



ENTITLEMENT OFFER

1 for 1 non-renounceable pro rata entitlement offer of Virgin Australia Holding Limited's ordinary shares at A\$0.21 per New Share

Entitlement Offer closes and payment for New Shares MUST be received by:

5.00pm (Sydney time), Wednesday 27 July 2016

VIRGIN AUSTRALIA HOLDINGS LIMITED
ACN 100 686 226

This is an important document that requires your immediate attention. This document and the accompanying personalised Entitlement and Acceptance Form should be read in their entirety. This document is not a prospectus under the Corporations Act 2001 (Cth) and has not been lodged with the Australian Securities and Investments Commission. You should consult your stockbroker, solicitor, accountant or other professional adviser if you have any questions.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

IMPORTANT NOTICES

This Offer Booklet is dated Wednesday 6 July 2016. Capitalised terms in this Section have the meaning given to them in this Offer Booklet.

The Entitlement Offer is made in accordance with section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). This Offer Booklet does not contain all of the information which an investor may require to make an informed investment decision. The information in this Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Offer Booklet should be read in its entirety before you decide to participate in the Entitlement Offer. This Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY®¹ in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Offer Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Offer Booklet.

No overseas offering

This Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Offer Booklet does not constitute an offer to Ineligible Shareholders.

This Offer Booklet is not to be distributed in, and no offer of New Shares is to be made, 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 the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

The Entitlements and the New Shares have not been and will not be, registered under the US Securities Act 1933 (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction in the United States.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your application for New Shares is subject to all requisite authorities and clearances being obtained for Virgin Australia Holdings Limited (the **Virgin Australia Group** or the **Group**) to lawfully receive your application monies.

Refer to section 5 of the Investor Presentation contained in Section 3 of this Offer Booklet for further detail on foreign selling restrictions.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

It is a term of the Entitlement Offer that the offer of New Shares is made in compliance with the law of the country, state, territory, or province in which ASX is situated and any code, rules, or other requirements relating to the Entitlement Offer that apply in that country, state, territory, or province.

References to “you” and “your Entitlement”

In this Offer Booklet, references to “you” are references to Eligible Shareholders and references to “your Entitlement and Acceptance Form” are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Shareholders.

Definitions, currency and time

Defined terms used in this Offer Booklet are contained in Section 6. Times and dates in this Offer Booklet are indicative only and subject to change. All references to time are to Sydney time, unless otherwise indicated.

Foreign exchange

All references to ‘\$’ are AUD unless otherwise noted.

Taxation

There will be tax implications associated with participating in the Entitlement Offer and receiving New Shares. Section 5 provides for a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Entitlement Offer for Eligible Shareholders. The guide does not take account of the individual circumstances of particular Eligible Shareholders and does not constitute tax advice. The Group recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

Privacy

The Group collects information about each applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the applicant’s shareholding in the Group.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to the Group (directly or through the Share Registry). The Group collects, holds and will use that information to assess your Application. The Group collects your personal information to process and administer your shareholding in the Group and to provide related services to you. The Group may disclose your personal information for purposes related to your shareholding in the Group, including to the Share Registry, the Group’s related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that the Group holds about you. To make a request for access to your personal information held by (or on behalf of) the Group, please contact the Group through the Share Registry.

Governing law

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the applications are governed by the law of New South Wales, Australia. Each applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

No representations

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Offer Booklet. Any information or representation in connection with the Entitlement Offer not contained in the Offer Booklet may not be relied upon as having been authorised by the Group or any of its officers.

Past performance

Investors should note that the Group’s past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) the Group’s future performance including the Group’s future financial position or share price performance.

Future performance and forward looking statements

This Offer Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of the Group and certain plans and objectives of the management of the Group.

These forward-looking statements contained in this Offer Booklet involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither the Group, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of the Group. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Offer Booklet in light of those disclosures. Except as required by law or regulation (including the Listing Rules), the Group undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Risks

Refer to the ‘Key Risks’ section of the Investor Presentation included in Section 3 of this Offer Booklet for a summary of general and specific risk factors that may affect the Group.

Trading New Shares

The Group will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by the Group or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your stockbroker, solicitor, accountant or other professional adviser.

¹® registered to BPAY Pty Ltd ABN 69 079 137 518.

CHAIRMAN'S LETTER



Wednesday 6 July 2016

Dear Shareholder

As a valued Shareholder of Virgin Australia Holdings Limited (ASX: VAH) (the **Virgin Australia Group** or the **Group**), I am pleased to offer you the opportunity to participate in the Group's recently announced 1 for 1 non-renounceable pro rata entitlement offer of new fully paid ordinary shares in the Group (each a **New Share**, together **New Shares**) at an offer price of A\$0.21 (**Offer Price**) per New Share (**Entitlement Offer**).

Earlier this year, the Board of the Virgin Australia Group conducted a review to ensure the Group has a capital structure that will put it in a stronger position to deliver sustainable growth. As an outcome of the review, the Group is conducting the Entitlement Offer. The Entitlement Offer will raise approximately A\$852 million and strengthen the Group's balance sheet and support initiatives to improve earnings and cash flow.

Together, the Entitlement Offer and the previously announced A\$159 million placement to HNA Innovation, which settled on Thursday 23 June 2016, will raise total gross proceeds of \$1,011 million in new equity capital for the Group. These proceeds will be used to repay the shareholder loan facility announced in March 2016 and other debt facilities and to support operational efficiency and capital initiatives, known as the Better Business program.

The Group is focused on maximising value for its Shareholders. The Group is targeting ongoing cash flow savings through the implementation of the Better Business program. The Group is also pursuing opportunities to support future earnings growth, including the proposed strategic alliance with HNA Aviation Group, which will accelerate access to the rapidly growing Chinese travel market.

Further information about the Better Business program and other aspects of the Group's business is provided in the Group's investor presentation for the Entitlement Offer. The investor presentation was lodged with the Australian Securities Exchange (**ASX**) on Wednesday 6 July 2016 and is included in this booklet (**Offer Booklet**) in Section 3.

The Entitlement Offer is fully underwritten. Singapore Airlines, HNA Innovation, Virgin Group, Nanshan Group and Air New Zealand are supportive of the Entitlement Offer, having each made binding commitments to take up their pro-rata entitlement. Singapore Airlines, HNA Innovation and Virgin Group have also made binding commitments to contribute to the sub-underwriting of entitlements not taken up by other shareholders.

Further information about the Entitlement Offer and how you can participate should you wish to do so are set out in this Offer Booklet.

Further information about the Entitlement Offer

On Wednesday 15 June 2016 the Group announced its intention to raise approximately A\$852 million through the Entitlement Offer.

Under the Entitlement Offer, Eligible Shareholders (see Section 4.1) have the opportunity to acquire 1 New Share for every 1 existing share held in the Group held at 7.00pm (Sydney time) on Monday 11 July 2016 at the Offer Price of A\$0.21 per New Share (**Entitlement**). If you are an Eligible Shareholder, the number of New Shares for which you are entitled to subscribe under the Entitlement Offer is set out in your personalised Entitlement and Acceptance Form, which accompanies this Offer Booklet. The Offer Booklet and personalised Entitlement and Acceptance Form will be dispatched to Eligible Shareholders on Thursday 14 July 2016.

The Offer Price of A\$0.21 per share represents a discount of 28.8 per cent to the closing price on 14 June 2016 of A\$0.295 per share, being the day prior to announcement of the Group's intention to undertake the Entitlement Offer, and a 16.8 per cent discount to the Theoretical Ex Rights Price ('TERP') of A\$0.253 per share¹. The closing price on 5 July 2016, the last trading day prior to launch of the Entitlement Offer, was A\$0.20 per share.

¹TERP calculated by reference to the closing price on 14 June 2016 of \$0.295 per share

To the extent that HNA Innovation's shareholding is less than its target shareholding of 19.99% following the initial placement to HNA Innovation, the take-up of its Entitlement and participation in any sub-underwriting under the Entitlement Offer, the Group intends to undertake an additional top-up placement to HNA Innovation at a price of A\$0.26 per share (**Top-up Placement**) subject to Shareholder approval unless otherwise approved by the ASX. The Top-up Placement will enable HNA Innovation to achieve its target shareholding of 19.99%, subject to a maximum investment by HNA Innovation of US\$300 million.

Further information about participating in the Entitlement Offer

If you are an Eligible Shareholder, you may take one of the following actions:

- take up all of your Entitlement;
- take up part of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your Entitlement will lapse, you will receive no value for your lapsed Entitlement, you will not be allocated New Shares and you will have your percentage holding in the Group reduced as a result of dilution by the New Shares issued under the Entitlement Offer.

Your Entitlement to participate in the Entitlement Offer is non-renounceable, which means it is non-transferrable and cannot be sold, traded on the ASX or any other exchange, nor can it be privately transferred.

Further information about the options available to you as an Eligible Shareholder is included in Section 1 of this Offer Booklet.

The Entitlement Offer closes at 5.00pm (Sydney time) on Wednesday 27 July 2016. Payment MUST be received by this time.

If you decide to take this opportunity to increase your investment in the Group, please follow the instructions set out in the personalised Entitlement and Acceptance Form. Payment for New Shares MUST be received as cleared funds by no later than 5.00pm (Sydney time) on Wednesday 27 July 2016. Payment should be made by BPAY if possible. Instructions on how to do this are also included in the Entitlement and Acceptance form.

Offer Booklet

This Offer Booklet contains important information, including:

- a timetable of key dates for the Entitlement Offer;
- a summary of options available to you as an Eligible Shareholder;
- instructions on how to participate in the Entitlement Offer if you choose to do so;
- instructions on how to take up all or part of your Entitlement via BPAY, cheque, bank draft or money order;
- information regarding the personalised Entitlement and Acceptance Form. This form will accompany this Offer Booklet when it is dispatched to Eligible Shareholders and will detail your Entitlement and instructions for participating in the Entitlement Offer; and
- ASX announcements relating to the Entitlement Offer, including the investor presentation referred to above, which was lodged with the ASX on Wednesday 6 July 2016. These documents provide information about the Group, the Entitlement Offer and key risks for you to consider.

You should carefully read the Offer Booklet in its entirety and consult your financial adviser before making your investment decision. In particular, you should read and consider the "Key Risks" section of the Investor Presentation included in Section 3 of this Offer Booklet, which contains a summary of some of the key risks associated with an investment in the Group. If you are uncertain about taking up your Entitlement you should consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

If you have questions about the Entitlement Offer, or should you require assistance, please call the Virgin Australia Group Entitlement Offer Information Line on **1300 782 849** (inside Australia) and **+61 3 9415 4179** (outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday during the offer period, or visit our website at <http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/>

On behalf of the Board of the Virgin Australia Group, I have pleasure in inviting you to consider this investment opportunity and thank you for your ongoing support of the Group.

Yours sincerely



Elizabeth Bryan

Chairman

The Virgin Australia Group

SUMMARY OF THE ENTITLEMENT OFFER

ENTITLEMENT OFFER

| | |
|-----------------------|---|
| Ratio | 1 New Share for every 1 existing ordinary shares in the Group |
| Offer Price | A\$0.21 per New Share |
| Size | Approximately 4,057 million New Shares |
| Gross proceeds | Approximately A\$852 million |

KEY DATES

| ACTIVITY | DATE |
|---|------------------------|
| Announcement of intention to undertake the Entitlement Offer | Wednesday 15 June 2016 |
| Formal launch of the Entitlement Offer | Wednesday 6 July 2016 |
| Offer Booklet lodged with ASX | Wednesday 6 July 2016 |
| “Ex” date (Date on which shares trade ex-Entitlement to participate in the Offer) | Friday 8 July 2016 |
| Record Date for the Entitlement Offer (7.00pm Sydney time) | Monday 11 July 2016 |
| Offer Booklet and Entitlement and Acceptance Form dispatched | Thursday 14 July 2016 |
| Entitlement Offer opens | Thursday 14 July 2016 |
| Entitlement Offer closes (5.00pm Sydney time) | Wednesday 27 July 2016 |
| New Shares commence trading on a deferred settlement basis | Thursday 28 July 2016 |
| Results of Entitlement Offer announced | Tuesday 2 August 2016 |
| Allotment of New Shares issued under the Entitlement Offer | Thursday 4 August 2016 |
| Normal ASX trading for New Shares issued under the Entitlement Offer commences | Friday 5 August 2016 |
| Dispatch of holding statements for New Shares issued under the Entitlement Offer | Friday 5 August 2016 |

This Timetable above is indicative only and may change. The Group reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Group reserves the right to extend the closing date for the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation of the New Shares is subject to confirmation from ASX.

The Group also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants. Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted. Eligible Shareholders wishing to participate in the Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Entitlement Offer opens.

ENQUIRIES

For further information regarding the Entitlement Offer, please call 1300 782 849 (inside Australia) and +61 3 9415 4179 (outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday.

