuneration as may be agreed between Virgin Australia and the Note Trustee. Virgin Australia has agreed it will also pay the Note Trustee's costs properly incurred in connection with the execution and performance of the Note Trust Deed as well as additional fees for any enforcement action that the Note Trustee takes in relation to the Note Trust Deed following default by any other party (such additional fees being charged at standard hourly rates for time spent by the Note Trustee).

## 11. ADDITIONAL INFORMATION

### 11.4.10. Retirement and removal

The Note Trustee may retire by giving notice to Virgin Australia, which will not be effective until the last to occur of:

- the day which is 60 days after the date of the notice (or such other period as the Note Trustee and Virgin Australia may agree); and
- the day upon which the appointment of a new trustee becomes effective.

The Note Trustee may also be removed by Virgin Australia in various circumstances.

Any removal of the Note Trustee will only take effect upon the appointment of a new Note Trustee.

### 11.4.11. Meetings

Subject to the Corporations Act, the Note Trustee or Virgin Australia may at any time convene a meeting of Noteholders. Virgin Australia must convene such meeting on receipt of a direction in writing by Noteholders of at least 10% of the aggregate of the principal amount of all Notes Outstanding (ignoring any Notes held by Virgin Australia and not cancelled).

A meeting of Noteholders has the power to:

- by Special Resolution (as defined in the Terms), amongst other things, approve an amendment to the Terms or the Note Trust Deed or give any release or waiver in respect of anything done or omitted to be done by Virgin Australia or any breach or default by Virgin Australia; and
- by a Noteholder Resolution (as defined in the Terms), give directions to the Note Trustee as to the performance of its duties under the Note Trust Deed and the Terms and do anything for which a Special Resolution is not required by the Terms or the Note Trust Deed.

A resolution duly passed at a meeting of Noteholders held in accordance with the Note Trust Deed is binding on all Noteholders whether or not they are present or voting at the meeting.

The Note Trust Deed may also be amended without the approval of Noteholders as described in the Terms.

### 11.4.12. Register

The Note Trust Deed contains arrangements relating to the maintenance of the Register of Noteholders. Virgin Australia and the Note Trustee may treat Noteholders as the absolute beneficial owners of Notes held by them and are not obliged to recognise any other person as having any right or interest in any Note whether or not they have notice of such right or interest.

## 11.5. SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

Virgin Australia, the Arranger and the Joint Lead Managers entered into an offer management agreement (**OMA**) on or about the date of this Prospectus. The following is a summary of the principal provisions of the OMA.

Under the OMA, the Joint Lead Managers have agreed to use their reasonable endeavours to procure applications to subscribe for Notes in accordance with the Prospectus and the timetable and manage the completion of settlement of the Notes pursuant to the Bookbuild under the Offer.

Nothing in the OMA constitutes an agreement by the Joint Lead Managers to underwrite the Offer.

For the purpose of this Section 11.5, "**Offer Documents**" means the documents issued or published by Virgin Australia or on behalf of Virgin Australia with Virgin Australia's consent or with the approval of Virgin Australia in respect of the Offer, including:

- this Prospectus and the Replacement Prospectus;
- the Application Form;
- any supplementary prospectus;
- any written materials that are presented or provided to prospective investors (including any roadshow presentations); and
- any advertising or publicity documents, notices or reports.

### 11.5.1. Fees and costs

The estimated aggregate fees payable by Virgin Australia to the Joint Lead Managers (including to the Arranger) and Syndicate Brokers under the OMA are approximately \$4.9 million (exclusive of GST), making certain assumptions as to the allocations of the Notes between the Institutional Offer and the Broker Firm Offer. The actual amount of fees payable to the Joint Lead Managers will not be known until completion of the Bookbuild.

As part of these fees, Virgin Australia will pay a selling fee of 1.00% (plus GST) on the total allocation amounts made to each Syndicate Broker.

In addition, Virgin Australia must pay or reimburse each Joint Lead Manager for reasonable expenses.

### 11.5.2. Conditions precedent, representations, warranties and undertakings

The OMA contains certain common conditions precedent, representations, warranties and undertakings by Virgin Australia to the Joint Lead Managers.

The conditions precedent included in the OMA include the following:

- the execution of the Trust Deed before the lodgement of this Prospectus; and
- other common conditions precedent including conducting due diligence, lodgement of this Prospectus and obtaining the relevant ASX waivers described in Section 11.8.

The representations and warranties given by Virgin Australia under the OMA include, but are not limited to, matters in relation to power and authorisation, incorporation, validity of obligations, listing, disclosures in this Prospectus and public information, compliance, due diligence, opinions and beliefs, litigation, financial position, continuous disclosure, financial information, solvency and compliance with applicable laws.

The undertakings given by Virgin Australia under the OMA include, but are not limited to, there being no variation of any term of the Acquisition Agreement without the prior consent of the Joint Lead Managers before completion of the Offer, promptly communicating material communications with ASX or ASIC relating to the Offer to the Joint Lead Managers, there being no breach of any applicable law or regulation and conducting the business of the Group in the ordinary course until the expiration of 90 days after completion of the Offer.

### 11.5.3. Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence of the Joint Lead Managers and certain of its representatives, Virgin Australia agrees to keep the Joint Lead Managers and those representatives indemnified from losses suffered in connection with the Offer.

## 11. ADDITIONAL INFORMATION

### 11.5.4. Termination events

As is customary with these types of agreements, a Joint Lead Manager may terminate the OMA at any time by notice given to Virgin Australia and the other Joint Lead Managers immediately, without cost or liability to itself or the other Joint Lead Managers, on the occurrence of certain events (in certain circumstances having regard to the materiality of the relevant event), including, but not limited to, where:

- an event occurs which entitles a party to terminate the Acquisition Agreement, the Acquisition Agreement is terminated or rescinded or amended in a material respect without the consent of the Joint Lead Managers, the Acquisition Agreement is found to be void or voidable or a condition precedent to any party's obligations under the Acquisition Agreement (in the reasonable opinion of a Joint Lead Manager) becomes incapable of being satisfied;
- in the reasonable opinion of a Joint Lead Manager, a statement in the Prospectus or a supplementary prospectus is misleading or deceptive, or a matter required to be included is omitted from the Prospectus or a supplementary prospectus;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- Virgin Australia withdraws this Prospectus or the invitations to apply for Notes under this Prospectus;
- approval by ASX for official quotation of the Notes is refused, or is not granted before the allotment of the Notes or is withdrawn on or before the allotment of the Notes;
- there are certain adverse movements in the S&P/ASX 200 Index;
- there are certain adverse movements in the ICE BofAML Global High Yield Index;
- in the reasonable opinion of a Joint Lead Manager, any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Virgin Australia or the Group as a whole;
- Virgin Australia fails to comply with any of its obligations under the OMA or the Trust Deed, or any representation or warranty by Virgin Australia in the OMA or the Trust Deed is or becomes incorrect;
- Virgin Australia or any of its Directors or members of senior management is charged with engaging in fraudulent conduct or activity whether or not in connection with the Offer;
- Virgin Australia is prevented from allotting and issuing the Notes within the time required by the Listing Rules, by ASX or ASIC, by any statute or regulation, by the order of a court of competent jurisdiction or by a government agency;
- Virgin Australia becomes insolvent; and
- there are material disruptions in financial or economic conditions in key markets, or hostilities commence or escalate in certain key countries.

### 11.6. AVAILABILITY OF OTHER DOCUMENTS

Copies of documents lodged with ASIC in relation to Virgin Australia may be obtained from, or inspected at, the offices of ASIC.

Virgin Australia will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Issue Date:

- the half yearly financial report for the six months ended 31 December 2018, being the half yearly financial report most recently lodged by Virgin Australia with ASIC;
- the annual financial report for the 12 months ended 30 June 2019, being the annual financial report most recently lodged by Virgin Australia with ASIC;
- any continuous disclosure notices given to ASX by Virgin Australia after the lodgement of the annual financial report referred to above and before the date of lodgement of this Prospectus with ASIC;
- Virgin Australia's Constitution; and
- the Note Trust Deed.

The above information may be obtained from Virgin Australia's website at [www.virginaustralia.com/au/en/about-us/company-overview/investor-information](http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information).

If you would like to receive a copy of any of these documents or publications, please contact the Virgin Australia Notes Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday - 8.30am to 5.00pm Sydney time) Monday to Friday during the Offer Period.



## 11.7. CONSENTS

Each of the parties (referred to as **Consenting Parties**), who are named below:

- has not authorised or caused the issue of this Prospectus and does not make any offer of the Notes;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than to the extent specified in the final two dot points below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name as specified in the table below;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- in the case of KPMG Transaction Services, which is a division of KPMG Financial Advisory Services (Australia) Pty Ltd, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Independent Limited Assurance Report in the form and context in which it appears in this Prospectus; and
- in the case of KPMG Partnership, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Taxation Letter in the form and context in which it appears in this Prospectus.

Role	Consenting parties
Legal Adviser	Herbert Smith Freehills
Investigating Accountant	KPMG Transaction Services, which is a division of KPMG Financial Advisory Services (Australia) Pty Ltd
Auditor	KPMG Partnership
Australian Tax Adviser	KPMG
Arranger	UBS
Joint Lead Managers	Morgan Stanley, Morgans, Ord Minnett and UBS
Co-Managers	Bell Potter, Crestone Wealth Management, Escala Partners
Note Trustee	Sargon CT Pty Ltd
Registry	Computershare Investor Services Pty Limited

The Note Trustee, and any of its directors, employees, officers, affiliates, agents, advisers, intermediaries or related bodies corporate:

- take no responsibility for any part of the Prospectus, have not authorised or caused the issue of the Prospectus, and make no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in the Prospectus;
- have not made any statement or purported to make any statement in the Prospectus or any statement on which a statement in the Prospectus is based, other than the references to its name;
- to the maximum extent permitted by law, expressly disclaim all liability in respect of, make no representation or any statement regarding, and take no responsibility for, any part of the Prospectus, or any statements in, or omissions from the Prospectus, other than the references to its name; and
- have given and have not, before the lodgement of the Prospectus with ASIC, withdrawn, its written consent, to be named in the Prospectus in the form and context in which it is named.

## 11. ADDITIONAL INFORMATION

### 11.8. ASX WAIVERS AND APPROVALS

Virgin Australia has applied for and is expected to receive approval from ASX to allow the Notes to trade on a deferred settlement basis for a short time following the Issue Date and quotation of the Notes on ASX.

### 11.9. FOREIGN SELLING JURISDICTIONS

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. Virgin Australia disclaims all liabilities to such persons.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes in any jurisdiction outside Australia. The Offer and the possession or distribution of this Prospectus is further subject to the specific restrictions set out below.

#### 11.9.1. United States

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except pursuant to an available exemption from, or in transactions not subject to, the registration requirements under the U.S. Securities Act and any other applicable U.S. state securities laws. The Offer is being made only in offshore transactions (as defined in Regulation S) in reliance on Regulation S. In addition, until 40 days after the commencement of the Offer, any offer, sale or resale of the Notes in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act.

Each Applicant, and any persons for whose benefit such Applicant is applying, by accepting delivery of this Prospectus or the Notes, represents, agrees and acknowledges that:

- the Notes have not been, and will not be, registered under the U.S. Securities Act or with any securities authority in any state or other jurisdiction of the United States;
- it is not in the United States or if it is in the United States, it is an Eligible U.S. Fund Manager;
- it will not offer, sell, pledge or transfer any Notes in the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and any applicable securities laws of any state in the United States; and
- it has not and will not send the Prospectus and any Application Form, or any other material relating to the Offer to any person in the United States.