TABLE OF CONTENTS

| | |
|--|-----------|
| Chairman's letter | 2 |
| Summary of the Entitlement Offer | 4 |
| Key dates | 4 |
| Enquiries | 4 |
| Table of contents | 5 |
| 1. Summary of options available to you | 6 |
| 2. How to apply | 6 |
| 2.1 Entitlement Offer | 6 |
| 2.2 Your Entitlement | 6 |
| 2.3 Options available to you | 6 |
| 2.4 Taking up all of your Entitlement | 7 |
| 2.5 Taking up part of your Entitlement and allowing the balance to lapse | 7 |
| 2.6 Allowing your Entitlement to lapse | 7 |
| 2.7 Consequences of not accepting all or part of your Entitlement | 7 |
| 2.8 Payment | 7 |
| 2.9 Payment by BPAY | 7 |
| 2.10 If you are unable to pay by BPAY | 8 |
| 2.11 Entitlement and Acceptance Form is binding | 8 |
| 2.12 Brokerage | 9 |
| 2.13 Notice to nominees and custodians | 9 |
| 2.14 Withdrawal of the Entitlement Offer | 9 |
| 2.15 Key Risks | 9 |
| 2.16 Further Enquiries | 9 |
| 3. ASX announcements and investor presentation | 10 |
| 4. Additional information | 37 |
| 4.1 Eligibility of Shareholders | 37 |
| 4.2 Ranking of New Shares | 37 |
| 4.3 Issue of New Shares, quotation and trading | 37 |
| 4.4 Capital structure | 37 |
| 4.5 Potential dilution | 37 |
| 4.6 Reconciliation | 37 |
| 4.7 Underwriting | 37 |
| 4.8 Pre-commitments and sub-underwriting | 38 |
| 4.9 Participation of Directors | 38 |
| 4.10 Continuous Disclosure | 38 |
| 4.11 No cooling off rights | 39 |
| 4.12 Not investment advice | 39 |
| 4.13 Governing law | 39 |
| 4.14 Withdrawal of the Entitlement Offer | 39 |
| 4.15 Privacy | 39 |
| 5. Australian taxation consequences | 39 |
| 5.1 Issue of Entitlement | 39 |
| 5.2 Exercise of Entitlement | 39 |
| 5.3 Lapse of Entitlement | 40 |
| 5.4 Taxation in respect of dividends on New Shares | 40 |
| 5.5 Disposal of New Shares | 40 |
| 5.6 GST | 40 |
| 5.7 Stamp duty | 40 |
| 6. Definitions | 40 |
| 7. Corporate information | 42 |

1 SUMMARY OF OPTIONS AVAILABLE TO YOU

If you are an Eligible Shareholder (see Section 4.1), you may take one of the following actions:

- take up all of your Entitlement;
- take up part of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

If you are a Shareholder that is not an Eligible Shareholder, you are an “**Ineligible Shareholder**”. Ineligible Shareholders are not entitled to participate in the Entitlement Offer.

Options available to you Key considerations to you

| | |
|---|--|
| Take up all of your Entitlement | <p>You may elect to take up all of your Entitlement (see Section 2 “How to Apply” for instructions on how to take up your Entitlement).</p> <p>The New Shares will rank equally in all respects with existing Shares (including rights to dividends and distributions).</p> |
| Take up part of your Entitlement | <p>If you only take up part of your Entitlement, the part not taken up will lapse.</p> <p>If you do not take up your Entitlement in full you will not receive any payment or value for those Entitlements not taken up.</p> <p>If you do not take up your Entitlement in full, you will have your percentage holding in the Group reduced as a result of dilution by the New Shares issued under the Entitlement Offer.</p> |
| Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements | <p>If you do not take up your Entitlement, you will not be allocated New Shares and your Entitlements will lapse.</p> <p>Your Entitlement to participate in the Entitlement Offer is non-renounceable, which means it is non-transferrable and cannot be sold, traded on ASX or any other exchange, nor can they be privately transferred.</p> <p>If you do not take up your Entitlement, you will have your percentage holding in the Group reduced as a result of dilution by the New Shares issued under the Entitlement Offer.</p> |

2 HOW TO APPLY

2.1 Entitlement Offer

The Entitlement Offer constitutes an offer to Eligible Shareholders, who are invited to apply for 1 New Share for every 1 Share held on the Record Date on Monday 11 July 2016. The offer price of A\$0.21 per share represents a discount of 28.8 per cent to the closing price on 14 June 2016 of A\$0.295 per share, being the day prior to announcement of the Group’s intention to undertake the Entitlement Offer, and a 16.8 per cent discount to the Theoretical Ex Rights Price (“TERP”) of A\$0.253 per share. The closing price on 5 July 2016, the last trading day prior to launch of the Entitlement Offer, was A\$0.20 per share.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on ASX, nor can they be sold, transferred or otherwise disposed of.

This Offer Booklet will be dispatched on or about Thursday 14 July 2016, along with a personalised Entitlement and Acceptance Form, to Eligible Shareholders. The Entitlement Offer opens on Thursday 14 July 2016 and is expected to close at 5.00pm (Sydney time) on Wednesday 27 July 2016.

The Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allows rights issues to be offered without a prospectus, provided certain conditions are satisfied.

As a result, this offer is not being made under a prospectus and it is important for Eligible Shareholders to read and understand the information on the Group and the Entitlement Offer made publicly available by the Group, prior to taking up all or part of their Entitlement. In particular, please refer to the materials enclosed in Section 3 of this Offer Booklet, the Group’s interim and annual reports, other announcements made available at www.virginaustralia.com or www.asx.com.au (including the Group’s half year report for the six months ended 31 December 2015 released to ASX on 11 February 2016 and the annual report for the year ended 30 June 2015 released to ASX on 7 August 2015) and all other parts of this Offer Booklet carefully before making any decisions in relation to your Entitlement.

2.2 Your Entitlement

An Entitlement and Acceptance Form setting out your Entitlement (calculated as 1 New Share for every 1 Share held on the Record Date) will accompany this Offer Booklet when it is despatched to Eligible Shareholders. Eligible Shareholders may subscribe for all or part of their Entitlement. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

2.3 Options available to you

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form that will accompany this Offer Booklet when it is dispatched to you.

For personal use only

Eligible Shareholders may:

- (a) take up their Entitlement in full (refer to Section 2.4);
- (b) take up part of their Entitlement, in which case the balance of the Entitlement would lapse (refer to Section 2.5); or
- (c) allow their Entitlement to lapse (refer to Section 2.6).

Ineligible Shareholders may not take up any of their Entitlements.

The Group reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the closing date for the Entitlement Offer.

The closing date for acceptance of the Entitlement Offer is **5.00pm (Sydney time) on Wednesday 27 July 2016** (however, that date may be varied by the Group, in accordance with the Listing Rules and the Underwriting Agreement).

2.4 Taking up all of your Entitlement

If you wish to take up all or part of your Entitlement, payment must be made via BPAY by following the instructions set out on the personalised Entitlement and Acceptance Form or as otherwise provided for in this Offer Booklet. Payment must be received by no later than 5.00pm (Sydney time) on Wednesday 27 July 2016. If the Group receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment may be treated as an application for as many New Shares as your application monies will pay for in full. Amounts received by the Group in excess of the Offer Price multiplied by your Entitlement will be refunded.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by direct credit to the nominated bank account as noted on the share register as at the closing date for the Entitlement Offer or by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders). If you wish to advise or change your banking instructions with the Share Registry you may do so by going to www.computershare.com/au and logging into the 'Investor Centre'.

2.5 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, payment must be made by following the instructions set out on the personalised Entitlement and Acceptance Form. If the Group receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment may be treated as an application for as many New Shares as your application monies will pay for in full.

2.6 Allowing your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

2.7 Consequences of not accepting all or part of your Entitlement

If you do not accept all or part of your Entitlement in accordance with the instructions set out above, those

New Shares for which you would have otherwise been entitled under the Entitlement Offer (including New Shares that relate to the portion of your Entitlement that has not been accepted) may be acquired by the Underwriter or the Sub-Underwriters.

By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement and you will not receive any value for your Entitlement. Your interest in the Group will also be further diluted.

2.8 Payment

Payment should be made using BPAY if possible. New Zealand Shareholders who do not have an Australian bank account will be able to pay by cheque, bank draft or money order (see below at 2.10).

Cash payments will not be accepted. Receipts for payment will not be issued.

The Group will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any application monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to applicants on any application monies received or refunded.

2.9 Payment by BPAY

For payment by BPAY, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

If you are paying by BPAY, please make sure you use the specific Biller Code and your unique Customer Reference Number ('CRN') on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

Please note that by paying by BPAY:

- (a) you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 2.11; and
- (b) if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5.00pm (Sydney time) on Wednesday 27 July 2016. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

For personal use only

2.10 If you are unable to pay by BPAY

The Group encourages payments by BPAY if possible.

For payment by cheque, bank draft or money order you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order which must be:

- (a) for an amount equal to A\$0.21 multiplied by the number of New Shares that you are applying for;
- (b) in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars or any other currency. Foreign resident Shareholders must arrange for payment to be made in Australian dollars;
- (c) made payable to 'Virgin Australia Holdings Limited' and cheques should be crossed 'Not Negotiable'.

It is your responsibility to ensure that your payment by cheque, bank draft or money order is received by the Share Registry by no later than 5.00pm (Sydney time) on Wednesday 27 July 2016. Please note that you should consider postal and cheque clearance timeframes in meeting this deadline.

You must ensure that sufficient cleared funds are held in relevant account(s) to cover the application monies as your cheque, bank draft or money order will be processed on the day of receipt. If the amount of your cheque, bank draft or money order for application monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared application monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

If you make payment via cheque, bank draft or money order you should mail your completed personalised Entitlement and Acceptance Form together with the cheque, bank draft or money order to:

Mailing Address

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Victoria 3001

Personalised Entitlement and Acceptance Forms and application monies will not be accepted at the Group's registered or corporate offices or other offices of the Share Registry.

Virgin Australia Group may accept other forms of payment in its absolute discretion.

2.11 Entitlement and Acceptance Form is binding

A payment made through BPAY or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite application monies constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and

Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Group's decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By making a payment by BPAY or by completing and returning your personalised Entitlement and Acceptance Form with the requisite application monies, you will also be deemed to have acknowledged, represented and warranted your own behalf (or on behalf of each person on whose account you are acting) that:

- (a) you acknowledge that you have read and understand each of this Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- (b) you agree to be bound by the terms of the Entitlement Offer, the provisions of this Offer Booklet, and the Group's constitution;
- (c) you authorise the Group to register you as the holder(s) of New Shares issued to you;
- (d) you declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (e) you declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (f) you acknowledge that once the Group receives your personalised Entitlement and Acceptance Form or any payment of application monies via BPAY, you may not withdraw your application or funds provided except as allowed by law;
- (g) you agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any application monies via BPAY, at the Offer Price per New Share;
- (h) you authorise the Group, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (i) you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) you acknowledge that the information contained in this Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (k) you acknowledge that this Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Group and is given in the context of the Group's past and ongoing continuous disclosure announcements to ASX;

For personal use only

- (l) you acknowledge (and have read) the statement of risks in the “Key Risks” section of the Investor Presentation included in the Section 3 of this Offer Booklet, and that investments in the Group are subject to risk;
- (m) you acknowledge that none of the Group, the Underwriter, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Group, nor do they guarantee the repayment of capital;
- (n) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (o) you authorise the Group to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (p) you represent and warrant (for the benefit of the Group, the Underwriter and their respective related bodies corporate and affiliates) that you are not an Ineligible Shareholder and are otherwise eligible to participate in the Entitlement Offer;
- (q) you represent and warrant that the law of any place does not prohibit you from being given this Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Entitlement Offer;
- (r) you are an Eligible Shareholder and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- (s) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside Australia;
- (t) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States; and
- (u) you agree that if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or who is acting for the account or benefit of a person in the United States.

2.12 Brokerage

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement.

2.13 Notice to nominees and custodians

The Entitlement Offer is being made to all Eligible Shareholders. Nominees with registered addresses in the eligible jurisdictions, may participate in the Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

IMPORTANT NOTE: Nominees and custodians should note that any underlying beneficial Shareholders who are not Eligible Shareholders are ineligible to apply for New Shares under the Entitlement Offer. If you are a nominee for underlying beneficial Shareholders who are not Eligible Shareholders:

- You must not send any material relating to the Entitlement Offer (including this Offer Booklet, the Investor Presentation and the Entitlement and Acceptance Form) to any of your clients who are not Eligible Shareholders; and
- You must not submit a personalised Entitlement and Acceptance Forms nor apply for New Shares on behalf of Shareholders who are not Eligible Shareholders:

The Group is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws. Nominees and custodians are advised to seek independent legal advice as to how to proceed in this regard and please note that neither the Virgin Australia Group nor the Underwriter are able to advise on foreign laws.