Each Applicant represents, agrees and acknowledges that Virgin Australia will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements and agrees that, if any of such representations, agreements and acknowledgements are no longer accurate, it will promptly notify Virgin Australia, and if it is acquiring any Notes as fiduciary or agent for one or more accounts, it has full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

Concurrent with the Offer, Virgin Australia may in its sole discretion make private placements of the US\$ Notes in the United States to certain eligible institutional investors pursuant to an available exemption from, or in transactions not subject to, the registration requirements under the U.S. Securities Act and any other applicable U.S. state securities laws. Neither the Offer or the US\$ Notes Offer is conditional on the completion of the other.

### 11.9.2. New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the **FMC Act**). The Notes are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

### 11.9.3. Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**). Accordingly, the Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than to “professional investors” (as defined in the SFO and any rules made thereunder).

No advertisement, invitation or document relating to the Notes has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” (as defined in the SFO and any rules made thereunder).

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### 11.9.4. Singapore

This document and any other materials relating to the Notes have not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (**the SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## 11. ADDITIONAL INFORMATION

### 11.9.5. Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described in this Prospectus. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made available in Switzerland.

### 11.9.6. United Kingdom

Neither the information in this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of Notes.

This Prospectus is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and Notes may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by the recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Virgin Australia.

### 11.9.7. The European Economic Area

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one or more of: (i) a retail client as defined in point (11) of Article 4(1) Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## 11.10. PRIVACY

### 11.10.1. Privacy statement of Virgin Australia

By completing and submitting an Application Form, you acknowledge that you have read this Prospectus.

Virgin Australia is required to collect certain information about Noteholders under company and tax law. Applicants will be asked to provide personal information to Virgin Australia (directly or via its agents, including the Registry). You acknowledge that the personal information submitted as part of this form and otherwise provided to Virgin Australia (directly or via its agents, including the Registry) will be collected, used and disclosed by Virgin Australia (and its agents, including the Registry) in order to process your Application, service your needs as a holder of the Notes, provide facilities and services that you request, carry out appropriate administration, send you information about the products and services of members of the Group, including future offers of securities and as otherwise required or authorised by law (including, without limitation, any law relating to taxation, money laundering or counter-terrorism).

Such disclosure may include disclosure to third parties including other members of the Group and to Virgin Australia's agents, service providers, auditors and advisers. Such disclosure may also include disclosure to domestic and overseas regulators or other government agencies (including ASIC and the Australian Tax Office), stock exchanges, and the public by way of public registers maintained by Virgin Australia or by regulators or other bodies. Some of these recipients may be located outside Australia. You acknowledge that if you do not provide the personal information required by the Application Form, it might not be possible to process your Application, administer your holding and/or send you information about the products and services of members of the Group, including future offers of securities.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Virgin Australia and Computershare Investor Services Pty Limited. You can request access to your personal information by contacting Computershare Investor Services Pty Limited at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or +61 3 9415 4000.

If Virgin Australia's or the Registry's record of your personal information is incorrect or out of date, it is important that you contact the Registry so that your records can be corrected.

### 11.10.2. Privacy statement of Note Trustee

The Note Trustee may collect and use your personal information for the primary purpose of providing trustee services to Virgin Australia and for ancillary purposes detailed in its privacy policy. The Note Trustee may disclose your personal information, such as your name and contact details, along with your account information to its related bodies corporate, Virgin Australia, professional advisors, other third parties such as the Note Trustee's agents, service providers, auditors or regulators or other government agencies (including ASIC and the Australian Tax Office) and/or as otherwise instructed by Virgin Australia. The Note Trustee is also permitted to collect, use and disclose your personal information when required or authorised to do so by law.

Your personal information will be used in accordance with the Note Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the Note Trustee and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the privacy policy at <https://cdn.sargon.cloud/66460bcf-423f-45d1-9c38-397277dbcc30/Sargon%20-%20Privacy%20Policy.pdf>.

If you do not provide the personal information required by the Note Trustee, the Note Trustee may not be able to provide trustee services to Virgin Australia in respect of your Application or to administer any Notes related to your Application.

## 11.11. GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

## 11.12. DIRECTORS' AUTHORISATIONS

Each Director has given and has not withdrawn his or her consent to the issue of this Prospectus and to its lodgement with ASIC.

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TERMS OF NOTES

Appendix

A



# APPENDIX A – TERMS OF NOTES

## 1. FORM, DENOMINATION, TITLE AND INFORMATION

### 1.1. Form

The Notes are unsecured notes of the Issuer, constituted by the Note Trust Deed and issued in registered form by entry in the Register.

### 1.2. Face Value

Each Note is issued fully paid and with a Face Value of \$100.

### 1.3. Title and transfer

Title to all Notes will be determined, and the Notes may be transferred, as provided in the Note Trust Deed. Except as provided in the Note Trust Deed or required by law, the Issuer will not recognise any person other than the registered Noteholder as having any title to, or interest in, a Note.

### 1.4. Quotation

The Issuer must use all reasonable endeavours and furnish any documents, information and undertakings as may be reasonably necessary in order to ensure that the Notes are, and remain until Redeemed in accordance with these Terms of Issue, quoted on ASX.

### 1.5. Evidence of holdings

The Issuer must provide to each Noteholder such statements of the holdings of the Notes of the Noteholder as the Issuer is required to give under the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules. Note certificates will not be issued unless the Issuer determines that certificates should be made available or are required to be made available by law.

### 1.6. Note Trust Deed

Noteholders are entitled to the benefit of, and are bound by the provisions of, the Note Trust Deed. The Note Trust Deed has been lodged with ASIC, and is available for inspection by Noteholders at the office of the Note Trustee.

### 1.7. Provision of information by Noteholders

If requested by the Issuer, the Noteholders must provide information required by the Issuer or the Note Trustee in order to comply with any applicable law, including FATCA.

## 2. STATUS, GUARANTEE AND UNDERTAKINGS

### 2.1. Status of Notes

Notes are direct, unsubordinated and unsecured obligations of the Issuer and rank at least equally with all other unsubordinated and unsecured obligations of the Issuer other than those mandatorily preferred by law.

### 2.2. Guarantee

- (a) Notes have the benefit of the Guarantee, which comprises direct, unsubordinated and unsecured obligations of each Guarantor ranking at least equally with all other unsubordinated and unsecured obligations of the relevant Guarantor other than those mandatorily preferred by law.
- (b) If after the Issue Date the Issuer or any Restricted Subsidiary creates or acquires a Subsidiary which is or becomes a Required Guarantor, the Issuer must ensure that such Subsidiary becomes a Guarantor in accordance with the Note Trust Deed within 30 Business Days after producing internal financial statements that demonstrate the Subsidiary is, or has become, a Required Guarantor, unless prohibited by any applicable law.
- (c) The Issuer may by written notice to the Note Trustee cause any Guarantor (**Retiring Guarantor**) to be discharged from all of its obligations and liabilities under the Note Trust Deed and to cease to be a Guarantor with effect from such time as is specified in such notice (the **Release Time**) provided that the Issuer delivers to the Note Trustee at or before the Release Time a certificate of an Officer of the Issuer confirming that the Retiring Guarantor is not, or following the Release Time will not be, a Required Guarantor.



### 2.3. Restrictions on dividends and return of capital

(a) The Issuer must not pay or allow any Restricted Subsidiary to pay any cash dividend, or make any return of capital in cash, on any of the Issuer's ordinary shares unless:

- (1) at the time of and after giving pro forma effect to such payment, no Event of Default is subsisting, the the Issuer would be permitted to incur at least \$1 of additional Financial Indebtedness under clause 2.4(a)(1), and the aggregate amount of all such payments since the Issue Date does not exceed the sum of:
  - (a) the aggregate consolidated net income of the Issuer in respect of all financial years from and including 1 July 2019; and
  - (b) any proceeds received by the Issuer from the issue of ordinary shares (including the issue price of any options over or securities convertible into shares that have been exercised or converted); or
- (2) the payment or distribution is permitted under 2.3(b).

(b) Clause 2.3(a) does not restrict:

- (1) the making of any payment or distribution previously declared or announced and that could have been made in compliance with Clause 2.3(a) at the time of such declaration or announcement;
- (2) any payment or distribution in connection with any employee, executive or officer benefit or share plan, up to a maximum aggregate amount of US\$35,000,000 in any 12 month period;
- (3) the distribution of assets of, shares in, or indebtedness owed by, any Unrestricted Subsidiary;
- (4) the distribution of assets of, shares in, or indebtedness owed by, any Person in connection with any full or partial 'spin off' of a Subsidiary or similar transaction, where:
  - (a) in the case of a 'spin off' or similar transaction in respect of a Guarantor, at the time of such transaction and after giving pro forma effect thereto, either (x) the Issuer would be permitted to incur at least \$1 of additional Financial Indebtedness under clause 2.4(a)(1), or (y) the Fixed Charge Cover Ratio would be no less than the Fixed Charge Cover Ratio immediately before (and without giving effect thereto) such transaction; or
  - (b) in the case of a 'spin off' or similar transaction in respect of a Subsidiary that is not a Guarantor, at the time of such transaction no Event of Default is subsisting; or
  - (c) in any case, where the aggregate Fair Market Value of all such distributions since the Issue Date does not exceed US\$250,000,000;
- (5) any dividend or return of capital in exchange for, or funded out of the proceeds of the issue of, ordinary shares (including the issue price of any options over or securities convertible into shares that are exercised or converted);
- (6) any other dividend or return of capital, provided that no Event of Default is subsisting and the aggregate of all dividends or returns of capital made in reliance on this clause 2.3(b)(6) since the Issue Date and not otherwise permitted or treated as permitted under another paragraph of this clause 2.3 does not exceed US\$100,000,000.

(c) For the purpose of this clause:

- (1) a distribution of any assets in kind (other than ordinary shares in the Issuer) shall be taken to be a cash payment in an amount equal to the Fair Market Value of those assets; and
- (2) the Issuer (without notice to the Note Trustee or any Noteholder) may classify the whole or any part of any dividend or return of capital as permitted under any paragraph of this clause 2.3 which would permit the relevant dividend or return of capital, or part thereof, at the time it is announced or paid, and may subsequently reclassify the relevant dividend or return of capital, or the relevant part thereof, as permitted under any other paragraph of this clause 2.3 which would permit it at the time of such reclassification.

(d) Any breach of this clause arising solely as a result of the payment of a dividend or return of capital at a time when an Event of Default subsists will be taken to have been remedied if the Event of Default is subsequently remedied.

## APPENDIX A - TERMS OF NOTES

### 2.4. Restrictions on incurrence of Financial Indebtedness

(a) The Issuer must not incur, and must ensure that no Restricted Subsidiary incurs, any Financial Indebtedness unless:

- (1) at the time of and after giving pro forma effect to such incurrence, the Fixed Charge Cover Ratio is at least 1.10 to 1; or
- (2) the Financial Indebtedness is permitted under clause 2.4(b).

(b) Clause 2.4(a) does not restrict the Issuer or a Restricted Subsidiary incurring Financial Indebtedness:

- (1) in respect of the Notes;
- (2) by utilising any commitment in existence on the Issue Date or in lieu of such commitment;
- (3) to finance (or replace funds expended by the Issuer or any of its Restricted Subsidiaries for) all or any part of the cost of acquisition, design, construction, installation, improvement or use of property, plant or equipment (including without limitation (and in each case, whether or not owned by the Issuer or its Restricted Subsidiaries) Aircraft Assets), including to finance pre-delivery payments and/or payment of financing fees, premium or other costs;
- (4) to finance, or otherwise in connection with:
  - (a) the acquisition of any Permitted Business or interests in any Person that owns a Permitted Business; or
  - (b) the merger, consolidation or amalgamation of any Person that owns a Permitted Business with or into the Issuer or a Restricted Subsidiary, or the merger, consolidation or amalgamation of the Issuer or a Restricted Subsidiary with or into any such Person,

including any assumption of any liability of such a Person, provided that the Fixed Charge Cover Ratio after giving pro forma effect to such transaction will not be lower than the Fixed Charge Cover Ratio immediately prior to (and without giving pro forma effect to) such transaction;

- (5) incurred in, or to finance expenditures or commitments incurred in, the ordinary course of the business of the Issuer and its Restricted Subsidiaries, including in respect of Aircraft Assets or insurance, and including any amounts owed to credit card or travel charge processing service providers or other clearing house processors in connection with credit card, travel charge or similar transactions in relation to the sale of air travel, clearing house services or other services;
- (6) in exchange for, or to refinance, or which replaces Financial Indebtedness of the Issuer or a Restricted Subsidiary that was outstanding on the Issue Date or permitted to be incurred after the Issue Date under clause 2.4(a) or any of any of the above paragraphs of clause 2.4(b), or Financial Indebtedness secured by any asset, including in each case the incurrence by the Issuer or any of its Restricted Subsidiaries of Financial Indebtedness of any Restricted Subsidiary in connection with, or in contemplation of, a spin-off of such Restricted Subsidiary;
- (7) by giving any guarantee or security in respect of Financial Indebtedness of the Issuer (in the case of a Restricted Subsidiary) or a Restricted Subsidiary (in the case of the Issuer or any other Restricted Subsidiary) outstanding on the Issue Date or permitted to be incurred after the Issue Date under clause 2.4(a) or this clause 2.4(b);
- (8) owed to the Issuer or a Restricted Subsidiary;
- (9) in respect of working capital or transactional facilities;
- (10) pursuant to or in connection with the sale, or raising of Financial Indebtedness secured against, any accounts (as defined in the Personal Property Securities Act) or other receivables of the Issuer or any Restricted Subsidiary, provided that recourse to the Issuer or any Restricted Subsidiary (other than a Subsidiary substantially all of whose assets are comprised of such receivables or interests in another such Subsidiary (**Receivables Subsidiary**)) in respect of such Financial Indebtedness is limited to such receivables (or interests in any such Receivables Subsidiary) or recourse in respect of usual warranties, undertakings or indemnities in respect of such receivables; or
- (11) not falling within any of the preceding paragraphs, provided that the amount of such Financial Indebtedness in aggregate with the principal amount of all other Financial Indebtedness incurred and outstanding in reliance on this clause 2.4(b)(11) at the time of such incurrence (and after having regard to the application of the proceeds thereof) does not exceed US\$750,000,000.

(c) Any refinancing of Financial Indebtedness incurred to finance (or replace funds expended by the Issuer or any of its Restricted Subsidiaries for) the purchase price or cost of use, design, construction, installation or improvement of property, plant or equipment or other assets (including Aircraft Assets)) may be in a principal amount that exceeds the principal amount of the Financial Indebtedness being refinanced and associated financing and other costs provided it does not exceed the Fair Market Value of the relevant asset at the time of (at the option of the Issuer) the receipt of commitments to provide such financing or the actual incurrence thereof. The full amount of such Financing Indebtedness will be treated as permitted under clause 2.4(b)(6) notwithstanding that it exceeds the amount of the original finance.

(d) The Issuer (without notice to the Note Trustee or any Noteholder) may:

- (1) treat any Financial Indebtedness to be incurred as being incurred partly in reliance on clause 2.4(a)(1) and/or partly in reliance on any one or more paragraphs of clause 2.4(b); and
- (2) at any time determine that all or any portion of Financial Indebtedness previously incurred in reliance on any paragraph of clause 2.4(b) will be treated as having been incurred under clause 2.4(a)(1) or any other paragraph of clause 2.4(b), provided that at the time of such determination the Issuer or a Restricted Subsidiary would have been permitted to incur such Financial Indebtedness (or the relevant portion thereof) under clause 2.4(a)(1) or the other paragraph of clause 2.4(b) (as the case may be).

(e) The amount of any Financial Indebtedness at any time will be calculated:

- (1) net of any original issue discount that remains unamortised as the date of the calculation;
- (2) in the case of Financial Indebtedness of a Person in respect of lease liabilities, as an amount equal to the amount that would be recognised as a liability in respect of such lease liabilities on the balance of the Person prepared in accordance with the Accounting Standards;
- (3) in the case of Financial Indebtedness of a Person other than the Issuer or a Restricted Subsidiary that is secured by a security interest over an asset of the Issuer or a Restricted Subsidiary, as an amount equal to the lesser of the amount of the Financial Indebtedness of such other Person and the Fair Market Value of the relevant asset; and
- (4) where relevant, by converting non United States Dollar amounts into United States Dollars at the rates of exchange applying at the date of incurrence.

(f) The accrual or capitalisation of fees or interest, the amortisation of any original issue discount, or other similar incurrence of a liability in respect of existing Financial Indebtedness, will not constitute an incurrence of Financial Indebtedness for the purpose of this clause.

## **2.5. Restrictions on mergers and sales**

(a) The Issuer must not consolidate with or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, another person, unless:

- (1) the resulting, surviving or transferee person is the Issuer or is substituted for the Issuer as issuer of the Notes in accordance with the Note Trust Deed; and
- (2) if the resulting, surviving or transferee person is not the Issuer or a Guarantor, no Event of Default will subsist immediately following the consolidation, merger, conveyance, transfer or lease.

(b) The Issuer must not permit any Guarantor to consolidate with or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, another person, unless:

- (1) the resulting, surviving or transferee person is the Issuer or a Subsidiary of the Issuer and (if not the Issuer or a Guarantor) becomes a Guarantor if it is or becomes a Required Guarantor as a result of the consolidation, merger, conveyance, transfer or lease; or
- (2) no Event of Default will subsist immediately following the consolidation, merger, conveyance, transfer or lease.

# APPENDIX A – TERMS OF NOTES

## 3. INTEREST

### 3.1. Interest

Each Note carries an entitlement to be paid interest on its Face Value in respect of each Interest Period from (and including) the Issue Date to (but excluding) its Redemption Date, subject to and in accordance with this clause 3.

### 3.2. Interest payments

(a) The Interest payable on each Note in respect of each Interest Period ending on an Interest Payment Date is the amount calculated in accordance with the following formula:

$$\text{Interest} = \frac{\text{Interest Rate} \times \$100}{2}$$

(b) The Interest payable on each Note in respect of each Interest Period ending on a Redemption Date that is not an Interest Payment Date is the amount calculated in accordance with the following formula:

$$\text{Interest} = \frac{\text{Interest Rate} \times \$100 \times N}{365}$$

where:

**N** is the number of days in the Interest Period.

(c) Interest payable in respect of each Interest Period is payable in arrear on the Interest Payment Date or Redemption Date on which the Interest Period ends and, in the case of the Interest payable on the Redemption Date of a Note, is payable as part of the Redemption Amount.

### 3.3. Determination and notification of Interest Rates and Interest payable

(a) The Issuer must promptly determine:

- (1) the amount of the Interest that will (subject to this clause 3) be payable on each Note in respect of each Interest Period; and
- (2) if the Notes are to be Redeemed, the amount of the Interest to be paid on each Note on Redemption of the Note,

and promptly notify ASX of that determination.

(b) The determination by the Issuer of amounts required to be determined by it under these Terms of Issue is, in the absence of manifest error, final and binding on the Note Trustee and each Noteholder.

## 4. REDEMPTION AND PURCHASE

### 4.1. Redemption on Maturity Date

The Issuer must Redeem each Note on its Maturity Date for its Redemption Amount.

### 4.2. Redemption at the option of the Issuer

(a) (*Redemption – Issuer's optional redemption*)

- (1) The Issuer may elect to Redeem all or some of the Notes on any Business Day by giving not less than 30 days' notice of such Redemption to the Note Trustee, the Noteholders and ASX nominating the Redemption Date upon which the Issuer proposes to Redeem the relevant Notes.
- (2) If the Issuer elects to Redeem Notes under clause 4.2(a)(1) and the proposed Redemption Date falls:
  - (a) prior to the First Fixed Price Call Date, the Redemption Amount for the Notes to be Redeemed will be an amount equal to the greater of (i) the Face Value plus accrued but unpaid interest on the Notes up to but not including the proposed Redemption Date, and (ii) the Make Whole Redemption Amount determined by the Issuer (or a financial adviser selected by it in good faith) in accordance with clause 4.2(a)(3);
  - (b) on or after the First Fixed Price Call Date but prior to the Second Fixed Price Call Date, the Redemption Amount for the Notes to be Redeemed will be calculated as an amount equal to the Face Value of the Notes plus accrued but unpaid interest on those Notes up to but not including the proposed Redemption Date plus the First Fixed Price Premium; and

(c) on or after the Second Fixed Price Call Date but prior to the Maturity Date, the Redemption Amount for the Notes to be Redeemed will be calculated as an amount equal to the Face Value of the Notes plus accrued but unpaid interest on those Notes up to but not including the proposed Redemption Date plus the Second Fixed Price Premium.

(3) The Make Whole Redemption Amount in respect of any Note to be redeemed by the Issuer in accordance with clause 4.2(a)(2)(A) will be the amount determined by the Issuer (or a financial adviser selected by it in good faith) to be the sum of the present values of each Remaining Scheduled Payment up to and including the Maturity Date. In making this determination, the Issuer (or relevant financial adviser) will calculate the present value of each Remaining Scheduled Payment up to and including the Maturity Date by discounting the Remaining Scheduled Payment in accordance with usual financial markets practice (as determined by the Issuer, or relevant financial adviser, in good faith) at the Discount Rate from the Interest Payment Date or Maturity Date (as the case may be) from which it would have fallen due to the proposed Redemption Date. For the purposes of such calculation:

(a) **Remaining Scheduled Payment** means an amount in respect of each Interest Payment Date falling after the Redemption Date and on or before the Maturity Date equal to the Interest payment that would have fallen due on that date under clause 3.2 had the Note not been Redeemed, plus, in respect of the Interest Payment Date falling on the Maturity Date, the Face Value; and

(b) **Discount Rate** means sum of (i) 0.50% per annum and (ii) the 26 November 2024 Australian Government Bonds mid-market yield (as determined by reference to Bloomberg page 'ACGB Govt' or such other sources as the Issuer or financial adviser may in good faith select) or, if there is no 26 November 2024 Australian Government Bond, or such yield cannot be determined, the rate derived by linear interpolation between the mid-market yield on the Australian Government Bond with a maturity closest to but before 26 November 2024 and the mid-market yield on the Australian Government Bond with a maturity closest to but after 26 November 2024 (in each case as determined by reference to Bloomberg page 'ACGB Govt' or such other sources as the Issuer or financial adviser may in good faith select) at or around 10.00 am (Sydney time) three Business Days prior to the Redemption Date (or, if such yields do not exist or cannot be determined, the rate considered by the Issuer or such investment adviser to be most appropriate having regard, to the extent possible, to market rates and sources then available).