2.14 Withdrawal of the Entitlement Offer

Subject to applicable law, the Group reserves the right to withdraw the Entitlement Offer at any time before the issue of New Shares, in which case the Group will refund any application monies already received in accordance with the Corporations Act and will do so without interest being payable to applicants.

2.15 Key Risks

Eligible Shareholders should be aware that an investment in the Group involves risks. The key risks identified by the Group are set out in section 4 of the Investor Presentation in Section 3 of this booklet.

2.16 Further Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions regarding the Entitlement Offer, please contact the Share Registry on 1300 782 849 (within Australia) and +61 3 9415 4179 (outside of Australia) at any time from 8.30am to 5.30pm (Sydney time) Monday to Friday, before the Entitlement Offer closes at 5.00pm (Sydney time) on Wednesday 27 July 2016. If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.



3. ASX ANNOUNCEMENTS AND INVESTOR PRESENTATION



For personal use only



asx release

Virgin Australia Holdings Limited (ASX: VAH) Launches Fully Underwritten A\$852 Million Pro-Rata Entitlement Offer

6 July 2016

Virgin Australia Holdings Limited (ASX: VAH) ('the Virgin Australia Group' or 'the Group') today announces the formal launch of the previously announced fully underwritten 1 for 1 non-renounceable pro-rata entitlement offer of new fully paid ordinary shares in the Group (each a 'New Share', together 'New Shares') at a price of A\$0.21 per share to raise equity of approximately A\$852 million ('Entitlement Offer').

Together, the Entitlement Offer and the recent placement to HNA Innovation¹ ('HNA Placement') will raise total gross proceeds of A\$1,011 million in new equity capital for the Group. These proceeds will be used to strengthen the Group's balance sheet and repay the shareholder loan facility and other debt facilities. The proceeds will also support the previously announced program of operational efficiency and capital initiatives, known as the Better Business program, as well as investment in sustainable growth opportunities².

Details of the Entitlement Offer

The Virgin Australia Group is formally launching the Entitlement Offer, open to eligible Virgin Australia Group shareholders and to be conducted on a non-accelerated basis.

The offer price of A\$0.21 per share represents a discount of 28.8 per cent to the closing price on 14 June 2016 of A\$0.295 per share, being the day prior to announcement of the Group's intention to undertake the Entitlement Offer, and a 16.8 per cent discount to the Theoretical Ex Rights Price ('TERP') of A\$0.253³ per share. The closing price on 5 July 2016, the last trading day prior to launch of the Entitlement Offer, was A\$0.20 per share.

Singapore Airlines, HNA Innovation, Virgin Group, Nanshan Group and Air New Zealand have made binding commitments to take up their pro-rata entitlements under the Entitlement Offer. Singapore Airlines, HNA Innovation and Virgin Group have also made binding commitments to contribute to the sub-underwriting of entitlements not taken up by other shareholders.

As previously announced, to the extent that HNA Innovation's shareholding is less than its target shareholding of 19.99 per cent following the HNA Placement, the take-up of its pro-rata entitlement and participation in any sub-underwriting under the Entitlement Offer, the Virgin Australia Group intends to undertake an additional top-up placement to HNA Innovation at a price of A\$0.26 per share ('Top-up Placement'). The Top-up Placement will enable HNA Innovation to achieve its target shareholding of 19.99 per cent, subject to a maximum investment by HNA Innovation of US\$300 million.

The Top-Up Placement is subject to shareholder approval unless otherwise agreed by the Australian Securities Exchange ('ASX'). Existing shareholders Singapore Airlines, Etihad Airways, Virgin Group and Air New Zealand have advised the Virgin Australia Group that they currently intend to vote to approve any additional top-up placement to HNA Innovation.

¹ HNA Innovation Ventures (Hong Kong) Co. Ltd. ('HNA Innovation'), an assignee of Hainan HNA Innovation Ventures Co. Ltd. and a subsidiary of HNA Aviation Group.

² Please refer to investor presentation for more detail.

³ TERP is calculated by reference to the closing price on 14 June 2016 of A\$0.295 per share.

24-hour media enquiries: 1800 142 467

Virgin Australia Holdings Limited ABN 54 100 686 226

For personal use only



Participation in the Entitlement Offer

Eligible Shareholders will be able to purchase 1 New Share for each existing share held in the Virgin Australia Group on the record date of 7:00pm Sydney time on Monday 11 July 2016 ('Record Date') (for each shareholder, their 'Entitlement').

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

Eligible Shareholders with a registered address in Australia and New Zealand, and certain shareholders in other jurisdictions that the Virgin Australia Group has otherwise determined are eligible, will be invited to participate in the Entitlement Offer which will open on Thursday 14 July 2016 and close at 5.00 pm (Sydney time) on 27 July 2016. Eligible Shareholders can choose to take up all, part or none of their Entitlements. Eligible Shareholders who do not accept their Entitlement will not receive any value for not participating and their Entitlement will lapse.

Timetable

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

| | |
|---|------------------------|
| Announcement of intention to undertake the Entitlement Offer | Wednesday 15 June 2016 |
| Formal launch of the Entitlement Offer | Wednesday 6 July 2016 |
| Offer Booklet lodged with ASX | Wednesday 6 July 2016 |
| "Ex" date (Date on which shares trade ex-Entitlement to participate in the Offer) | Friday 8 July 2016 |
| Record Date for the Entitlement Offer (7.00pm Sydney time) | Monday 11 July 2016 |
| Offer Booklet and Entitlement and Acceptance Form dispatched | Thursday 14 July 2016 |
| Entitlement Offer opens | Thursday 14 July 2016 |
| Entitlement Offer closes (5.00pm Sydney time) | Wednesday 27 July 2016 |
| New Shares commence trading on a deferred settlement basis | Thursday 28 July 2016 |
| Results of Entitlement Offer announced | Tuesday 2 August 2016 |
| Allotment of New Shares issued under the Entitlement Offer | Thursday 4 August 2016 |
| Normal ASX trading for New Shares issued under the Entitlement Offer commences | Friday 5 August 2016 |
| Dispatch of holding statements for New Shares issued under the Entitlement Offer | Friday 5 August 2016 |

For personal use only



Further Information

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

Eligible Shareholders should carefully read the Offer Booklet for further details relating to the Entitlement Offer. The Offer Booklet will be despatched to Eligible Shareholders on or about Thursday 14 July 2016. Copies of the Offer Booklet will also be made available on the Virgin Australia Group's website at <http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/>

UBS is acting as financial adviser to the Group on the capital structure review and sole underwriter on the proposed Offer.

The Virgin Australia Group will announce its results for the 2016 financial year on 5 August 2016.

ENDS

For further information, please contact:

Media contact:

Danielle Keighery +61 400 223 136
Kristyn Mealing +61 438 476 909

Investor contact:

Kerri Hoffman +61 422 513 296

For personal use only



NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement is for information purposes only and is not a prospectus, disclosure document or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (ASIC)). The announcement is not and should not be considered an offer or an invitation to acquire Entitlements or New Shares or any other financial products.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 ("US Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to persons acting for the account or benefit of a person in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and other applicable US state securities laws.

FORWARD LOOKING STATEMENTS

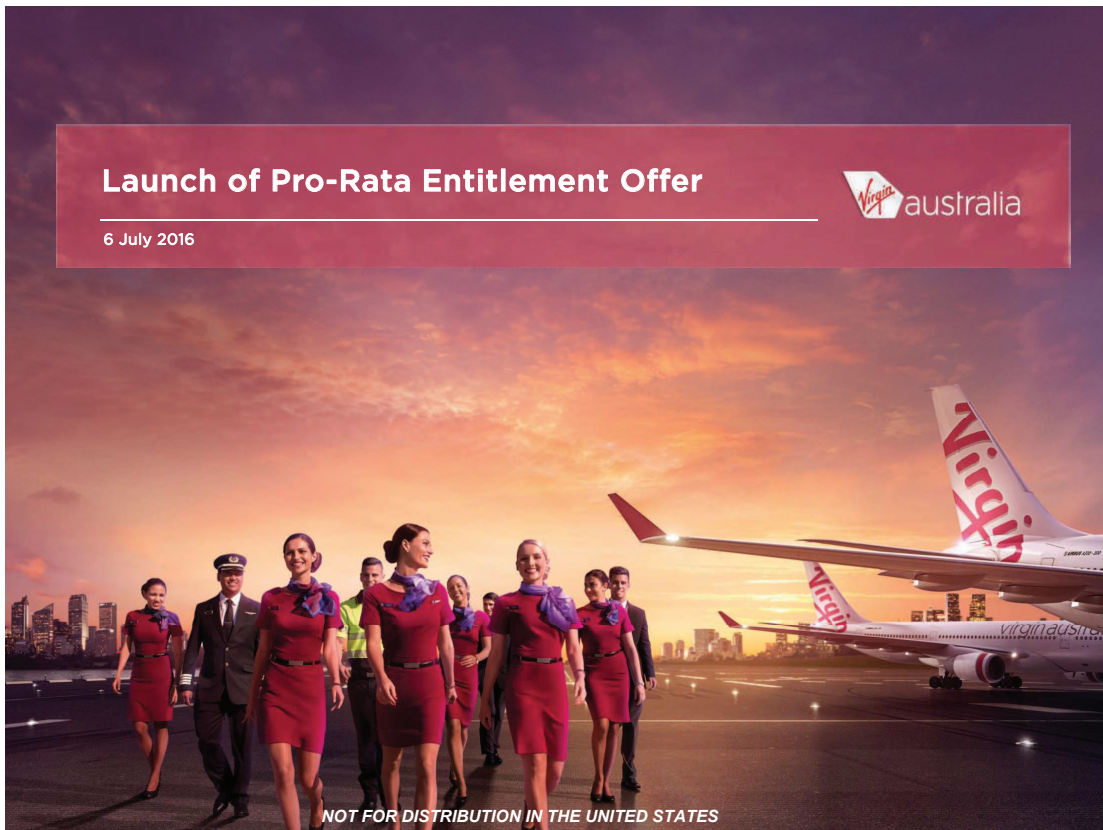
This announcement may contain forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and may include, but are not limited to, the outcome and effects of the Entitlement Offer, the use of proceeds and the financial and operating performance of the Virgin Australia Group. Any forward-looking statements contained in this announcement involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

You are cautioned not to place undue reliance on forward-looking statements as actual outcomes may differ materially from forward-looking statements. Any forward-looking statements, opinions and estimates provided in this announcement are not guarantees or predictions of future performance and necessarily involve uncertainties, assumptions, contingencies and other factors and unknown risks, many of which are outside the control of the Virgin Australia Group. Such factors may cause the actual results or performance of the Virgin Australia Group to be materially different from any future results or performance expressed or implied by any such forward-looking statements. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. Any forward-looking statements speak only as of the date of this announcement.

The Virgin Australia Group, its related bodies corporate and their respective directors, employees, officers and advisers disclaim any responsibility for the accuracy or completeness of any forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), each of these entities disclaims any intent or obligation to update publicly any forward-looking statements to reflect any change in the Virgin Australia Group's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

For personal use only

For personal use only



Disclaimer and important notices

Important Notice

This presentation ("Presentation") has been prepared by Virgin Australia Holdings Limited ("Virgin Australia Group" or "Group"). This presentation has been prepared in relation to a traditional, non-renounceable entitlement offer, conducted on a non-accelerated basis ("Entitlement Offer") of new ordinary shares in Virgin Australia Group ("New Shares"), to be made under sections 708AA of the Corporations Act 2001 (Cth) ("Corporations Act") as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, which allows entitlement offers to be made without a prospectus. The Entitlement Offer will be made to eligible shareholders of the Group.

Summary information

The information contained in this Presentation is of a general nature and no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information. None of the underwriter, nor any of their respective advisers, nor the advisers to Virgin Australia Group, have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, except to the extent referred to in this Presentation, none of them makes or purports to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them. The information in this Presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. The information in this Presentation includes information derived from third party sources that has not been independently verified.

The historical information in this Presentation is, or is based upon, information that has been released to the market. It should be read in conjunction with Virgin Australia Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("ASX") available at www.asx.com.au.

Not an offer

This Presentation is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or under any other law. It is for information purposes only and is not an invitation nor offer of securities for subscription, purchase or sale in any jurisdiction. Any decision to purchase New Shares must be made on the basis of the information to be contained in the offer booklet (which includes this Presentation). Any eligible shareholder who wishes to participate in the Entitlement Offer should consider the offer booklet in deciding to apply under the Entitlement Offer. Anyone who wishes to apply for New Shares under the Entitlement Offer will need to apply in accordance with the instructions contained in the offer booklet and the entitlement and application form. This Presentation does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of New Shares.

This Presentation does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Group nor does it contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act.

Status of New Shares

Investments in securities such as New Shares are subject to risks which could affect their performance, including loss of investment and income. Virgin Australia Group does not guarantee the market price of New Shares or any particular rate of return. Information about the risks of investing in New Shares is detailed in the "Key Risks" Section of this Presentation.