(4) If the Issuer elects to Redeem some but not all of the Notes under clause 4.2(a)(1), such Redemption must be made on a pro-rata basis in respect of all Noteholders' Notes on issue at the relevant time, subject to such adjustments as the Issuer considers necessary or appropriate, or required by the Registry, to take into account the effect of such Redemption on marketable parcels and whole numbers of any other Notes remaining on issue.

(b) **(Redemption - Tax Event)**

(1) If a Tax Event occurs the Issuer may Redeem all (but not some) of the Notes at any time on the Redemption Date nominated in accordance with this clause 4.2(b)(1) for their Redemption Amount.

(2) The Issuer may only Redeem a Note under this clause 4.2(b) if:

(a) the Issuer has given at least 30 days' (and no more than 45 days') notice to the Note Trustee, the Noteholders and ASX nominating the Redemption Date upon which the Issuer proposes to Redeem the Notes; and

(b) before the Issuer gives the notice under paragraph (A), the Note Trustee has received a certificate signed by two directors of the Issuer that a Tax Event has occurred.

(c) **(Redemption - Clean-Up Event)**

(1) If at any time a Clean-Up Event occurs, the Issuer may Redeem all (but not some) of the Notes that remain outstanding for their Redemption Amount.

(2) The Issuer may only Redeem the Notes under this clause 4.2(c) if:

(a) the Issuer has given at least 30 days' (and no more than 45 days') notice to the Note Trustee, the Noteholders and ASX nominating the Redemption Date upon which the Issuer proposes to Redeem the Notes; and

(b) the proposed Redemption Date nominated by the Issuer is an Interest Payment Date.

## APPENDIX A – TERMS OF NOTES

### (d) **(Effect of notice)**

Notice under this clause 4.2 is irrevocable and on the Redemption Date specified in the notice the Issuer must Redeem each Note at its Redemption Amount. The accidental or inadvertent failure to give notice to an individual Noteholder will not invalidate notice under this clause.

### **4.3. Redemption at the option of the Noteholders in connection with a Change of Control Event**

(a) If a Change of Control Event occurs, and the Issuer has not given notice electing to Redeem the Notes in whole under any other clause of these Terms of Issue, the Issuer must promptly (and in any event within 30 days) after the Change of Control Event, give notice (a Change of Control Event Notice) to the Note Trustee, the Noteholders and ASX specifying:

- (1) that a Change of Control Event has occurred and describe in reasonable detail the Change of Control Event;
- (2) that as a result of the Change of Control Event, each Noteholder may by notice to the Issuer (**Change of Control Put Notice**) require the Issuer to Redeem some or all of its Notes in accordance with this clause 4.3;
- (3) the date by which a Noteholder must give a Change of Control Put Notice to the Issuer (or if so specified in the notice, the Registrar) (**Change of Control Put Exercise Date**), which must not be less than 10 Business Days prior to the Change of Control Event Redemption Date; and
- (4) the date on which the Notes held by a Noteholder who gives a Change of Control Put Notice will be Redeemed (the **Change of Control Event Redemption Date**), which must not be less than 30 days and not more than 95 days after the date of the Change of Control Event Notice.

(b) A Change of Control Put Notice must:

- (1) be in the form (if any) available from the Issuer;
- (2) specify that the Noteholder requires the Noteholder's Notes to be Redeemed in accordance with this clause 4.3;
- (3) be accompanied with such evidence as the Issuer may require to establish the identity of the person giving the notice and his or her authority to do so; and
- (4) be received by the Issuer by the Change of Control Put Exercise Date.

(c) A Change of Control Put Notice is irrevocable and on the Change of Control Put Event Redemption Date the Issuer must Redeem the Notes of each Noteholder that has given such a notice in accordance with clause 4.3(b) by paying to the person registered at the Record Date for that payment as the Noteholder the Redemption Amount of the Notes calculated as the sum of 101% of the Face Value of the Notes plus any accrued (but unpaid) Interest on the Notes up to but not including the Redemption Date.

### **4.4. Mandatory Redemption due to Special Redemption Event**

If the Issuer has not completed the Velocity Acquisition by 13 December 2019, or if before that date the Issuer announces that the Velocity Acquisition has been terminated or abandoned, a Special Redemption Event will occur, and the Issuer must:

(a) give notice to the Note Trustee, the Noteholders and ASX within 10 Business Days after the occurrence of the Special Redemption Event specifying:

- (1) that a Special Redemption Event has occurred under this clause;
- (2) that as a result of the Special Redemption Event, the Issuer will redeem all the Notes on a date specified in the notice, which must not be more than 30 days after the date of the notice; and

(b) redeem all the Notes on the Redemption Date specified in the notice by paying to the person registered at the Record Date for that payment as the Noteholder of the Redemption Amount of the Notes calculated as the sum of the Face Value of the Notes plus any accrued (but unpaid) Interest on the Notes up to but not including the Redemption Date.

### **4.5. Failure to Redeem**

If the Issuer fails to Redeem the Notes when due, Interest will continue to accrue on the Notes at the rate applicable to them on their Redemption Date and must be paid to the relevant Noteholders upon Redemption of the Notes.

#### 4.6. Purchase

- (a) The Issuer and any of the Issuer's other Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- (b) Notes purchased under this clause 4.6 may be held, resold or cancelled at the discretion of the purchaser (and, if the Notes are to be cancelled, the Issuer), subject to compliance with any applicable law or requirement of ASX.

#### 4.7. Cancellation

Notes Redeemed, or purchased by the Issuer or a Subsidiary of the Issuer which the purchaser and the Issuer elect to cancel, will be cancelled by the Issuer and may not be resold.

### 5. EVENTS OF DEFAULT

#### 5.1. Events of Default

It is an Event of Default, whether or not it is within the control of the Issuer, if any of the following events occurs and is continuing:

- (a) **(failure to pay)** the Issuer fails to pay or repay any principal amount due on any Note when such amount becomes due and payable or the Issuer fails to pay Interest on any Note within 30 days after the same becomes due and payable;
- (b) **(failure to perform other obligations)** the Issuer defaults in performing and observing any other obligation under these Terms of Issue or the Note Trust Deed and such default is not remedied within 60 days after the Issuer receives written notice of the default from the Note Trustee (such written notice to be identified as a 'notice of default' and to refer specifically to this clause) acting on the instructions of the Noteholders holding at least 25% of the Notes;
- (c) **(cross default)** any Specified Indebtedness of the Issuer becomes prematurely due and payable, or capable of being declared prematurely due and payable, as a result of a default in the observance of any restriction in the terms of such Specified Indebtedness on the incurrence by the Issuer or any Restricted Subsidiary of Financial Indebtedness or other financial obligations, or on the payment by the Issuer or any Restricted Subsidiary of dividends, distributions or other similar payments restricted by such terms, which in any case is not also a breach of these Terms;
- (d) **(insolvency)** an order of a court of competent jurisdiction is made, or an effective resolution is passed, for the winding up of the Issuer, any Significant Subsidiary or any group of Subsidiaries that taken together would comprise a Significant Subsidiary, or the directors of the Issuer, any Significant Subsidiary or any group of Subsidiaries that taken together would comprise a Significant Subsidiary appoint an administrator to the Issuer or such Subsidiary or group of Subsidiaries, in each case other than in circumstances where:
  - (1) in the case of a winding up of the Issuer, a resulting, surviving or transferee entity is, or is to be, substituted as the issuer of the Notes under clause 2.5; or
  - (2) in the case of a winding up of a Subsidiary or group of Subsidiaries, the winding up is in connection with any voluntary winding up, reorganisation, disposal or other transaction that does not breach clause 2.5; or
- (e) **(vitiation of Guarantee)** any Guarantor that is a Required Guarantor claims in writing that it is not bound by the Guarantee other than in connection with any voluntary winding up, reorganisation, disposal or other transaction that does not breach clause 2.5 or in connection with which the Issuer is or will be entitled to cause the Guarantor to be released as a Guarantor under clause 2.2.

#### 5.2. Consequences of a default

- (a) Subject to clause 5.2(b) and the Note Trust Deed, if an Event of Default occurs and is subsisting, the Note Trustee may:
  - (1) declare by notice to the Issuer that the Issuer must immediately Redeem the Notes for a Redemption Amount equal to their Face Value plus accrued (but unpaid) Interest; and
  - (2) take any action permitted by the Note Trust Deed to enforce the Notes or the Note Trust Deed.
- (b) The Note Trustee is not bound to take any action referred to in clause 5.2(a) or any other action pursuant to or in connection with the Note Trust Deed or the Notes unless:

## APPENDIX A – TERMS OF NOTES

- (1) it shall have been so directed by a Noteholder Resolution or so requested in writing by the Noteholders of at least 25% of all Notes Outstanding (ignoring any Notes held by the Issuer or any of the Issuer's Subsidiaries and not cancelled);
  - (2) it shall have been indemnified or secured (by way of advance payment or otherwise) to its satisfaction in respect of all liabilities, costs, charges, damages and expenses (including any management time) which it may incur, as more fully set out in the Note Trust Deed; and
  - (3) the Trustee is not restricted or prohibited by any order of any court or applicable law.
- (c) The Noteholders may by Noteholder Resolution at any time:
- (1) rescind any instruction or request previously given to the Note Trustee (whether by Noteholder Resolution or given in writing by any Noteholders) in accordance with clause 5.2(b); or
  - (2) any declaration made by the Note Trustee under clause 5.2(a),
- and upon the passing of any such Noteholder Resolution, the relevant instruction, request or declaration will be deemed never to have been made.

### 5.3. Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it, notify the Trustee and the ASX of the occurrence of the Event of Default (specifying details of it).

### 5.4. Enforcement by Note Trustee, Noteholders

The rights of the Note Trustee and the Noteholders to take any action against the Issuer to enforce the Notes or the Note Trust Deed are limited as provided in the Note Trust Deed.

## 6. PAYMENTS

### 6.1. Payment of Redemption Amount

Payments of the Redemption Amount in respect of a Note (including all Interest payable on Redemption of the Note) will be made to the person registered at 12 noon (or at such other time as the Issuer reasonably determines) on the relevant Redemption Date as the Noteholder of that Note.

### 6.2. Payment of Interest

Interest payable in respect of a Note (other than Interest payable on Redemption of the Note) will be made to the person registered at the Record Date for that payment as the Noteholder of that Note.

### 6.3. Manner of payment

- (a) Amounts payable to a Noteholder in respect of the Notes will be paid by direct credit to an account nominated by the Noteholder at an Australian financial institution by notice to the Registry not less than eight calendar days before the date for payment.
- (b) Where a payment cannot be made in accordance with clause 6.3(a) because a Noteholder has not provided account details, or the Issuer determines that the account details are incorrect or the relevant account has been closed or is not an account to which the relevant payment can be made, the Issuer is under no obligation to make the relevant payment until the required account details have been provided. The Issuer may at any time pay any amount which remains unpaid in accordance with this clause in accordance with the law relating to unclaimed moneys and, having done so, will be under no further obligation to make payment to the relevant Noteholder.
- (c) Where a payment is due on a day that is not a Business Day, or cannot be made in accordance with clause 6.3(a) on the due date because a financial institution is not open for business (or is not open for business in the place where the account is kept) on that date, the Issuer is under no obligation to make the relevant payment until the next Business Day on which payment can be made.
- (d) The Noteholder is not entitled to any interest or other amount in respect of a delay in payment under clause 6.3(b) or 6.3(c).