U.S. restrictions

This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This Presentation may not be distributed or released in the United States. The New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (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, directly or indirectly, in the United States absent registration except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws.

The distribution of this Presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute violation of applicable securities laws.

NOT FOR DISTRIBUTION IN THE UNITED STATES



Disclaimer and important notices continued

Underwriter

The underwriter, its affiliates, directors, officers, employees, agents or associates may, from time to time, hold interests in the securities of, or earn brokerage, fees or other benefits from Virgin Australia Group.

Not investment advice

This Presentation has been prepared without taking account of any person's investment objectives, financial situation or particular needs and prospective investors should conduct their own independent investigation and assessment of the Entitlement Offer and the information contained in, or referred to in, this Presentation.

An investment in Virgin Australia Group is subject to investment risk including possible loss of income and principal invested. Please see the "Key Risks" Section of this Presentation for further details.

Financial amounts

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. The pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of the Group's views on its future financial condition and/or performance. Investors should note that past performance, including past share price performance, of Virgin Australia Group cannot be relied upon as an indicator of (and provides no guidance as to) future performance including future share price performance.

Future performance

This Presentation contains certain "forward looking statements", including statements of current intention, statements of opinion, guidance and predictions as to possible future events. Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include statements regarding outcome and effects of the equity raising, indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Virgin Australia Group, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. They also include general economic conditions, exchange rates, interest rates, regulatory environments, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. Refer to the "Key Risks" section of this document for a summary of certain general and Virgin Australia Group specific risk factors that may affect the Group.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Except as required by applicable law, regulation or the ASX Listing Rules, Virgin Australia Group disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events or otherwise.

In this Presentation, references to 'you' are references to eligible shareholders and references to 'your entitlement' (or 'your entitlement and acceptance form') are references to the entitlement (or entitlement and acceptance form) of eligible shareholders.

Times and dates

Times and dates in this Presentation are indicative only and subject to change. All times and dates refer to Sydney time. Refer to the 'Key Dates' section of this Presentation for more details.

NOT FOR DISTRIBUTION IN THE UNITED STATES

2



Disclaimer and important notices continued

Financial data

Investors should note that this Presentation contains pro forma financial information, including a pro forma balance sheet as at 31 December 2015. In preparing the pro forma financial information, certain adjustments were made to Virgin Australia Group information. Certain adjustments were made to the Group's audited balance sheet as at 31 December 2015 that the Group considered appropriate to reflect the application of the proceeds of the Entitlement Offer to repay debt, as if the Entitlement Offer and application of proceeds had occurred on 31 December 2015.

Disclaimer

No party other than Virgin Australia Group has authorised or caused the issue, lodgement, submission, dispatch or provision of this Presentation, or takes any responsibility for, or makes or purports to make any statements, representations or undertakings in this Presentation. No person is authorised to give any information or make any representation in connection with the Entitlement Offer which is not contained in this Presentation. Any information or representation not contained in this Presentation may not be relied upon as having been authorised by the Group in connection with the Entitlement Offer.

To the maximum extent permitted by law, Virgin Australia Group, the underwriter and their respective affiliates, officers, employees, agents and advisers disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and the information in this Presentation being inaccurate or due to information being omitted from this Presentation, whether by way of negligence or otherwise, make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this Presentation and, with regards the underwriter, its affiliates, officers employees, agents and advisers, take no responsibility for any part of this Presentation. The underwriter makes no recommendation as to whether you or your related parties should participate in the Entitlement Offer nor does it make any representations or warranties to you concerning this Entitlement Offer or any such information, and you represent, warrant and agree that you have not relied on any statements made by the underwriter or any of its affiliates in relation to the New Shares or the Entitlement Offer generally.

The information in this Presentation remains subject to change without notice. Virgin Australia Group reserves the right to withdraw or vary the timetable for the Entitlement Offer without notice.

NOT FOR DISTRIBUTION IN THE UNITED STATES

3

For personal use only



Table of contents

1. Entitlement Offer Overview
2. Virgin Australia Group Overview
3. Equity Raising Details
4. Key Risks
5. Offer Jurisdictions



NOT FOR DISTRIBUTION IN THE UNITED STATES

4



Entitlement Offer overview

- The Virgin Australia Group is raising approximately A\$852m through a fully underwritten non-renounceable pro-rata entitlement offer ('Entitlement Offer')
- The Entitlement Offer, in conjunction with the completed placement to HNA Innovation¹ of A\$159m, will raise total gross proceeds of A\$1,011m in equity for the Group
- The equity, in addition to a program of operational and capital efficiencies ('Better Business program'), will strengthen the Group's balance sheet and support initiatives to improve earnings and cash flow as well as new opportunities for sustainable growth
- Entitlements are offered on a 1 for 1 basis at A\$0.21 per share (approximately 4,057m new ordinary shares ('New Shares')) to Eligible Shareholders
- Singapore Airlines, HNA Innovation, Virgin Group, Nanshan Group and Air New Zealand are supportive of the Entitlement Offer and have made binding commitments to take up their pro-rata entitlements under the Entitlement Offer
- Singapore Airlines, HNA Innovation and Virgin Group have also made binding commitments to contribute to the sub-underwriting of entitlements not taken up by other shareholders
- Further details in relation to the Entitlement Offer are provided in Section 3 of this presentation

¹ HNA Innovation Ventures (Hong Kong) Co. Limited ('HNA Innovation'), an assignee of Hainan HNA Innovation Ventures Co Ltd and a subsidiary of HNA Aviation Group

NOT FOR DISTRIBUTION IN THE UNITED STATES

5



Table of contents

1. Entitlement Offer Overview
- 2. Virgin Australia Group Overview**
3. Equity Raising Details
4. Key Risks
5. Offer Jurisdictions



NOT FOR DISTRIBUTION IN THE UNITED STATES

6



Overview of Virgin Australia Group

- Virgin Australia Group (ASX: VAH) launched in 2000 as Virgin Blue, a low-cost carrier. Since 2011, the Group has established itself as a contemporary airline group with a strong presence in all segments of the Australian aviation market and a reputation for excellence in customer service and operational performance.
- Today, the Virgin Australia Group:
 - operates a modern fleet of around 149 aircraft that include Airbus A330, Boeing 777, Boeing 737, Embraer E-Jet, ATR-72 turboprop aircraft, Airbus A320 and Fokker 100 aircraft
 - flies to 44 city and regional destinations in Australia and 15 international destinations¹
 - employs over 9,000 people worldwide
 - has strategic alliances with five key airline partners: Air New Zealand, Delta Air Lines, Etihad Airways, Singapore Airlines and HNA Aviation Group²

¹Regular Passenger Transport destinations

²HNA Aviation Group Co. Ltd. - the alliance remains subject to finalisation of documentation and regulatory approvals.

NOT FOR DISTRIBUTION IN THE UNITED STATES

7



Virgin Australia Group Performance Update

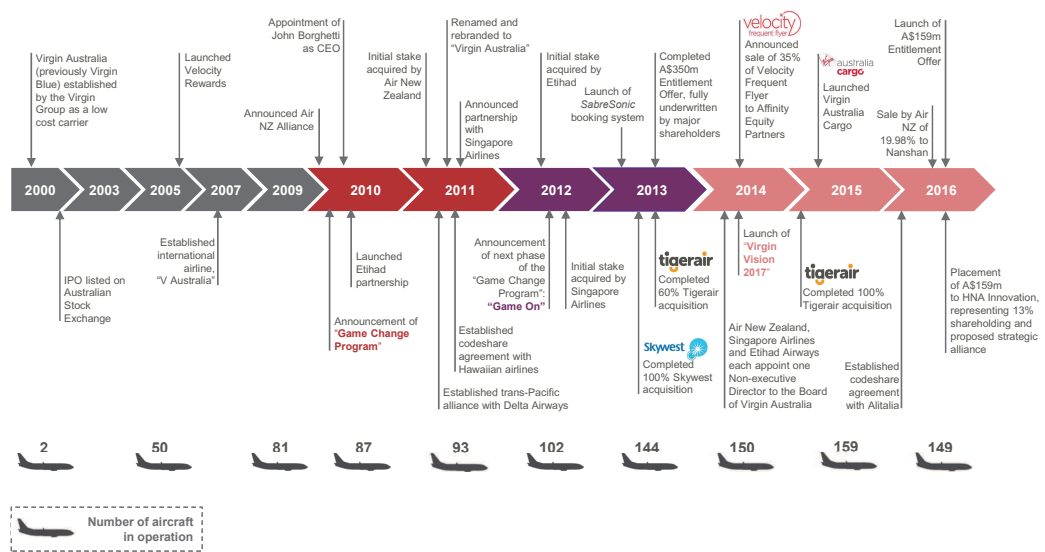
- Performance improving YTD March-16¹:
 - Underlying Profit Before Tax² of ~A\$63m (9 months to March-16), an increase of ~A\$75m on prior corresponding period
 - Statutory Profit After Tax of ~A\$4m (9 months to March-16), an increase of ~A\$80m on prior corresponding period
 - the March-16 YTD results excludes the impact of the cash restructuring costs (A\$200–250m) and non-cash balance sheet impairments (A\$150-200m) associated with the program of capital and operational efficiency initiatives announced on 15 June-16, known as the Better Business program
- FY16 full year – as per previous guidance- Underlying Profit Before Tax A\$30-\$60m, an increase of A\$79-109m on FY15, excluding
 - ~A\$90-100m of the cash restructuring costs³ and ~A\$155-175m of non-cash balance sheet impairments associated with the Better Business program are expected to be charged to the statutory profit or loss during the quarter ended 30 June-16. These, along with other restructuring charges recorded during the year⁴ are expected to result in a full year restructure charge of A\$410-450m being recorded in the statutory profit or loss for FY16.
 - the remainder of the cash restructuring costs and non-cash balance sheet impairments associated with the Better Business program will be measured and recognised in future periods to 30 June-19 in accordance with accounting standard requirements

¹YTD March-16 performance is the sum of the three prior quarters. ²Underlying Profit Before tax is a non-statutory measure that represents statutory profit / loss before tax excluding the impact of restructuring and transaction costs, impairment losses on assets held for sale, share of equity accounted profit / losses and hedging and financial instruments. ³The cash restructuring costs will be recorded as a provision during the quarter ended 30 June-16 and will be settled in cash in future periods as the obligations fall due under the respective arrangements. ⁴Other restructuring charges recorded during the year comprise A\$59.4m reported in H1FY16; and a further A\$105m-115m during H2FY16 related to restructuring costs and impairment losses on assets held for sale that are outside of the program of initiatives announced as part of the capital structure review on 15 June 2016.

NOT FOR DISTRIBUTION IN THE UNITED STATES



Evolution of Virgin Australia Group



NOT FOR DISTRIBUTION IN THE UNITED STATES

For personal use only



The foundations for sustainable growth are in place

| | | |
|---|--|--|
| ✓ | Contemporary, diversified airline group | <ul style="list-style-type: none"> Strong and innovative brand Award winning product and customer service Awarded most attractive employer (FY15 & FY16)¹ |
| ✓ | Diversified business model with cost advantages | <ul style="list-style-type: none"> Corporate and government, low cost leisure, international, charter, cargo and loyalty businesses Young, modern, fuel efficient fleet Capital light international expansion |
| ✓ | Earnings turnaround | <ul style="list-style-type: none"> Return to underlying profitability in FY16 with Underlying Profit Before Tax of A\$30–60m,² an increase of A\$79–109m on FY15 ROIC expected to be ~9–10%, in line with WACC Positive trajectory for key operational metrics |
| ✓ | Potential growth opportunities | <ul style="list-style-type: none"> Capital and operational efficiency initiatives program ('Better Business program') New opportunities with strategic alliance with HNA Innovation³, including potential launch of new routes Potential launch of new partners for Velocity |
| ✓ | Stronger balance sheet and liquidity position | <ul style="list-style-type: none"> A stronger balance sheet and enhanced liquidity post the equity raising |

¹ Recipient of 2015 and 2016 Randstad Awards for most attractive employer

² Underlying Profit Before Tax is a non-statutory measure that represents statutory profit / loss before tax excluding the impact of restructuring and transaction costs, impairment losses on assets held for sale, share of equity accounted profit / losses and hedging and financial instruments. This excludes the impact of the cash restructuring costs (A\$200 – 210m) and balance sheet impairments (A\$150 – 200m) announced as part of the capital structure review on 15 June 2016.