#### 6.4. Payment subject to applicable laws

The Issuer's obligations to make payments on the Notes are subject to all applicable laws.

#### 6.5. Payments net of deductions

- (a) The Issuer may deduct from any Interest or other amount payable to a Noteholder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. For the purposes of this paragraph, any amount deducted by the Issuer in accordance with FATCA will be deemed to be a deduction required by law.
- (b) The Issuer will pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring a penalty under the applicable law and will, if required by any Noteholder, deliver to that Noteholder the relevant receipt issued by the revenue authority without unreasonable delay after it is received by the Issuer.

#### 6.6. Additional Amounts

If the Issuer makes a deduction under clause 6.5 from any payment to a Noteholder in respect of any Tax assessed, levied, imposed or collected by a Government Agency of the Commonwealth of Australia or any political subdivision therein or thereof (**Relevant Tax**), the Issuer must pay to the Noteholder such additional amount (**Additional Amount**) as is necessary to ensure that the Noteholder receives when due a net amount (after any deduction or withholding of any Relevant Tax in respect of each Additional Amount) equal to the full amount it would have received if the deduction or withholding had not been made, except that no Additional Amounts are payable in relation to any deduction or withholding in respect of any Tax from any payments on any Note:

- (a) which is required (other than under section 128B(2A) of the Tax Act) by reason of the Noteholder having some connection with the Commonwealth of Australia or any political subdivision therein or thereof other than the mere holding of the Note or receipt of the payment;
- (b) which could have been lawfully avoided or reduced by the Noteholder complying or procuring that any third party complied with any statutory requirements or making or procuring that any third party made a declaration of non-residence or similar cause for exemption to any Government Agency or other person in the Commonwealth of Australia or the place where payment under the Note is made;
- (c) which is required by reason of the Noteholder failing to supply or failing to procure a third party to supply an appropriate tax file number (TFN) or Australian Business Number (ABN) or details of an applicable exemption from the requirement to supply such a number;
- (d) which is required by reason of the Noteholder being an Associate of the Issuer;
- (e) which is required by reason of the Australian Commissioner of Taxation giving a notice under section 255 of the Tax Act or section 260-5 of Schedule 1 of the Taxation Administration Act 1953 (Cth);
- (f) which is required by reason of the payment being made after the due date, provided that the Issuer is not in breach of its obligation to make the payment under this clause 6 and the deduction or withholding would not have been required had payment been made on the due date; or
- (g) which is a requirement of FATCA.

#### 6.7. Payments generally

Payments in respect of the Notes will be made in accordance with the provisions relating to payment set out in clause 4.2 (*Payments*) of the Note Trust Deed.

### 7. FURTHER ISSUES

Subject to applicable laws and clause 2.4, there are no restrictions under these Terms of Issue or the Note Trust Deed on the Issuer incurring any debt obligations, whether subordinated or not or ranking in priority ahead of, equal with or behind the Notes (including any Notes that rank *pari passu* with the Notes and are consolidated and form a single series with the Notes) or upon such terms as to ranking, dividends or interest, redemption or otherwise as the Issuer may determine at the time of issue.

# APPENDIX A – TERMS OF NOTES

## 8. TIME LIMIT FOR CLAIMS

A claim against the Issuer for a payment under the Notes is void unless made within five years after the date on which payment first became due and payable.

## 9. AMENDMENTS

### 9.1. Amendments without consent

At any time and from time to time, but subject to the Note Trust Deed, compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Note Trustee (such approval not to be unreasonably withheld or delayed), but without the consent of the Noteholders, amend these Terms of Issue or the Note Trust Deed if the Issuer is of the opinion that such amendments are:

- (a) of a formal or technical or minor nature and not materially prejudicial to the interests of the Noteholders as a whole;
- (b) made to cure any ambiguity or correct an error;
- (c) necessary to facilitate the listing or quotation of the Notes on ASX or another securities exchange;
- (d) necessary to comply with any laws or the Listing Rules; or
- (e) not, and not likely to become, taken as a whole and in conjunction with all other amendments to be made contemporaneously with that amendment, materially prejudicial to the interests of Noteholders as a whole.

### 9.2. Amendments with consent

At any time and from time to time, but subject to the Note Trust Deed, compliance with the Corporations Act and all other applicable laws, the Issuer may amend these Terms of Issue or the Note Trust Deed if a Special Resolution is passed in favour of such amendment and (if the amendment alters or conflicts with any of the personal rights or obligations of the Note Trustee) the Issuer has obtained the Note Trustee's prior written consent to such amendment.

## 10. GENERAL

### 10.1. Governing law

The Notes and these Terms of Issue are governed by the laws of New South Wales, Australia.

### 10.2. Submission to jurisdiction

The Issuer, the Note Trustee and each Noteholder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia in connection with matters concerning the Notes or these Terms of Issue. The Issuer, the Note Trustee and each Noteholder waive any right they have to object to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

### 10.3. Notices

Notices under these Terms of Issue are to be given in accordance with the provisions of the Note Trust Deed.

## 11. DEFINITIONS

The following defined terms apply in these Terms of Issue:

<b>Accounting Standards</b>	<ol style="list-style-type: none"><li>(1) the accounting standards as defined in the Corporations Act;</li><li>(2) the requirements of the Corporations Act for the preparation and content of accounts; and</li><li>(3) generally accepted accounting principles and practices consistently applied in Australia, including any domestically accepted international accounting standards, except principles and practices that are inconsistent with those referred to in paragraph 1 or 2 of this definition, in each case as in effect as at the Issue Date.</li></ol>
<b>Additional Amount</b>	has the meaning in clause 6.6.
<b>Affiliate</b>	<p>in respect of a Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with that Person. For the purpose of this definition:</p> <ol style="list-style-type: none"><li>(1) 'control' means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the relevant Person, whether through ownership of Voting Shares, by agreement or otherwise (and 'controlling', 'controlled by' and 'under common control with' have correlative meanings);</li><li>(2) no person in whom a Receivables Subsidiary as defined in clause 2.4(b) (10) makes an investment in connection with a transaction contemplated by that clause will be considered an Affiliate of the Issuer or any of its Subsidiaries solely by reason of such investment; and</li><li>(3) a Person is not deemed to control another Person solely because the Person has the right to determine the aircraft flights operated by such other Person under a code sharing, capacity purchase or similar agreement.</li></ol>
<b>Aircraft Asset</b>	<p>aircraft and related assets and facilities, including:</p> <ol style="list-style-type: none"><li>(1) engines, propellers and other parts;</li><li>(2) simulators and other training devices;</li><li>(3) passenger loading bridges and other flight or ground equipment;</li><li>(4) airport terminal facilities and airline support facilities (including hangars, buildings, infrastructure and maintenance facilities, lounges, offices, cargo and catering facilities); and</li><li>(5) maintenance equipment and facilities and information technology systems relating to any of the foregoing.</li></ol>
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	for the purposes of clause 6.6, an "associate" for the purpose of and as defined in section 128F(9) of the Tax Act.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the market it operates.
<b>ASX Settlement</b>	ASX Settlement Pty Ltd (ABN 49 008 504 532).

## APPENDIX A - TERMS OF NOTES

<b>ASX Settlement Operating Rules</b>	the settlement operating rules of ASX Settlement from time to time.
<b>AUD, Australian Dollars, A\$ or \$</b>	the lawful currency of the Commonwealth of Australia.
<b>Business Day</b>	has the same meaning as in the Listing Rules, but where used in connection with any Redemption of or payment on the Notes, excludes a day on which major trading banks are not open for business in Sydney and Brisbane.
<b>Change of Control Event</b>	<p>the occurrence of any of the following:</p> <ol style="list-style-type: none"><li>(1) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole to any Person other than an Excluded Person; or</li><li>(2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person other than an Excluded Person becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Shares of the Issuer,</li></ol> <p>other than (in either case):</p> <ul style="list-style-type: none"><li>• any such transaction where the Voting Shares of the Issuer outstanding immediately prior to such transaction constitute or are converted into or exchanged for a majority of the Voting Shares of such Person or beneficial owner (measured by voting power rather than number of shares); or</li><li>• any sale, transfer, conveyance or other disposition to, or any merger or consolidation of the Issuer with or into, any Person which owns or operates (directly or indirectly through a contractual arrangement) any Permitted Business (a <b>Permitted Person</b>) or a Subsidiary of a Permitted Person, in each case under this paragraph, if immediately after such transaction no Person is the beneficial owner, directly or indirectly, of more than 50% of the total Voting Shares of such Permitted Person (measured by voting power rather than number of shares).</li></ul> <p>For the purpose of this definition, references to a Person include any group of Persons acting in concert.</p> <p>For the avoidance of doubt, the merger or consolidation of the Issuer with any Restricted Subsidiary, or any merger or consolidation of any Restricted Subsidiary with any other Restricted Subsidiary, will not constitute a Change of Control Event.</p>
<b>Clean-Up Event</b>	occurs if at any time the aggregate principal amount of the Notes Outstanding is less than 10% of the aggregate principal amount of the Notes originally issued.

**Consolidated EBITDAR**

for any period:

- (1) the consolidated net income of the Issuer and its Subsidiaries for the period determined on a consolidated basis in accordance with the Accounting Standards but as if any Unrestricted Subsidiary was not a Subsidiary of the Issuer and without applying the equity method of accounting for an investment in any entity that is not a Subsidiary, plus or minus (as the case may be), without double counting, each of the following (in each case determined in accordance with the Accounting Standards) to the extent it has been included in the calculation of paragraph 1:
- (2) any extraordinary, non-recurring, special or unusual losses, expenses, gains or income, including any expenses relating to the closing of any facilities, the reconstruction, recommissioning or reconfiguration of fixed assets for alternative uses, severance or relocation expenses, executive recruitment costs, restructuring or reorganisation costs and costs relating to the modification of employee benefit plans;
- (3) costs and expenses (including where applicable integration costs) incurred in connection with, or savings resulting from any issuance of securities, investment, acquisition, disposition, merger, recapitalisation or investment or incurrence, refinancing or repayment of any indebtedness (including the Notes);
- (4) losses or gains realised in connection with any sale of assets, issue of securities, prepayment of indebtedness or closing out of any related hedging obligations;
- (5) tax (or provision for tax) on gains, income or profits;
- (6) Fixed Charges;
- (7) other non-cash charges and expenses (other than accruals in respect of cash expenses to be incurred in a future period or amortisation of prepaid cash expenses paid in a prior period), including, without limitation, depreciation, amortisation, impairment charges, foreign currency translation losses, non-cash losses attributable to hedging obligations, compensation expenses attributable to the grant of share options and similar rights to employees or write-up or write-downs of assets in connection with any acquisition, disposition, merger, consolidation or similar transaction;
- (8) losses arising under fuel hedging arrangements entered into prior to the Issue Date or and any losses actually realised under fuel hedging arrangements entered into after the Issuer Date;
- (9) non-cash items of income, other than accrual of revenue;
- (10) income tax credits and interest income.

To avoid doubt, any dividends received or other income derived by the Issuer or a Restricted Subsidiary from an Unrestricted Subsidiary or an entity in which an investment would be accounted for under the equity method of accounting will be included in the calculation of paragraph 1.

**Corporations Act**

*Corporations Act 2001* (Cth).

**Event of Default**

any event specified in clause 5.1.

## APPENDIX A - TERMS OF NOTES

### Excluded Person

- (1) Etihad Airways P.J.S.C.;
- (2) Singapore Airlines Limited;
- (3) HNA Innovation Ventures (Hong Kong) Co. Limited;
- (4) Nanshan Capital Holdings Ltd;
- (5) any member of the Virgin Group;
- (6) any Person both the Voting Shares and other share capital (or other equivalent ownership interests, including in the case of a trust beneficial interests in the property of the trust) of which are owned directly or indirectly more than 50% on a fully diluted basis by a Person specified above in paragraphs 1 to 5; and
- (7) any group of Persons acting in concert the members of which include any of the Excluded Persons specified in paragraphs 1 to 6 above, and that (directly or indirectly) hold or acquire beneficial ownership of the Voting Shares of the Issuer (an **Excluded Person Group**), so long as:
  - each member of the Excluded Person Group has voting rights proportional to the percentage of ownership interests held or acquired by such member; and
  - no Person or other group of Persons acting in concert (other than Excluded Persons specified in paragraphs 1 to 6 above) beneficially owns more than 50% on a fully diluted basis of the Voting Shares held by such Excluded Person Group.

Any one or more Persons or groups whose acquisition of beneficial ownership constitutes a Change of Control Event will thereafter, together with its (or their) Affiliates, constitute an additional Excluded Person or Excluded Persons, as applicable.

In this definition:

- **Virgin Group** means the Virgin Group of companies, including Virgin Group Holdings Limited, Virgin Group Limited and their respective Subsidiaries and Affiliates.

### Face Value

\$100 per Note.

### Fair Market Value

the fair market value of any asset as determined in good faith by the Issuer.

### FATCA

Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, or any consolidation, amendments, re-enactment or replacement of those sections, and including any current or future regulations or official interpretations issued, agreements entered into (whether by the Issuer, a Related Body Corporate of the Issuer or any other person) or non-US laws enacted in relation to those sections.

**Financial Indebtedness**

indebtedness of a Person in respect of:

- (1) money borrowed;
- (2) money raised by the issue of bonds, debentures, notes or similar instruments, or by drawing and negotiating any negotiable instrument; or
- (3) lease liabilities that are required by the Accounting Standards to be capitalised,

which, in each case, would be recognised as a liability of the Person on a balance sheet of the Person prepared in accordance with the Accounting Standards.

**First Fixed Price Call Date**

26 November 2022.

**First Fixed Price Premium**

an amount equal to the Face Value multiplied by the Interest Rate, divided by 2.

**Fixed Charge Cover Ratio**

at any time (**Calculation Date**) the ratio of Consolidated EBITDAR to Fixed Charges for the most recently completed four financial quarters for which the Issuer has internal financial statements available, adjusted so as to give pro forma effect (as determined in good faith by a responsible financial or accounting officer of the Issuer) to any of the following that have occurred or will occur since the first day of such period up to and including the Calculation Date as if it had occurred on the first day of such period:

- (1) any incurrence, discharge or defeasance of any Financial Indebtedness (other than ordinary working capital borrowings) and, in the case of any such incurrence, the application of the proceeds thereof (whether or not such application occurs on or before the Calculation Date);
- (2) any acquisitions (including any associated operating expense reductions that have been realised or for which all of the material steps necessary for realisation have been taken); and
- (3) any disposition or discontinuance of any business or operations (including any associated Fixed Charges to the extent such Fixed Charges will not be obligations of the Issuer or any Restricted Subsidiary following the Calculation Date).

For the purpose of calculating the Fixed Charge Cover Ratio:

- (4) any Subsidiary that is a Restricted Subsidiary or Unrestricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary or Unrestricted Subsidiary (as the case may be) for the whole of the relevant period; and
- (5) any interest expense included in the calculation of Fixed Charges that is referable to a floating rate of interest will be calculated as if the rate in effect on the Calculation Date had been in effect for the entire period (taking into account any hedging transactions in respect of such interest expense which have a remaining term as at the Calculation Date of more than 12 months) and the calculation of Fixed Charges (other than for the purpose of paragraph 6 of the definition of Consolidated EBITDAR) will be adjusted accordingly.

## APPENDIX A - TERMS OF NOTES

<b>Fixed Charges</b>	for any period, without double counting: (1) interest expense payable in cash net of interest income; plus (2) aircraft rent expense payable in cash, for that period of the Issuer and its Subsidiaries determined on a consolidated basis and in accordance with the Accounting Standards but as if any Unrestricted Subsidiary was not a Subsidiary of the Issuer.
<b>Government Agency</b>	any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.
<b>Guarantee</b>	the guarantee granted by each Guarantor in favour of the Noteholders by executing the Note Trust Deed or an accession deed thereto.
<b>Interest</b>	interest payable on a Note under these Terms of Issue.
<b>Interest Payment Date</b>	in relation to a Note, each 26 May and 26 November of each year, commencing on 26 May 2020 and falling on or before the Redemption Date, or if any such date is not a Business Day, the following Business Day.
<b>Interest Period</b>	in respect of a Note: (1) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date; and (2) thereafter, the period beginning on (and including) an Interest Payment Date and ending on (but excluding) the first to occur of: <ul style="list-style-type: none"><li>• the next Interest Payment Date; or</li><li>• the Redemption Date.</li></ul>
<b>Interest Rate</b>	the rate determined by the Issuer prior to the Issue Date through the bookbuild process described in the Prospectus.
<b>Issue Date</b>	the date of issue of the Notes.
<b>Issuer</b>	Virgin Australia Holdings Ltd (ACN 602 841 556).
<b>Listing Rules</b>	the listing rules of ASX, as amended or replaced or waived from time to time.
<b>Maturity Date</b>	26 November 2024 or, if that day is not a Business Day, the following Business Day.
<b>Meeting Provisions</b>	the provisions for meetings of the Noteholders set out in Attachment 2 of the Note Trust Deed.
<b>Note</b>	an unsecured note issued or to be issued by the Issuer on these Terms of Issue.
<b>Note Trust Deed</b>	the trust deed dated on or about 28 October 2019 between the Issuer and the Note Trustee as amended from time to time.
<b>Note Trustee</b>	Sargon CT Pty Ltd (ABN 12 106 424 088).



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**Noteholder**

in relation to any Note, a person whose name is for the time being registered in the Register as the holder of that Note.

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**Noteholder Resolution**

- (1) a resolution passed at a meeting of Noteholders duly called and held under the Meeting Provisions:
- by more than 50% of the persons voting on a show of hands (unless the second bullet point of this paragraph 1 applies); or
  - if a poll is duly demanded, then by a majority consisting of more than 50% of the votes cast; or
- (2) if the meeting is by postal ballot or written resolution, then by Noteholders representing (in aggregate) more than 50% of the principal amount of all of Notes Outstanding.
- 

**Officer**

a director or secretary of the Issuer or any other person authorised by the Issuer as an Officer of the Issuer for the purposes of these Terms of Issue.

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**Outstanding**

in relation to a Note means the Note has not been Redeemed or otherwise cancelled.

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**Permitted Business**

a business that is similar, or reasonably related, ancillary, supportive or complementary to, or any reasonable extension of the business in which the Issuer and its Restricted Subsidiaries are engaged on the Issue Date.

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**Person**

any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity.

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**Prospectus**

the prospectus issued by the Issuer and lodged with ASIC dated 28 October 2019.

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**Record Date**

in respect of payment of Interest (other than Interest payable on Redemption of the Note):

- (1) the date which is eight calendar days before the Interest Payment Date upon which such Interest actually falls due for payment; or
- (2) such other date as is determined by the directors of the Issuer in their absolute discretion and communicated to ASX not less than seven Business Days before the specified Record Date,
- (3) or in either case such other date as may be required by ASX.

Wherever it is necessary to determine the holder of a Note as at a Record Date, such determination shall be made as of such time as the Issuer reasonably determines.

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**Redemption**

the redemption of a Note by payment of its Redemption Amount in accordance with these Terms of Issue. The terms “**Redeem**” and “**Redeemed**” have a corresponding meaning.

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## APPENDIX A - TERMS OF NOTES

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**Redemption Amount**

- (1) in respect of any Note to be Redeemed under clause 4.2(a), the Redemption Amount calculated in accordance with that clause;
  - (2) in respect of any Note to be Redeemed under clause 4.3, the Redemption Amount calculated in accordance with that clause;
  - (3) in respect of any Note to be Redeemed under clause 4.4, the Redemption Amount calculated in accordance with that clause; or
  - (4) in respect of any other Note to be Redeemed, the aggregate of:
    - the Face Value of the Note; and
    - any accrued (but unpaid) Interest up to but not including the Redemption Date in respect of the Note.
- 

**Redemption Date**

in respect of any Note, the date for Redemption of that Note in accordance with the Terms of Issue.

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**Register**

the register of Noteholders established and maintained in accordance with the Note Trust Deed and, where appropriate, includes:

- (1) a sub-register conducted by or for the Issuer pursuant to the Corporations Act, the Listing Rules or ASX Settlement Operating Rules; and
  - (2) any branch register.
- 

**Registry**

Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other person appointed by the Issuer to maintain the Register on the Issuer's behalf from time to time.

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**Related Body Corporate**

has the meaning given to it in the Corporations Act.

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**Required Guarantor**

a wholly owned Subsidiary of the Issuer in relation to which each of the following conditions are satisfied:

- (1) the Subsidiary is a Restricted Subsidiary;
- (2) the Subsidiary satisfies at least one of the following conditions:
  - the assets of the Subsidiary and its Restricted Subsidiaries constitute 5% or more of the assets that would appear as the consolidated total assets of the Issuer and its Restricted Subsidiaries on a consolidated balance sheet of the Issuer prepared in accordance with the Accounting Standards but as if the Unrestricted Subsidiaries were not Subsidiaries of the Issuer; or
  - the revenues of the Subsidiary and its Restricted Subsidiaries constitute 5% or more of the total consolidated revenues of the Issuer and its Restricted Subsidiaries that would be included in a consolidated income statement prepared in accordance with the Accounting Standards for the 12 month period ending at the end of the most recent financial quarter for which internal financial statements of the Issuer are available;
- (3) the Subsidiary is not a Subsidiary whose sole business and activities relate to:
  - the financing or ownership of aircraft or engines for lease to another Person, financing of advance payments to aircraft or engine manufacturers, and/or hedging relating to such activities;
  - the financing or ownership of accounts (as defined in the Personal Property Securities Act) or other receivables in connection with transactions contemplated by clause 2.4(b)(10); or
  - holding shares or other interests in another Person within this paragraph (3),

and, in any case, activities relating to the maintenance of its corporate existence and taxation affairs and activities incidental to any of the foregoing.

**Restricted Subsidiary**

a Subsidiary of the Issuer other than an Unrestricted Subsidiary.

**Second Fixed Price Call Date**

26 November 2023.

**Second Fixed Price Premium**

an amount equal to the Face Value multiplied by the Interest Rate, divided by 4.