³ Subject to regulatory approvals

NOT FOR DISTRIBUTION IN THE UNITED STATES

10



Better Business program to help build scale and improve productivity

A detailed program of operational and capital efficiency initiatives has been initiated following an extensive review of the Group

| | | |
|---|---|--|
| Network and Fleet Optimisation (simplification of fleet types) | <ul style="list-style-type: none"> Reduction in ATR aircraft and removal of all E190 and Tigerair-branded A320 aircraft from the fleet over the next three years. Tigerair-branded A320 aircraft will be replaced with B737 aircraft Improvements in fleet utilisation Optimisation of the Group's network | <ul style="list-style-type: none"> The Virgin Australia Group anticipates incurring cash restructuring costs of A\$200–250m along with non-cash balance sheet impairments of A\$150–200m over the period to 30 June 2019¹ under the Better Business program These will be measured and recognised through the consolidated statement of profit or loss over the period 1 April 2016 to 30 June 2019 in accordance with accounting standard requirements |
| Operating Efficiencies | <ul style="list-style-type: none"> Improved efficiency in crew and ground operations Minimising impact of operational disruptions Right sizing the organisation | |
| Maintenance and Engineering | <ul style="list-style-type: none"> Measures to increase efficiency in scheduling | |
| Procurement and Supply Chain | <ul style="list-style-type: none"> Reduction of costs and identification of efficiencies in: <ul style="list-style-type: none"> major contracts fuel handling and foreign exchange catering and heavy maintenance | |

Target to deliver net free cash flow savings increasing to A\$300m pa (annualised run rate) by end of FY19

¹ Assumes an exchange rate of AUD/USD 0.72

NOT FOR DISTRIBUTION IN THE UNITED STATES

11

For personal use only

For personal use only



On track to meet FY17 targets¹

| Virgin Vision objective | Our target | Status |
|------------------------------------|--|------------|
| Capitalise on growth opportunities | VA Domestic: Underlying EBIT Margin 6-9% VA International: Profitable by FY17 Tigerair: Profitable by FY17 Velocity: Underlying EBIT growth >15%, 7m+ members | ✓ On track |
| Drive yield enhancement | 30% of Domestic revenue to come from corporate and government travellers by FY17 | ✓ On track |
| Drive cost savings | A\$1.2bn in cumulative cost savings by FY17 ² | ✓ On track |
| Optimise balance sheet & ROIC | Financial leverage 4.0x – 4.5x by FY17 ROIC > WACC by FY17 | ✓ On track |
| | Set a new standard in customer experience | Ongoing |
| | Continuing to develop our people | Ongoing |

¹ FY17 means by the end of FY17

² This does not include the benefits of the Better Business program – for further details on these initiatives, refer to page 10.

NOT FOR DISTRIBUTION IN THE UNITED STATES

12



Fleet overview

| Group operating fleet | 31 Dec 2015 | 30 Jun 2016 |
|-------------------------------|-------------|-----------------|
| B737 -700/800 | 78 | 75 |
| E190 ¹ | 18 | 16 ¹ |
| A330 | 6 | 6 |
| B777 | 5 | 5 |
| ATR72-500/600 ¹ | 14 | 14 ¹ |
| Mainline fleet | 121 | 116 |
| F50 | 8 | 0 |
| F100 | 14 | 14 |
| A320 (Charter & Tigerair) | 16 | 16 ¹ |
| B737-700/800 (Tigerair) | 0 | 3 |
| Virgin Australia Group | 159 | 149 |

Fleet simplification through reduction in fleet types will make the business more scalable and productive

¹ Under the Better Business program, the Virgin Australia Group is targeting a reduction in the ATR fleet and the removal of all E190 and Tigerair-branded A320 aircraft from the fleet over the next 3 years

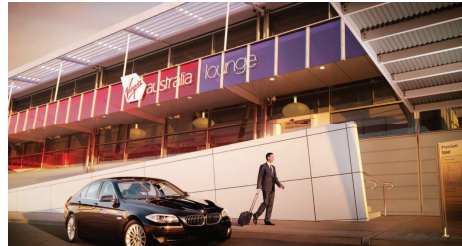
NOT FOR DISTRIBUTION IN THE UNITED STATES

13



Table of contents

1. Entitlement Offer Overview
2. Virgin Australia Group Overview
- 3. Equity Raising Details**
4. Key Risks
5. Offer Jurisdictions



NOT FOR DISTRIBUTION IN THE UNITED STATES

14



Entitlement Offer

Total of approximately A\$852m to be raised by way of the Entitlement Offer

| | |
|-----------------------------------|--|
| Entitlement Offer | <ul style="list-style-type: none"> • 1 for 1 non-renounceable pro rata entitlement offer at A\$0.21 per share to raise approximately A\$852 million • The offer price of A\$0.21 per share ('New Share') represents a discount of 28.8 per cent to the closing price on 14 June 2016 of A\$0.295 per share, being the day prior to announcement of the Group's intention to undertake the Entitlement Offer, and a 16.8 per cent discount to the Theoretical Ex Rights Price ('TERP') of A\$0.253 per share¹. • The closing price per share on 5 July 2016, the last trading day prior to launch of the Entitlement Offer, was A\$0.20. |
| Fully underwritten | <ul style="list-style-type: none"> • Entitlement Offer is fully underwritten and sub-underwritten² • Singapore Airlines, HNA Innovation, Virgin Group, Nanshan Group³ and Air New Zealand³ have made binding commitments to take up their pro-rata entitlements • Singapore Airlines, HNA Innovation and Virgin Group have also made binding commitments to contribute to the sub-underwriting of entitlements not taken up by other shareholders |
| Potential top-up placement | <ul style="list-style-type: none"> • Additional top-up placement to HNA Innovation at A\$0.26 per share to be undertaken to the extent that its shareholding is less than its target of 19.99% following the initial placement to HNA Innovation (completed on 23 June 2016), the take-up of its pro-rata entitlement and participation in any sub-underwriting under the Entitlement Offer • Capped at a maximum total investment by HNA Innovation of US\$300m • The top-up placement is subject to shareholder approval, unless otherwise agreed to by the ASX. Singapore Airlines, Etihad Airways, Virgin Group and Air New Zealand have advised Virgin Australia Group that they currently intend to vote to approve any additional top-up placement to HNA Innovation • If Top Up Placement is required this would represent incremental equity above the A\$852m to be raised under the Entitlement Offer |

¹ TERP is calculated by reference to the closing price on 14 June 2016 of A\$0.295 per share

² Refer to the Offer Booklet for further details about the underwriting and sub-underwriting arrangements

³ Air New Zealand sale of 19.98% of Virgin's issued capital to Nanshan Group completed on 21 June 2016

NOT FOR DISTRIBUTION IN THE UNITED STATES

15



Sources and uses

The Entitlement Offer in conjunction with the completed placement to HNA Innovation of A\$159m will raise approximately A\$1,011m in new equity for the Virgin Australia Group

| Sources | | Uses | |
|--------------------------|------------------|---|------------------|
| Placement ^{1,2} | A\$159m | Repayment of shareholder loan ³ | A\$425m |
| Entitlement Offer | A\$852m | Repayment of other debt facilities, funding of Better Business program and investment in sustainable growth initiatives | A\$586m |
| Total sources | A\$1,011m | Total uses | A\$1,011m |

¹ This amount may increase in the event that the Virgin Australia Group undertakes a top-up placement to HNA Innovation

² The placement to HNA Innovation completed on 23 June 2016 and was settled in USD at an exchange rate of 0.7195 (being the prevailing FX rate on 31 May 2016, the date of the placement agreement)

³ A\$425 million loan facility from Air New Zealand, Etihad Airways, Singapore Airlines and Virgin Group, as announced on 21 March 2016

NOT FOR DISTRIBUTION IN THE UNITED STATES

16



Potential impact on shareholding levels

- The Entitlement Offer is sub-underwritten by a number of Virgin Australia Group's major shareholders and so may have an impact on the shareholding levels of those major shareholders, with their final shareholding levels dependant on a number of factors, including the level of take-up from Eligible Shareholders
- If all Eligible Shareholders take up their entitlement, the Entitlement Offer will have no material effect on the control of Virgin Australia Group as Eligible Shareholders will continue to hold the same percentage interest in the Group
- If some Eligible Shareholders do not take up their full entitlement, those shareholders' interest will be diluted relative to those who do take up their full entitlement and those major shareholders who have committed to sub-underwrite a portion of the Entitlement Offer
- A summary of the commitment and sub-underwriting position of the shareholders is provided below:

| Shareholder | Shareholding before Entitlement Offer | Pre-commitment to take up entitlement | Sub-underwriting commitment |
|--------------------|---------------------------------------|---------------------------------------|--------------------------------|
| Air New Zealand | 2.54% | Yes | - |
| Etihad Airways | 21.83% ¹ | - | - |
| HNA Innovation | 13.04% | Yes | up to a shareholding of 19.99% |
| Nanshan | 19.98% | Yes | - |
| Singapore Airlines | 20.09% | Yes | up to a shareholding of 25.9% |
| Virgin Group | 8.66% | Yes | up to a shareholding of 10.0% |
| Other | 13.86% ¹ | - | - |

¹ If a shareholder does not take up its entitlement, the proportion of its shares to the total number of shares on issue may be halved

NOT FOR DISTRIBUTION IN THE UNITED STATES

17



Indicative timetable

The Entitlement Offer will be available to eligible shareholders on the register as at 7.00pm Sydney time on Monday 11 July 2016:

- The timetable below is indicative only and may be subject to change
- All references to time are to Sydney time

| | |
|---|------------------------|
| Announcement of intention to undertake the Entitlement Offer | Wednesday 15 June 2016 |
| Formal launch of the Entitlement Offer | Wednesday 6 July 2016 |
| Offer Booklet lodged with ASX | Wednesday 6 July 2016 |
| "Ex" date (Date on which shares trade ex-Entitlement to participate in the Offer) | Friday 8 July 2016 |
| Record Date for the Entitlement Offer (7.00pm Sydney time) | Monday 11 July 2016 |
| Offer Booklet and Entitlement and Acceptance Form dispatched | Thursday 14 July 2016 |
| Entitlement Offer opens | Thursday 14 July 2016 |
| Entitlement Offer closes (5.00pm Sydney time) | Wednesday 27 July 2016 |
| New Shares commence trading on a deferred settlement basis | Thursday 28 July 2016 |
| Results of Entitlement Offer announced | Tuesday 2 August 2016 |
| Allotment of New Shares issued under the Entitlement Offer | Thursday 4 August 2016 |
| Normal ASX trading for New Shares issued under the Entitlement Offer commences | Friday 5 August 2016 |
| Dispatch of holding statements for New Shares issued under the Entitlement Offer | Friday 5 August 2016 |

NOT FOR DISTRIBUTION IN THE UNITED STATES

18



Pro forma Statement of Financial Position¹

| As at 31 December 2015 (A\$m) | Actual (Pre Entitlement Offer) | Pro forma (Effect of Entitlement Offer adjustments) |
|---------------------------------------|--------------------------------|---|
| Current assets | | |
| Cash and cash equivalents | 907 | 1,727 |
| Other current assets | 650 | 650 |
| Non current assets | | |
| Property, plant and equipment | 3,028 | 3,028 |
| Other non-current assets ² | 1,264 | 1,267 |
| Total assets | 5,849 | 6,672 |
| Current liabilities | | |
| Trade and other payables | 611 | 611 |
| Borrowings | 626 | 457 |
| Other current liabilities | 1,123 | 1,123 |
| Non-current liabilities | | |
| Borrowings | 2,387 | 2,387 |
| Other non-current liabilities | 168 | 168 |
| Total liabilities | 4,915 | 4,745 |
| Share Capital | 1,155 | 2,159 |
| Reserves | 35 | 35 |
| Non-controlling interests | (48) | (48) |
| Retained Earnings | (208) | (219) |
| Equity | 934 | 1,927 |

Pro forma adjustments include:

- Receipt of A\$1,011m in equity (A\$159m from Placement closed on 23 June 2016 and A\$852m from the Entitlement Offer)
- Full drawdown and full repayment of shareholder loan (A\$425m, nil net impact for the period)
- Repayment of a single US dollar debt facility
- Estimated transaction costs for the Entitlement Offer and HNA Innovation placement²

Other events (which are not reflected in the Pro forma Statement of Financial Position) include:

- Trading conditions and performance (including operating cash flow performance) since 31 December 2015
- Debt amortisation and the repayment of other short-term debt facilities
- Capital expenditure
- Impact of the cash restructuring costs and non-cash balance sheet impairments from the Better Business program
- Any potential top-up placement from HNA Innovation

¹ The Pro forma Statement of Financial Position is based on the Virgin Australia Group's 31 December 2015 Statement of Financial Position, with adjustments described above as if they have occurred on 31 December 2015. It is not reflective or representative of the current Statement of Financial Position or the 30 June 2016 expected Statement of Financial Position.

² Includes tax treatment of transaction costs

NOT FOR DISTRIBUTION IN THE UNITED STATES

19

For personal use only



Table of contents

1. Entitlement Offer Overview
2. Virgin Australia Group Overview
3. Equity Raising Details
- 4. Key Risks**
5. Offer Jurisdictions



NOT FOR DISTRIBUTION IN THE UNITED STATES

20



Key risks

Introduction

Virgin Australia Group is subject to risks, both specific to its business activities as well as those of a more of a general nature. Each of the risks set out below could, in isolation or in combination, if they eventuate, have a material adverse impact on Virgin Australia Group's business, financial condition, results of operations and prospects. Investors should note that this section does not purport to list every risk that may be associated with an investment in Virgin Australia Group now or in the future, and that the occurrence or consequences of some of the risks described below are partially or completely outside of control of the Group, its directors and management.

Before deciding on whether to participate in the Entitlement Offer, investors should have a sufficient understanding of the risks below and should consider whether participation in the Entitlement Offer is a suitable investment having regard to their own objectives, financial circumstances and taxation position.

1. General risks associated with an investment in shares

There are general risks associated with investments in equity capital. The trading price of Virgin Australia Group shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares offered under the Entitlement Offer being less or more than the Entitlement Offer price. Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- changes in interest rates and the rate of inflation;
- change in government regulation and policies;
- announcement of new technologies; and
- geo-political stability, including international hostilities and acts of terrorism.

None of Virgin Australia Group, its Board or any other person guarantees the market performance of the New Shares.

2. If you do not take up your full entitlement, you will be diluted

You should note that if you do not take up, all or part of your entitlement, then your percentage shareholding in Virgin Australia Group will be diluted by not participating to the full extent in the Entitlement Offer and you will not be exposed to future increases or decreases in Virgin Australia Group's share price in respect of the New Shares which could have been issued to you had you taken up all of your entitlement. The offer is also non-renounceable and as a result if you do not take up your entitlement then shareholders will not receive any consideration or value for unused entitlements.

3. If there is an additional top-up placement to HNA Innovation, other shareholders will experience additional dilution

To the extent that HNA Innovation's shareholding is less than its target of 19.99%, following the placement to HNA Innovation, take-up of its pro-rata entitlement and participation in any sub-underwriting, Virgin Australia Group will undertake an additional top-up placement to HNA Innovation (subject to shareholder approval, unless the ASX otherwise agrees). If such a top-up placement is undertaken, shareholders other than HNA Innovation will experience a dilution in their percentage shareholding in Virgin Australia Group.

NOT FOR DISTRIBUTION IN THE UNITED STATES

21



Key risks continued

4. *Limited liquidity of Virgin Australia Group shares*

Virgin Australia Group's major shareholders represent a significant proportion of its share register. This may have the effect of reducing liquidity and the volume of Virgin Australia Group shares that can be bought and sold on ASX and the speed with which they can be bought and sold. This reduced liquidity may negatively impact the price of Virgin Australia Group shares and result in increased volatility in the share price.

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

The airline industry is highly competitive and Virgin Australia Group (including Tigerair Australia) competes with a number of other airlines on almost all routes it operates on. 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 licenses, capital requirements, infrastructure availability and the availability of take-off and landing slots.

Virgin Australia Group 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 or potentially entering the market. Virgin Australia Group may also continue to face increasing competition from other modes of transportation, including road and rail travel, if transport infrastructure facilities improve.

Some of Virgin Australia Group's international competitor airlines have access to larger and less expensive sources of funding which may enable them to become more competitive. In addition, in the Australian domestic aviation market Qantas ("Qantas Group") has the majority market share. Qantas Group has an established position in all segments of the Australian domestic aviation market, including domestic corporate (premium offering), domestic leisure, budget (low-cost offering) and regional Regular Passenger Transport ("RPT") and charter services. Qantas Group also has an established position in the international aviation market and is able to leverage alliances and partnerships with a number of international airline partners. Further, Qantas Group has initiated a substantial cost reduction program which, to the extent successfully implemented, will allow Qantas Group to become more competitive.

To the extent Virgin Australia Group is unable to effectively compete with its peers, including Qantas Group, it would have a material adverse effect on Virgin Australia Group's operating and financial results.

6. *Virgin Australia Group could be subject to substantial increases in the incidence of deeply discounted promotional fares and corporate discounting by its competitors*

Virgin Australia Group operates in many markets characterised by high levels of price competition. Virgin Australia Group faces revenue risk as a result of the competitive nature of the airline industry. Aggressive pricing or capacity increases by Virgin Australia Group's competitors in domestic and international aviation markets can adversely affect Group's revenue and yield performance. As the airline industry is characterised by low profit margins and high fixed costs, a decision to match competitors' fares to maintain passenger traffic may result in reduced yields which, in turn, may have a significant effect on Virgin Australia Group's operating and financial results. As the costs of operating any particular flight do not vary significantly with the number of passengers carried, a relatively small change in the number of passengers or in fare pricing or fare mix may have a material adverse effect on Virgin Australia Group's operating and financial results.

NOT FOR DISTRIBUTION IN THE UNITED STATES

22



Key risks continued

7. *Virgin Australia Group has incurred a loss over the last three financial years and this loss position may continue or may increase over subsequent periods*

Virgin Australia Group incurred a statutory loss after tax of AS\$98.1 million for the financial year ended June 30, 2013, a larger statutory loss after tax of AS\$353.8 million for the financial year ended June 30, 2014, a statutory loss after tax of AS\$93.8 million for the financial year ended June 30, 2015 and a statutory profit after tax of AS\$62.5 million for the half year ended December 31, 2015. Furthermore, Tigerair Australia has also incurred losses in the last several years and, from October 17, 2014, Tigerair Australia's results have been reflected on a consolidated basis in Virgin Australia Group's financial statements. In recent years, domestic capacity in the Australian aviation market has exceeded passenger demand, resulting in a reduction in both domestic passenger load factors and revenue yields. Coupled with weak consumer sentiment and overcapacity has had a negative impact on industry profitability.

Through its Virgin Vision 2017 strategy, Virgin Australia Group has been working to expand upon the business efficiency program introduced under the Game Change Program to target AS\$1.2 billion in cumulative productivity gains by June 30, 2017.

Further, on 15 June 2016, Virgin Australia Group announced outcomes of a capital structure review which included a program of new operations and capital efficiency initiatives to enhance the cash flow and capital position of Virgin Australia Group – the 'Better Business program'. Through the successful implementation of these the Better Business program initiatives (which is in addition to the AS\$1.2 billion business efficiency program referred to above), Virgin Australia Group is targeting net free cash flow savings increasing to AS\$300m per annum (annualised run rate) by the end of FY2019 through the implementation of the Better Business program. However, there is no assurance that the business efficiencies Virgin Australia Group is seeking will be achieved or that they will be achieved without incurring greater than expected costs or related impairments.

8. *Virgin Australia Group is exposed to risks associated with aviation fuel price trends*

Fuel costs constitute the largest percentage of the total operating costs of Virgin Australia Group. Aviation fuel has been, and is expected to remain, subject to significant price volatility. Prices for aviation fuel are strongly correlated to the price of petroleum and are influenced by a number of factors, including political events, war or the threat of war and the impact on pricing of the coordinated supply decisions of the Organization of Petroleum Exporting Countries producer cartel.

As a result, volatility in the price of oil and petroleum products can have a material impact on Virgin Australia Group's operating results. For each of the financial years ended June 30, 2015 and June 30, 2014, and for the half year ended December 31, 2015, fuel and oil costs amounted to 25%, 26% and 22% respectively of Virgin Australia Group's net operating expenditure, respectively. Price risks relating to fuel and oil are partially hedged through the purchase of oil derivatives in forward markets which can generate a profit or a loss. If Virgin Australia Group is exposed to significant price volatility or changes in prices for aviation fuel or both, there can be no assurance that Virgin Australia Group's hedging practices will effectively protect against these price risks or that any increases will be partially or fully offset by passing portions of these costs on to passengers and/or by cost reductions, nor can Virgin Australia Group predict the movement of either short or long-term aviation fuel prices.

The management of fuel price risk involves passing on a portion of increased fuel costs to customers along with hedging. Although Virgin Australia Group may seek to pass on at least a portion of the cost of increased fuel prices to its customers, it is not always able to do so. Hedging defers the impact of changes to fuel prices; however, no assurance can be given that the hedging strategy that Virgin Australia Group chooses to employ will be effective. To the extent Virgin Australia Group is unable to effectively hedge or offset these price risks, there could be a material adverse effect on Virgin Australia Group's financial performance.

NOT FOR DISTRIBUTION IN THE UNITED STATES

23



Key risks continued

9. *Virgin Australia Group has incurred substantial indebtedness*

Virgin Australia Group has incurred indebtedness and capital commitments (primarily with respect to aircraft) to finance its material capital expenditure requirements and a substantial portion of existing borrowings is secured on Virgin Australia Group's assets.

The consequences of this indebtedness could be material. For example, significant levels of indebtedness could reduce Virgin Australia Group's ability to grow its business through capital expenditures and acquisitions, reduce liquidity, limit Virgin Australia Group's flexibility in planning for, or reacting to, changes in its business industry or the general economy, place Virgin Australia Group at a disadvantage compared to its competitors that have less debt and limit Virgin Australia Group's ability to borrow additional funds or pay down existing debt. In addition, Virgin Australia Group is exposed to additional foreign exchange risk with approximately 80% of its existing debt (as at December 31, 2015) denominated in USD. Any of the foregoing could have a material adverse effect on Virgin Australia Group's business, financial condition and results of operations.

10. *Virgin Australia Group has substantial future financing needs and may not be able to obtain sufficient funds in a timely manner, on acceptable terms or at all to provide adequate liquidity and to finance necessary operating and capital expenditures*

Virgin Australia Group has substantial future financing needs and its ability to finance ongoing operations, committed aircraft orders and future fleet growth plans are vulnerable to various factors as identified in this presentation, including economic, political and financial market conditions. A failure to obtain adequate financing to meet necessary operating and capital expenditures would have a material adverse effect on Virgin Australia Group's financial condition and results of operations.

Virgin Australia Group faces a number of challenges in its business that are common within the airline industry, including in relation to economic conditions, foreign exchange rates, increased competition from domestic and international carriers, labour issues, volatile fuel prices and contractual covenants to maintain deposit cash collateral with third parties. In addition, Virgin Australia Group has significant existing fixed financial obligations, including commitments to purchase aircraft, and its ability to meet these commitments will be contingent on its operating performance, cash flow and ability to source capital on commercially acceptable terms or at all. Virgin Australia Group's liquidity may be adversely impacted by a number of factors and risks identified in this presentation. There can be no assurance that Virgin Australia Group will be able to obtain financing on 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.

11. *Virgin Australia Group is exposed to the risk of losses 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 Group could have a material adverse effect on Virgin Australia Group's reputation, operations and financial performance. 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 or loss of reputation which would negatively impact future revenue generating capability.

Whilst Virgin Australia Group maintains certain levels of liability insurance, there can be no assurance that Virgin Australia Group's insurance coverage will be sufficient to cover all such losses. Further, if the Australian or relevant international aviation safety regulatory bodies determine that Virgin Australia Group could not operate its services safely as a result of a safety or security incident, Virgin Australia Group could lose its regulatory approval or operational licenses which, in an extreme case, could result in the grounding of Virgin Australia Group's fleet.

NOT FOR DISTRIBUTION IN THE UNITED STATES

24



Key risks continued

An aircraft accident or any security or safety related incident involving a partner airline with which Virgin Australia Group has a codeshare arrangement might be associated with Virgin Australia Group by the public, and could potentially cause Virgin Australia Group 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 Group, particularly if the accident or incident involved an aircraft type used by Virgin Australia Group. Failure to prevent or respond effectively to a major safety or security incident could have a material adverse effect on Virgin Australia Group's financial and operating performance.

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

Virgin Australia Group'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 Group, such as industrial action by workers not employed by Virgin Australia Group, including baggage handlers, security or customs personnel or air traffic controllers, could have a material adverse impact on Virgin Australia Group, its business, results of operations and financial condition. Such events may also give rise to claims against Virgin Australia Group.

Virgin Australia Group's fleet requires both regularly scheduled maintenance work and also, from time to time, unscheduled maintenance work, which may cause operational disruption. On occasion, airframe manufacturers or regulatory authorities, or both, 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. There is also the possibility that a particular aircraft type may be grounded by regulatory authorities pending investigation into actual or perceived defects or safety issues. This may cause operational disruption to and impose significant costs on Virgin Australia Group, especially if the modifications are required on an aircraft type on which Virgin Australia Group is highly dependent.

13. *Virgin Australia Group is dependent on uninterrupted operation of its processing systems, including SabreSonic and Navitaire, and any failure of critical information technology systems could have a material adverse effect on its business*

Virgin Australia Group relies heavily on technology, including computer and telecommunications equipment and software and internet-based systems, to operate its business, generate revenues and reduce costs. Virgin Australia Group'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 (SabreSonic and Navitaire). The failure of SabreSonic or Navitaire or another system on which Virgin Australia Group is substantially dependent could have a material adverse effect on Virgin Australia Group's business and operations.