## APPENDIX A - TERMS OF NOTES

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### Significant Subsidiary

a Restricted Subsidiary which meets any of the following conditions:

- (1) the Issuer's investments in and advances to the Subsidiary represent an amount that exceeds 10% of the consolidated total assets of the Issuer and its Subsidiaries determined as of the end of the Issuer's most recently completed financial year and in accordance with the Accounting Standards; or
- (2) the assets of the Subsidiary constitute more than 10% of the consolidated total assets of the Issuer and its Subsidiaries determined as of the end of the Issuer's most recently completed financial year and in accordance with the Accounting Standards; or
- (3) the income from continuing operations before income taxes of the Subsidiary constitutes more than 10% of the income of from continuing operations before income taxes of the Issuer and its Subsidiaries determined on a consolidated basis for the Issuer's most recently completed financial year and in accordance with the Accounting Standards.

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### Special Resolution

- (1) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:
  - by at least 75% of the persons voting on a show of hands (unless the second bullet point of this paragraph 1 applies); or
  - if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or
- (2) a resolution passed by postal ballot or written resolution by Noteholders representing (in aggregate) at least 75% of the principal amount of all of Notes Outstanding.

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### Specified Indebtedness

Financial Indebtedness of the Issuer under or in respect of:

- (1) any Unlisted A\$ Notes;
  - (2) any US\$ Notes; or
  - (3) at any time after the instruments referred to in paragraphs 1 or 2 have been redeemed, any other series of unsecured notes or series of other unsecured debt securities, in either case issued or guaranteed by the Issuer on an unsecured basis in an amount exceeding \$100,000,000.
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**Subsidiary**

has the meaning given in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) or consolidated in the consolidated financial statements of that entity in accordance with the Accounting Standards and, without limitation:

- (1) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and
- (2) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

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**Tax**

any tax, levy, impost, deduction, charge or withholding or duty (including stamp duty and transaction duty) imposed by any authority together with any related interest, penalties and expenses in connection with them.

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**Tax Act**

the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), as the context requires.

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**Tax Event**

occurs upon the Issuer receiving an opinion of a nationally recognised legal counsel or other tax adviser in Australia that the Issuer would or that there is substantial risk that the Issuer would be required to pay Additional Amounts when the next payment is due on the Notes.

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**Terms of Issue**

these terms and conditions of issue.

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**Unlisted A\$ Notes**

Australian dollar denominated unlisted notes issued by the Issuer to certain institutional and wholesale market investors under its Australian medium term note programme prior to the Issue Date.

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## APPENDIX A - TERMS OF NOTES

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### Unrestricted Subsidiary

- (1) each member of the Velocity Sub-Group;
- (2) CPU Share Plans Pty Ltd, as trustee of the Key Employee Performance Plan Trust;
- (3) the Key Employee Performance Plan Trust;
- (4) Virgin Tech Pty Ltd;
- (5) Virgin Australia (NZ) Employment and Crewing Limited;
- (6) Airline Samoa Limited; and
- (7) any other Subsidiary of the Issuer that the board of directors of the Issuer resolves is to be treated as an Unrestricted Subsidiary, provided that at the time of any resolution under paragraph 7 (or, if later, the time it is expressed to take effect):
  - (8) the Subsidiary has no Financial Indebtedness that is guaranteed by, or secured by any security interest over the assets of, the Issuer or any Restricted Subsidiary (other than a security interest over the interests of the Issuer or a Restricted Subsidiary in that Subsidiary);
  - (9) the Subsidiary is not liable as guarantor or otherwise in respect of Financial Indebtedness of the Issuer or a Restricted Subsidiary;
  - (10) the Subsidiary is not a party to any material agreement with the Issuer or a Restricted Subsidiary that is on terms less favorable to the Issuer or Restricted Subsidiary than those that would be expected to be obtained at that time from persons who are not Affiliates of the Issuer;
  - (11) neither the Issuer nor any Restricted Subsidiary has any outstanding obligation to subscribe for additional equity interests in, or to maintain the financial position or performance of, the Subsidiary,

other than (subject to the following paragraph) a Subsidiary that was previously an Unrestricted Subsidiary and which the board of directors of the Issuer have resolved is no longer to be treated as an Unrestricted Subsidiary and which at the time of such resolution (or, if later, the time at which it is expressed to take effect) had no Financial Indebtedness that could not have been incurred at that time without breaching clause 2.4.

To avoid doubt, the board of directors may resolve in accordance with paragraph 7 of this definition that a Subsidiary that was previously an Unrestricted Subsidiary, but which the board had previously resolved would no longer be treated as an Unrestricted Subsidiary, is to again be treated as an Unrestricted Subsidiary.

The board of directors of the Issuer may not resolve that any of Virgin Australia Airlines Holdings Pty Ltd, Virgin Australia Airlines Pty Ltd, Virgin Australia International Holdings Pty Ltd and Virgin Australia International Airlines Pty Ltd is to be treated as an Unrestricted Subsidiary.

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**US\$ Notes**

United States dollar denominated notes issued by the Issuer to certain institutional investors under the 'US\$ Notes Offer' described in the Prospectus prior to the Issue Date.

**USD, United States Dollars, or US\$**

the lawful currency of the United States of America.

**Velocity Acquisition**

the acquisition by the Issuer or any Subsidiary of the Issuer of the convertible notes held by Connectivity Pte Ltd in Velocity Frequent Flyer Holdco Pty Limited as described in the Prospectus.

**Velocity Sub-Group**

- (1) Velocity Frequent Flyer Holdco Pty Ltd;
- (2) Velocity Frequent Flyer 1 Pty Ltd;
- (3) Velocity Frequent Flyer 2 Pty Ltd;
- (4) Velocity Rewards Pty Ltd, as trustee of the Loyalty Trust;
- (5) Velocity Frequent Flyer Pty Ltd;
- (6) Torque Solutions (Australia) Pty Ltd;
- (7) the Loyalty Trust; and
- (8) any other Subsidiary of Velocity Frequent Flyer Holdco Pty Ltd.

**Voting Shares**

- (1) in relation to the Issuer, ordinary shares in the Issuer; and
- (2) in relation to any other Person, shares, units or other ownership interests in that Person that confer on the holder an entitlement to vote on the election of the board of directors, trustee (or its governing body), general partner (or its governing body) or other governing body of that Person.

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GLOSSARY

Appendix

B



## APPENDIX B – GLOSSARY

<b>AAS</b>	Australian Accounting Standards.
<b>AASB</b>	Australian Accounting Standards Board.
<b>AASB 16</b>	AASB 16 <i>Leases</i> .
<b>ABN</b>	Australian Business Number.
<b>ACCC</b>	Australian Competition and Consumer Commission.
<b>ACN</b>	Australian Company Number.
<b>Acquisition Agreement</b>	the securities sale agreement entered into between Virgin Australia and Affinity in relation to the Velocity Acquisition.
<b>Additional Amount</b>	has the meaning given in the Terms.
<b>Affinity</b>	Connectivity Pte Ltd, being an entity controlled by Affinity Equity Partners.
<b>Alliance Airlines</b>	Alliance Aviation Services Limited (ABN 96 153 361 525).
<b>Applicant</b>	a person who makes an Application in accordance with the Prospectus.
<b>Application</b>	a valid application for the Notes made under this Prospectus (or the Replacement Prospectus) by using the applicable Application Form to apply for a specified number of Notes.
<b>Application Form</b>	the application form attached to or accompanying the Prospectus (or the Replacement Prospectus).
<b>Application Payment</b>	payment which is to accompany the Application Form.
<b>Arranger</b>	UBS.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASKs</b>	available seat kilometres.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires.
<b>ASX Listing Rules or Listing Rules</b>	the listing rules of ASX, as amended or replaced from time to time, and subject to any waivers or modifications that ASX may grant.
<b>ASX Settlement</b>	ASX Settlement Pty Ltd (ACN 008 504 532).
<b>ASX Settlement Operating Rules</b>	the settlement operating rules made by ASX Settlement.
<b>Bell Potter</b>	Bell Potter Securities Limited (ABN 25 006 390 772).
<b>Board</b>	the board of directors of Virgin Australia.
<b>Bookbuild</b>	the process conducted before the Broker Firm Offer opens, where brokers and investors bid for the Notes and, on the basis of those bids, Virgin Australia sets the Offer size and final Interest Rate and announces it on ASX.
<b>Broker</b>	any ASX participating organisation selected by the Joint Lead Managers or financial advisers to act as a broker to the Offer.
<b>Broker Firm Offer</b>	the Offer of Notes under this Prospectus to Australian resident clients of Brokers who have received a firm allocation from their Broker.
<b>Business Day</b>	has the meaning given in the Terms.
<b>CAGR</b>	compound annual growth rate.
<b>CASK</b>	cost per available seat-kilometre.
<b>Change of Control Event</b>	has the meaning given in the Terms.
<b>CHES</b>	the clearing house electronic sub-register system of securities transfers operated by ASX Settlement.
<b>Clean-Up Event</b>	has the meaning given in the Terms.

1. Virgin Australia may, in its absolute discretion, close the Offer early or extend the Offer Period without notice. Virgin Australia may also withdraw the Offer at any time.

<b>Closing Date</b>	the last day on which Applications will be accepted, expected to be 10.00am Sydney time on 25 November 2019 <sup>1</sup> .
<b>Co-Managers</b>	Bell Potter, Crestone Wealth Management and Escala Partners.
<b>Computershare</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
<b>Consenting Parties</b>	each of the consenting parties named in Section 11.7 of this Prospectus.
<b>Constitution</b>	the constitution of Virgin Australia as amended from time to time.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Crestone Wealth Management</b>	Crestone Wealth Management Limited (ABN 50 005 311 937).
<b>Directors</b>	the directors of Virgin Australia.
<b>Default</b>	has the meaning given in the Note Trust Deed.
<b>Dollar or \$ or A\$</b>	the lawful currency for the time being of the Commonwealth of Australia.
<b>EBIT</b>	earnings before interest and tax.
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation.
<b>EBITDAR</b>	earnings before interest, tax, depreciation, amortisation and restructuring or rent costs.
<b>Eligible U.S. Fund Manager</b>	means a dealer or other professional fiduciary organised or incorporated in the United States that is acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (as defined in Regulation S) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S.
<b>Escala Partners</b>	Escala Partners Limited (ABN 74 155 884 236).
<b>Event of Default</b>	has the meaning given in the Terms.
<b>Exposure Period</b>	the 7 day period commencing on the day after this Prospectus is lodged with ASIC, that may be extended by ASIC.
<b>Face Value</b>	the face value of each Note, being \$100.
<b>FATCA</b>	has the meaning given in the Terms.
<b>FIRB</b>	the Foreign Investment Review Board.
<b>First Fixed Price Call Date</b>	has the meaning given in the Terms.
<b>First Fixed Price Premium</b>	has the meaning given in the Terms.
<b>GDP</b>	gross domestic product.
<b>GMBM</b>	Global Market-based Measure Scheme.
<b>Group</b>	Virgin Australia and its controlled entities taken as a whole.
<b>GST</b>	the goods and services tax levied under the GST Act.
<b>GST Act</b>	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Guarantee</b>	has the meaning given in the Terms.
<b>Guaranteed Moneys</b>	has the meaning given in the Note Trust Deed.
<b>Guarantor</b>	has the meaning given in the Note Trust Deed.
<b>HIN</b>	a Holder Identification Number for the Notes (when issued) held on the CHESSE sub-register.
<b>HNA Group</b>	HNA Aviation, Hong Kong Airlines and HK Express.
<b>Holder or Noteholder</b>	in relation to any Note, a person whose name is for the time being registered in the Register as the holder of that Note.
<b>Holding Statement</b>	a statement issued to Holders by the Registry which sets out details of the Notes issued to them under the Offer.