In addition, computer and communications technology systems and associated infrastructure may be vulnerable to disruption, power outages, acts of sabotage, computer viruses, fires and other events. While Virgin Australia Group invests in technology initiatives, including security initiatives and disaster recovery plans, 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. Any such technology systems failure, disruption or misuse, whether by Virgin Australia Group or a third party could adversely affect Virgin Australia Group's operations and have a material adverse effect on its financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES

25

For personal use only



Key risks continued

14. Virgin Australia Group is exposed to global and domestic economic conditions

Virgin Australia Group'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 Group's operating costs, fuel costs and the cost and availability of capital and supplies required by Virgin Australia Group. In addition, due to the long lead-times associated with purchasing aircraft, changes in economic conditions may result in Virgin Australia Group 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. Generally, the airline industry 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 Group or elsewhere throughout the world, may therefore have a material adverse effect on Virgin Australia Group's financial and operating performance.

15. Virgin Australia Group is dependent on the strength of its brands

Virgin Australia Group licenses certain brands from the Virgin Group, including "Virgin Australia Group". The "Tigerair" brand is licensed from Tiger Airways Holdings Limited ("Tiger Airways"). Virgin Australia Group's brands have significant commercial value and damage to these brands could impact Virgin Australia Group's business as Virgin Australia Group relies on its brands' positive recognition to help attract and retain passengers, employees and investors both domestically and internationally. There is no guarantee that any brand license will be renewed upon its expiration or on terms that are favorable to Virgin Australia Group.

In addition, if Virgin Australia Group breaches a material term of a brand license and the breach is not remedied, there would be a risk of termination of the relevant brand license. The strong reputation of the Virgin Group brand (the "Virgin Group Brand") is not under Virgin Australia Group's control and can be adversely affected by the actions of members of the Virgin Group or other licensees that are not affiliated with or controlled by Virgin Australia Group. In addition, due to the high profile of the Virgin Group Brand internationally, Virgin Australia Group is susceptible to negative or inaccurate commentary on the Virgin Group Brand or organisations associated with the international Virgin Group Brand, which may, in turn, harm Virgin Australia Group's image and reputation. Losing the right to use the Virgin Group Brand, being required to modify its use of the Virgin Group Brand, a change in the perception of the Virgin Group Brand or damage to the Virgin Group Brand could have a material adverse effect on Virgin Australia Group's business.

The reputation of the "Tigerair" brand is not under Virgin Australia Group's control and can be adversely affected by the actions of Tiger Airways or other licensees that are not affiliated with or controlled by Virgin Australia Group. Tigerair Australia and, ultimately, Virgin Australia Group are susceptible to negative or inaccurate commentary on the "Tigerair" brand or organisations associated with the "Tigerair" brand, which may, in turn, harm the image and reputation of Tigerair Australia and, ultimately, Virgin Australia Group. Losing the right to use the "Tigerair" brand, being required to modify use of the "Tigerair" brand, a change in the perception of the "Tigerair" brand or damage to the "Tigerair" brand could have a material adverse effect on Tigerair Australia's business and, ultimately, on Virgin Australia Group's business.

In addition, Virgin Australia Group's ability to expand its operations under the Virgin brand to include new non-domestic destinations is, in some circumstances, subject to Virgin Group consent, which may place limitations on future expansion plans. Tigerair Australia's operations under the "Tigerair" brand are also subject to certain restrictions under its license agreement with Tiger Airways.

NOT FOR DISTRIBUTION IN THE UNITED STATES

26



Key risks continued

16. Virgin Australia Group 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 Group's business and strategy. Virgin Australia Group has key strategic alliances with Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines. Subject to regulatory approvals it is entering into a strategic alliance with HNA Innovation. These strategic alliances are complemented by key partnerships with, among others, Hawaiian Airlines, Virgin Atlantic and Virgin America. Through these strategic alliances and partnerships, Virgin Australia Group's passengers have greater access to an international network with increased options for routes available to them, stop-overs and fare types, greater access to airport lounges and opportunities to earn frequent flyer points. Further, cooperation with strategic alliance partners on scheduling and pricing is possible only in prescribed circumstances and in accordance with anti-trust immunity. Each of the strategic alliances and reciprocal frequent flyer program agreements is subject to termination by either party upon the happening of certain events of insolvency, material default and other specified events and conditions.

Virgin Australia Group's strategic alliances with Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines (and once finalised, HNA Innovation) require ongoing authorisation from the Australian Competition and Consumer Commission ("ACCC") and the equivalent regulator in the home country of the strategic alliance partner. Authorisation is typically granted for between three and five years. The authorisation process in Australia is public and can take a significant amount of time (each previous alliance authorisation has taken approximately six months or longer to be approved). There is a risk that the ACCC or the equivalent regulator in the home country of each strategic alliance partner or both may 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 equivalent regulator may impose new or additional conditions on a partnership or alliance in connection with reauthorisation which can add additional costs and operational burdens on Virgin Australia Group's business. For example, the Air New Zealand authorisation is conditional on compliance with obligations concerning a number of routes between Australia and New Zealand.

The proposed strategic alliance between Virgin Australia Group and HNA Innovation is subject to receiving authorisation from the ACCC and could not be implemented as planned without such authorisation. The relevant test the ACCC will apply is whether the proposed alliance will result in public benefits that outweigh any competitive detriment. Once submitted, the ACCC will have 6 months to assess the application for authorisation, and will engage in a public consultation process to receive input from other market participants and the public at large. Virgin Australia Group considers that there are significant public benefits (including the introduction of new services between Australia and China, improved connectivity, additional codeshare itineraries, improved frequent flyer benefits and operational and financial cost savings) arising from the proposed alliance and no competitive detriment. There are no competition law or anti-trust approvals required in China, however, the final terms of the alliance will need to be structured in accordance with the PRC Anti Monopoly Law.

A loss of one of these alliances could have a direct and adverse effect on Virgin Australia Group's revenues. Should one or more of Virgin Australia Group's strategic alliances or key partnerships be terminated or not be renewed, or should an alliance not be reauthorised by the ACCC or the equivalent regulator in the home country of each strategic alliance partner, the termination, nonrenewal or unsuccessful reauthorisation could have a material adverse effect on Virgin Australia Group's business, results of operations, financial condition and prospects. Further, no assurance can be given that Virgin Australia Group's alliances or partner airlines will perform in line, from an operational perspective, with Virgin Australia Group's expectations, which could result in a significant variation in the amount of transfer payments or receipts payable by or to Virgin Australia Group, and, in turn, could adversely affect Virgin Australia Group's results of operations and financial condition.

NOT FOR DISTRIBUTION IN THE UNITED STATES

27

For personal use only



Key risks continued

17. Geopolitical conditions, including terrorist attacks and military conflicts, could have an adverse impact on Virgin Australia Group's business

The airline industry is exposed to political instability. Local, regional and international political conditions in markets served by Virgin Australia Group could adversely affect its business.

In addition, the occurrence of terrorist attacks, attempted terrorist attacks (whether domestic or international and whether involving Virgin Australia Group or another airline or no airline at all) or military conflicts worldwide could adversely affect Virgin Australia Group. The adverse consequences of terrorist attacks, and the threat of such attacks, or government advisory alerts about such potential threats, including limitations on the availability or amount of insurance coverage, increases in premiums and increased costs associated with security precautions and may add to fuel costs if alternative longer routes are required to be adopted for safety reasons. Further, increasingly restrictive security precautions, such as those relating to the content of carry-on baggage, passenger identification requirements and passenger screening procedures, could also have a material adverse effect on passenger demand for air travel generally. Any resulting reduction in passenger revenues or increases in costs or both could have a material adverse effect on Virgin Australia Group's financial and operating performance.

18. Epidemics, pandemics, severe weather conditions, natural disasters or other "Acts of God" could materially adversely affect Virgin Australia Group's operations and the demand for air travel

External events may cause a significant network disruption to the airline industry. Epidemics and pandemics (such as Ebola, Severe Acute Respiratory Syndrome ("SARS") and Avian Influenza-type viruses), natural disasters (such as volcanic ash, floods and earthquakes), severe weather conditions or other "Acts of God" (whether on a regional or global scale) could have a material adverse effect on the airline industry, resulting in substantial reductions in or cancellations of bookings and flights in the affected region and, more generally, reducing overall demand for Virgin Australia Group's services. For example, a significant number of Virgin Australia Group's operations involve flights to and from Queensland, where the tropical cyclone and associated wide spread flooding that affected Queensland from the end of December 2010 through January 2011 significantly impacted Virgin Australia Group's domestic operations and revenues. Similarly, the 2003 outbreak of SARS was linked to air travel early in its development and had a severe impact on the aviation industry, as evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs.

More generally, if external events were to weaken the demand for air travel or materially affect airline operations for a period of time, it could have a material adverse effect on Virgin Australia Group's financial and operating performance for the relevant financial year. This is especially the case because the occurrence and timing of such events, together with the reaction of aviation authorities to such events, cannot be predicted or controlled by Virgin Australia Group.

19. The supply of pilots to the airline industry may become limited

The hiring of pilots is contingent on those pilots holding the necessary credentials and meeting the requirements for the role and Australian 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. This could have an adverse effect on Virgin Australia Group's financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES



Key risks continued

20. Virgin Australia Group's business is subject to large liability claims for serious personal injury or death arising out of accidents or disasters.

Due to the nature of its core operating business, Virgin Australia Group may be subject to liability claims arising out of accidents or disasters involving aircraft on which Virgin Australia Group's passengers and staff are traveling or at facilities operated by Virgin Australia Group. An accident or other incident involving aircraft belonging to Virgin Australia Group or otherwise associated with Virgin Australia Group's Brand, such as codeshare flights, could involve significant potential claims by injured passengers or others for personal injury, death or damage to property in addition to the cost of the repair or replacement of damaged aircraft and its consequential temporary or permanent loss from service. While Virgin Australia Group's liability is capped in some instances by applicable legislation and Virgin Australia Group maintains insurance to mitigate risks associated with these types of liability claims, there can be no assurance that Virgin Australia Group's insurance coverage will be sufficient to cover one or more large claims and any shortfall may be material and could have a material adverse effect on Virgin Australia Group's financial condition and results of operations.

Additionally, even if fully insured against liability claims associated with any particular incident, if the incident involves an aircraft operated by, or on behalf of, Virgin Australia Group, it could cause a public perception that Virgin Australia Group's Brand is less safe or reliable than other airlines, which would harm Virgin Australia Group's reputation and business and, in turn, could have a material adverse effect on Virgin Australia Group's financial condition and results of operations.

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

Virgin Australia Group insures its fleet, at a minimum, in accordance with financing, contractual and legislative requirements. However, Virgin Australia Group'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 favorable 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 in the future insurance coverage for aviation related risks will become too expensive or too difficult to obtain. For example, 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 a natural or man-made disaster, could result in insurance coverage for aviation risks becoming more expensive or certain risks becoming uninsurable or both.

There can be no assurance that the amount of insurance coverage, if any, available to Virgin Australia Group in the future, especially upon the occurrence of a man-made or natural disaster, including the loss of one or more of Virgin Australia Group's aircraft for any reason, would be adequate to cover the resulting losses. Any shortfall may be material and could have an adverse effect on Virgin Australia Group's financial condition and results of operation.

22. Virgin Australia Group is subject to extensive regulation of both its aviation and broader business activities

Airlines are subject to extensive regulatory requirements. Virgin Australia Group 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 include, 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, passenger protection, ticket pricing, privacy and tax.

NOT FOR DISTRIBUTION IN THE UNITED STATES

For personal use only



Key risks continued

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, 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 Group's employment-related costs. Similarly, new laws and regulations may change the way in which Virgin Australia Group is able to charge passengers for certain items, such as booking and service fees. 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. One such recent change was on May 26, 2016 the RBA announced the outcome of its Review of Card Payments Regulation. The new surcharging standard will preserve the right of merchants to surcharge for more expensive payment methods. However, the new standard limits surcharges for consumers using payment cards from designated systems (efpos, the debit and credit systems of MasterCard and Visa, and the American Express companion card system). The limitation is that surcharges cannot be in excess of a merchant's cost of acceptance for that card system. The ACCC will have enforcement powers under the new framework, which will take effect for large merchants on September 1, 2016 and for other merchants on September 1, 2017. Virgin Australia Group is currently working through the requirements and what changes to booking and service fees may be required. These changes may have an adverse effect on Virgin Australia Group's financial performance.

Virgin Australia Group cannot anticipate all changes that may be made in the future, nor the possible adverse impact of such changes. Virgin Australia Group's ability to comply with such regulations is key to maintaining its operational and financial performance. If Virgin Australia Group is unable to fully comply with future regulations, or if the cost of compliance with new regulations is significant and Virgin Australia Group is unable to pass such costs on to its passengers, there may be a material adverse effect on Virgin Australia Group's financial and operating performance.