## APPENDIX B – GLOSSARY

<b>IATA</b>	International Air Transport Association.
<b>ICAO</b>	International Civil Aviation Organisation.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Institutional Investor</b>	<p>an investor who is:</p> <ul style="list-style-type: none"> <li>• a person in Australia who is a “sophisticated investor” or “professional investor” under sections 708(8) and 708(11) of the Corporations Act; or</li> <li>• an institutional investor in certain other jurisdictions, as agreed between Virgin Australia and the Joint Lead Managers, to whom offers of Notes may lawfully be made, and to whom Notes may lawfully be issued, without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one with which Virgin Australia is willing, in its absolute discretion, to comply), provided that no offer or sales of Notes may be made to investors in the United States,</li> </ul> <p>in either case, provided that if such persons is in the United States, it is only an Institutional Investor if it is an “Eligible U.S. Fund Manager”.</p>
<b>Institutional Offer</b>	the invitation to Institutional Investors under this Prospectus to acquire the Notes as described in Section 3.2.
<b>Interest</b>	has the meaning given in the Terms.
<b>Interest Payment Date</b>	has the meaning given in the Terms.
<b>Interest Period</b>	has the meaning given in the Terms.
<b>Interest Rate</b>	has the meaning given in the Terms.
<b>Investigating Accountant or KPMG Transaction Services</b>	KPMG Transaction Services, which is a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215).
<b>Issue Date</b>	the date of issue of the Notes, expected to be 26 November 2019.
<b>Issue Price</b>	the issue price for the Notes under this Prospectus, being \$100 per Note. This is also the Face Value.
<b>Joint Lead Managers</b>	Morgan Stanley, Morgans, Ord Minnett and UBS.
<b>KPMG</b>	KPMG (ABN 51 194 660 183).
<b>KPMG Partnership</b>	The Australian professional advisory and accounting practice of KPMG.
<b>Maturity Date</b>	26 November 2024.
<b>Make Whole Redemption Amount</b>	has the meaning given in the Terms.
<b>Morgan Stanley</b>	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276).
<b>Morgans</b>	Morgans Financial Limited (ABN 49 010 669 726).
<b>Navitaire</b>	the Tigerair Australia Navitaire reservations platform.
<b>Non-Executive Director</b>	a Director who is not employed in a full time executive capacity by Virgin Australia.
<b>Non-Guarantor</b>	Subsidiaries that are not Guarantors.
<b>Note Trust Deed</b>	the deed dated on or about the date of this Prospectus between Virgin Australia and the Note Trustee in relation to the Notes.
<b>Note Trustee or Sargon</b>	Sargon CT Pty Ltd (ABN 12 106 424 088).
<b>Noteholder</b>	in relation to any Note, a person whose name is for the time being registered in the Register as the holder of that Note.
<b>Noteholder Resolution</b>	has the meaning given in the Terms.

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<b>Notes</b>	the unsecured notes to be issued by Virgin Australia under this Prospectus on the terms and conditions set out in Appendix A.
<b>Nov-19 US\$ Notes</b>	has the meaning given to that term in Section 6.1 of this Prospectus.
<b>NPAT</b>	net profit after tax.
<b>Obligor</b>	has the meaning given in the Note Trust Deed.
<b>Offer</b>	the offer by Virgin Australia of Notes under this Prospectus to raise approximately \$150 million, with the ability to raise more or less.
<b>Offers</b>	the Offer and the US\$ Notes Offer.
<b>Offer Period</b>	the period from the Opening Date to the Closing Date <sup>2</sup> .
<b>OMA</b>	the offer management agreement entered into between Virgin Australia and the Joint Lead Managers in relation to the Offer.
<b>Opening Date</b>	the day the Offer opens, which is expected to be 5 November 2019.
<b>Ord Minnett</b>	Ord Minnett Limited (ABN 86 002 733 048).
<b>Ordinary Share</b>	a fully paid ordinary share in the capital of Virgin Australia.
<b>Original Guarantors</b>	has the meaning given to that term in Section 2.4.2 of this Prospectus.
<b>Outstanding</b>	has the meaning given in the Terms.
<b>PBT</b>	profit before tax.
<b>Person</b>	has the meaning given in the Terms.
<b>Privacy Act</b>	the <i>Privacy Act 1988</i> (Cth).
<b>Prospectus</b>	this document (including the electronic form of this Prospectus), as supplemented or replaced.
<b>Redemption</b>	has the meaning given in the Terms.
<b>Redemption Amount</b>	has the meaning given in the Terms.
<b>Redemption Date</b>	has the meaning given in the Terms.
<b>Redemption Notice</b>	has the meaning given in the Terms.
<b>Reference Rate</b>	has the meaning given in the Terms.
<b>Register</b>	either: <ul style="list-style-type: none"> <li>• means the official register of Ordinary Shares maintained by the Registry on Virgin Australia's behalf, and includes any sub-register established and maintained under CHES; or</li> <li>• has the meaning given in the Terms,</li> </ul> depending on the context.
<b>Registry</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
<b>Regulation S</b>	Regulation S under the U.S. Securities Act.
<b>Related Body Corporate</b>	has the meaning given in the Terms.
<b>Replacement Prospectus</b>	the replacement prospectus that is expected to be lodged with ASIC on 5 November 2019 that will replace this Prospectus.
<b>Restricted Subsidiary</b>	has the meaning given in the Terms.
<b>Required Guarantor</b>	has the meaning given in the Terms.
<b>SabreSonic</b>	has the meaning given to that term in Section 5.10 of this Prospectus.
<b>Second Fixed Price Call Date</b>	has the meaning given in the Terms.
<b>Second Fixed Price Premium</b>	has the meaning given in the Terms.

2. Virgin Australia may, in its absolute discretion, close the Offer early or extend the Offer Period without notice. Virgin Australia may also withdraw the Offer at any time before the Unsecured Notes are issued.

## APPENDIX B – GLOSSARY

<b>Shareholder</b>	in relation to any Ordinary Share, a person whose name is for the time being registered in the Register as the holder of that Ordinary Share.
<b>Singapore Airlines</b>	Singapore Airlines Limited.
<b>SMS</b>	Safety Management System.
<b>Special Resolution</b>	has the meaning given in the Terms.
<b>SRN</b>	Securityholder Reference Number for the Notes (when issued) held on any issuer sponsored sub-register.
<b>Subsidiary</b>	has the meaning given in the Terms.
<b>Successor Rate</b>	has the meaning given in the Terms.
<b>Syndicate Broker</b>	any of the Joint Lead Managers, Co-Managers and any other eligible participating Brokers in the Bookbuild.
<b>Tax Event</b>	has the meaning given in the Terms.
<b>Taxation Letter</b>	the taxation letter from KPMG Partnership dated 28 October 2019 in Section 8 of this Prospectus.
<b>Terms or Terms of Issue</b>	the terms and conditions of the Notes as set out in Appendix A.
<b>Tigerair Australia</b>	Tiger Airways Australia Pty Limited (ABN 52 124 369 008).
<b>Tigerair Singapore</b>	Tiger Airways Holdings Limited.
<b>TFN</b>	Tax File Number.
<b>UBS</b>	UBS AG, Australia Branch (ABN 47 088 129 613).
<b>United States or U.S.</b>	has the meaning given in Regulation S.
<b>Unlisted A\$ Notes</b>	Australian dollar denominated unlisted notes previously issued by Virgin Australia to certain institutional and wholesale market investors under its Australian medium term note programme.
<b>U.S. dollar or US\$</b>	the lawful currency for the time being of the United States of America.
<b>U.S. Securities Act</b>	the U.S. Securities Act of 1933.
<b>US\$ Notes</b>	has the meaning given to that term in Section 1.1.4 of this Prospectus.
<b>US\$ Notes Offer</b>	has the meaning given to that term in Section 1.1.4 of this Prospectus.
<b>VAIH</b>	Virgin Australia International Holdings Pty Ltd (ABN 23 155 860 021).
<b>VARA</b>	Virgin Australia Regional Airlines.
<b>Velocity</b>	Virgin Australia's loyalty program which is owned by Velocity Sub-Group.
<b>Velocity Acquisition</b>	has the meaning given to that term in Section 1.1.4 of this Prospectus.
<b>Velocity Holdco</b>	Velocity Frequent Flyer Holdco Pty Limited (ABN 44 169 684 093).
<b>Velocity Sub-Group</b>	Velocity Holdco, together with each of its subsidiaries, Velocity Frequent Flyer 1 Pty Ltd (ABN 50 601 273 072), Velocity Frequent Flyer 2 Pty Ltd (ABN 54 601 273 527), Velocity Rewards Pty Ltd (ABN 98 116 089 448), as trustee of the Loyalty Trust, Velocity Frequent Flyer Pty Ltd (ABN 60 601 408 824), Torque Solutions (Australia) Pty Ltd (ABN 66 099 948 937) and the Loyalty Trust.
<b>Virgin Australia</b>	Virgin Australia Holdings Limited (ACN 100 686 226).
<b>Virgin Australia Cargo</b>	has the meaning given to that term in Section 5.1 of this Prospectus.
<b>Virgin Enterprises</b>	Virgin Enterprises Limited.
<b>Virgin Group</b>	has the meaning given in the Terms.
<b>Voting Shares</b>	has the meaning given in the Terms.



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# CORPORATE DIRECTORY

## ISSUER

Virgin Australia Holdings Limited  
56 Edmondstone Road  
Bowen Hills QLD 4006

## LEGAL ADVISER

Herbert Smith Freehills  
ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## ARRANGER

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## JOINT LEAD MANAGERS

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Morgans Financial Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

Ord Minnett Limited  
Level 8, NAB House  
255 George Street  
Sydney NSW 2000

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## CO-MANAGERS

Bell Potter Securities Limited  
Level 29, 101 Collins Street  
Melbourne VIC 3000

Escala Partners Limited  
Level 19, 90 Collins Street  
Melbourne VIC 3000

Crestone Wealth Management Limited  
Level 32, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## INVESTIGATING ACCOUNTANT

KPMG Transaction Services, which is a division of KPMG  
Financial Advisory Services (Australia) Pty Ltd  
Level 38, Tower Three  
300 Barangaroo Avenue  
Sydney NSW 2000

## AUDITOR AND TAX ADVISER

KPMG Partnership  
Level 38, Tower Three  
300 Barangaroo Avenue  
Sydney NSW 2000

## NOTE TRUSTEE

Sargon CT Pty Ltd  
Level 19  
60 Castlereagh Street  
Sydney NSW 2000

## REGISTRY

Computershare Investor Services Pty Limited

### POSTAL ADDRESS

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Melbourne VIC 3001

### STREET ADDRESS

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## HOW TO CONTACT US

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1300 850 505 (within Australia) or +61 3 9415 4000  
(outside Australia) Monday to Friday – 8.30am to 5.00pm  
Sydney time.

## WEBSITE

[www.virginaustralianotes.com](http://www.virginaustralianotes.com)

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