23. Virgin Australia Group 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 July 1, 2012, the Australian federal government introduced a carbon price mechanism that imposed a fixed price on carbon emissions generated domestically. Legislation was passed on July 17, 2014 to end the carbon price mechanism effective June 30, 2014. Following the passage of legislation on October 31, 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, so does not in itself present a risk to Virgin Australia Group. Direct Action will also apply a "safeguard" baseline mechanism to apply to large emitters from July 1, 2016 (pending the outcomes of the Australian Federal Election on 2 July 2016). This mechanism is proposed to apply to facilities with direct emissions of 100,000t carbon dioxide equivalent (CO₂-e) per annum or more. On this basis, the "safeguard" baseline mechanism would apply to Virgin Australia Group. If baselines are exceeded then carbon units would need to be surrendered or penalties would apply, thus imposing costs. The cost impact that Direct Action may have on Virgin Australia Group and the aviation industry is still to be determined. In the event that there is a change of Government at the election on 2 July 2016 it remains likely that there will be costs applying to Virgin Australia Group based upon the announced policy of the Australian Labor Party.

NOT FOR DISTRIBUTION IN THE UNITED STATES

30



Key risks continued

24. Virgin Australia Group is exposed to macroeconomic factors and governmental policy changes or decisions, which could have an adverse impact on its business

Macroeconomic decisions and other government policy changes may impact taxes, duties, superannuation levies or other charges to which Virgin Australia Group is subject, which could have a material adverse effect on its financial condition and results of operations. Examples include the Australian carbon price and the alternative Direct Action approach, and changes to legislated curfews that restrict operations at some airports during certain times to provide noise relief to residents surrounding the relevant airports. Australian federal legislation, for example, currently limits take-offs and landings at Sydney Airport between 11:00pm and 6:00am by restricting passenger jet flights from operating during this time.

Certain markets in which Virgin Australia Group operates are subject to government regulation which limits capacity or restricts market entry, or both. For example, capacity is limited under the Australia-Indonesia bilateral air services agreement and some domestic intrastate routes have market entry restrictions. Relaxation of such restrictions, while creating growth opportunities for Virgin Australia Group, could increase competition and therefore have a negative impact on Virgin Australia Group's margins and result in a material adverse effect on its financial condition and results of operations. Furthermore, there is a risk that Virgin Australia Group's ability to enter new markets and manage its growth strategy may be impeded as a result of government regulations that restrict Virgin Australia Group's entry into new markets.

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

Virgin Australia Group is dependent on and may be affected by infrastructure decisions or changes in infrastructure policy by governments, regulators or other entities outside its control. If the governing bodies of any airports important to Virgin Australia Group's operations do not make appropriate infrastructure decisions when needed, it could adversely affect Virgin Australia Group's ability to operate at that airport and have a material adverse effect on its financial and operating performance. Further, if the governing bodies of other airports make or implement decisions to improve infrastructure, the resulting expense requirements may have an adverse effect on Virgin Australia Group's financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES

31

For personal use only



Key risks continued

26. Virgin Australia Group's operating results historically fluctuate due to seasonality and other factors associated with the airline industry

Virgin Australia Group has historically experienced greater demand for its services in the second half of the calendar year and lower demand in the first half of the calendar year. This demand pattern is principally a result of the greater number of peak leisure travel periods occurring during the second half of the calendar year and traditionally lower business-related travel in January. Virgin Australia Group has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short term. There is a risk that Virgin Australia Group's revenue during peak periods is not sufficient to support periods of lower demands or that Virgin Australia Group experiences more extreme fluctuations between high demand and low demand periods than previously experienced.

27. Virgin Australia Group 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 Group operates (or is seeking to operate) at a number of congested and slot constrained airports, including Sydney, Brisbane, Perth, Hong Kong and Denpasar. A failure of Virgin Australia Group 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.

28. 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 Group 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 to Virgin Australia Group and have an impact on its operations.

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 approach to price monitoring. With airport charges representing one of Virgin Australia Group's largest expenditures, there is a risk that Virgin Australia Group's cost base will be negatively impacted in the future under the current regulatory regime. If Virgin Australia Group is unable to pass on any increases in charges, fees or other costs to its passengers, which could, in turn, have a material adverse effect on Virgin Australia Group's business and financial and operating performance.

29. Virgin Australia Group may be exposed to the loss of key airport capacity

Virgin Australia Group 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 the Virgin Australia Group's financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES

32



Key risks continued

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

30. Virgin Australia Group's trademark licences have geographic restrictions

Virgin Australia Group is subject to restrictions imposed on it by brand and other agreements entered into with the Virgin Group and other partner or affiliated airlines and, in the case of Tigerair Australia, with Tiger Airways.

The trademark licenses for Virgin Australia Group's business limit the trademarks which may be used by Virgin Australia Group domestically and internationally. The trademark licenses and certain other agreements also place some restrictions on the international routes which may be flown by Virgin Australia Group, as well as the provision of other air transport services if the prior consent from the other party is not secured. To the extent Virgin Australia Group is unable to secure consent and expand its operations relative to its competitors, it could have an adverse effect on future revenue generation and the growth of Virgin Australia Group's business. Tigerair Australia's operations under the "Tigerair" brand are also subject to certain restrictions under its license agreement with Tiger Airways.

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

Employee costs represent the second largest cost component of Virgin Australia Group's business. Several unions represent many of Virgin Australia Group's staff members, which has the potential to cause industrial disruption or reputational damage to Virgin Australia Group's business operations. Unions are increasingly relying on safety as a basis for taking either industrial action or as a cause of action in other industrial disputes including, for example, breach of general protection provisions, and by raising safety as an issue in industrial disputes, unions increase Virgin Australia Group's exposure to reputational damage. Collective bargaining through 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 Group's employees, including flight crew and ground operations employees, or workers not employed by Virgin Australia Group, including baggage handlers, could disrupt or threaten to disrupt operations and adversely affect Virgin Australia Group's business performance. Any drawn out industrial dispute which involves the prospect of industrial action could have a material adverse effect on Virgin Australia Group's reputation and causes passengers to book with its competitors.

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

32. Virgin Australia Group is dependent on its executive officers and other key employees and could be materially adversely affected by substantial turnover

Virgin Australia Group is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its strategy, including the Virgin Vision 2017 initiative and the capital and operational efficiency program. If Virgin Australia Group were to experience a substantial turnover in its leadership or other key employees, Virgin Australia Group's business, financial condition and results of operations could be materially adversely affected. Additionally, Virgin Australia Group depends on its ability to attract and retain qualified key personnel with specified skill sets. No assurance can be given that it will be able to attract and retain such individuals as needed in the future.

NOT FOR DISTRIBUTION IN THE UNITED STATES

33

For personal use only



Key risks continued

33. *Virgin Australia Group is dependent on key suppliers and service providers*

Virgin Australia Group is dependent upon its ability to source, on favorable commercial terms, sufficient quantities and quality of plant, equipment, goods and services in a timely manner. These include plant, equipment, goods and services available at airports or from airport authorities or otherwise required for Virgin Australia Group's operations, such as fuel, aircraft and related parts, aircraft maintenance services and IT and software products and services. This risk is increased in situations where there is a limited number of suppliers. For example Virgin Australia Group is dependent on The Boeing Company and Airbus S.A.S. as its primary suppliers for aircraft and aircraft-related items. The failure, refusal or inability of a supplier to provide plant, equipment, goods or services may arise as a result of a wide range of causes, which may be beyond Virgin Australia Group's control. Any failure or inability of Virgin Australia Group to successfully source plant, equipment, goods and services, including by reason of a failure, refusal or inability of a supplier or service provider to source goods and services on terms and within the timeframes and quality and pricing levels acceptable to Virgin Australia Group, could have a material adverse effect on Virgin Australia Group's business, financial condition and results of operations.

Virgin Australia Group is dependent on a number of other 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 Group, or at all, Virgin Australia Group may not be able to replace such third parties immediately or in some circumstances, may be required to find in house capability to deliver such services. In addition, Virgin Australia Group may be unable to source 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, or a service provider failed to provide services to the standard expected by Virgin Australia Group, 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, it could have a material adverse effect on Virgin Australia Group's business, reputation, financial condition and results of operations.

34. *Virgin Australia Group is exposed to credit risk of counterparties*

Virgin Australia Group is exposed to credit risk to the extent of non-performance by its counterparties to settle financial assets and receivables. Virgin Australia Group is also exposed to credit risk to the extent of non-performance by its insurance counterparties.

Failure of any of Virgin Australia Group'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 Group's financial condition and results of operations.

35. *Virgin Australia Group is exposed to interest rate fluctuations*

Virgin Australia Group 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.

NOT FOR DISTRIBUTION IN THE UNITED STATES

34



Key risks continued

36. *Fluctuations in currency exchange rates could have a material adverse effect on Virgin Australia Group's financial condition and results of operations*

Virgin Australia Group is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than the Australian dollar. Virgin Australia Group 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, the sale of airline passenger tickets and the repayment of U.S. dollar-denominated debt. A significant change in the value of the Australian dollar (or other currency in which Virgin Australia Group operates), including as a result of the outcome of Britain's decision to leave the European Union), to the extent Virgin Australia Group is unable to protect against currency risk, could have a material adverse effect on Virgin Australia Group's financial condition and results of operations. In addition, the translation of foreign currency assets and liabilities on Virgin Australia Group's balance sheet could, to the extent it is not offset, have a material adverse effect on Virgin Australia Group's financial condition and results of operations.

In order to protect against currency risk, Virgin Australia Group enters into Australian dollar-denominated fuel contracts and forward exchange contracts and option contracts to purchase currencies, other than Australian dollars, and to sell Australian dollars. These contracts hedge highly probable forecasted purchases for the ensuing financial periods. The contracts are timed to mature when the operating expenses or capital expenditures are expected to be incurred. 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. There can be no assurance that Virgin Australia Group's hedging practices will effectively protect Virgin Australia Group against currency risk. To the extent Virgin Australia Group is unable to effectively hedge or offset these currency risks, they could have a material adverse effect on Virgin Australia Group's financial performance.

37. *Virgin Australia Group's reported financial position and results will be affected by changes in financial reporting requirements and changes to, or the application of, taxation laws*

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

Examples include:

- the AASB has released exposure drafts of a new lease accounting standard. This standard proposes that a single lease accounting model will apply, such that assets and liabilities arising under all lease contracts will be recognised on balance sheet, with an annual expense reflecting depreciation on the leased asset and interest expense for leases with a lease term of more than 12 months. If adopted in its proposed form, this standard would require Virgin Australia Group to recognise aircraft and property assets, currently accounted for as operating leases, on its balance sheet unless the maximum possible lease term is no more than 12 months.
- the AASB has released a new accounting standard AASB 15 Revenue from Contracts with Customers ("AASB 15"). AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and Interpretation 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Virgin Australia Group has commenced development of a project plan to assess the impact of AASB 15.

The impact of the above or other changes in financial reporting requirements or in taxation laws or their application could have a material adverse effect on Virgin Australia Group's financial condition and results of operations and financial metrics.

NOT FOR DISTRIBUTION IN THE UNITED STATES

35



Key risks continued

38. *Virgin Australia Group's management information reporting resources face significant demands from its rapid expansion and changes in strategy*

Virgin Australia Group's rapid expansion and changes in strategy, including the implementation of the Virgin Vision 2017, have placed and may continue to place significant demands on management information resources and financial and internal controls systems. Effective management of Virgin Australia Group's growth will require, among other things, continued development and appropriate resourcing of its management information reporting systems and financial and internal controls. If Virgin Australia Group fails to successfully manage these aspects of its growth, this could have a material adverse effect on its financial condition.

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

At each reporting date, Virgin Australia Group is required to make judgments, estimates and assumptions in order to assess the carrying value of significant asset and liability balances. Moreover, in addition to organic growth, Virgin Australia Group 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 these judgments, estimates and assumptions and result in Virgin Australia Group making different assessments as to the carrying value of relevant assets and liabilities.

Affinity Equity Partners ("Affinity") own a 35% economic interests in the Velocity frequent flyer program. The current joint venture arrangements with Affinity provide for the joint venture to be in place for at least three years, with the potential for an exit after this period by way of a trade sale or initial public offering. Virgin Australia Group has a right of first offer in relation to Affinity's stake in certain circumstances, and also has the right to participate in connection with other exit mechanisms available to Affinity to the extent Virgin Australia Group does not pursue the right of first offer. The outcome of any exit will have a currently unknown impact on Virgin Australia Group.

Any such changes could have a material adverse effect on relevant financial metrics and/or on Virgin Australia Group's financial condition and results of operations and could result in write-downs and impairment charges in future periods.

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

Virgin Australia Group has various card acceptance and merchant acquiring agreements with companies that process customer credit card transactions in relation to the sale of air travel and other services. Certain of these agreements require restricted cash to be held to cover a material portion of forward sales for some forms of payment.

The restricted cash requirements can be modified at the discretion of the merchant acquiring companies upon the occurrence of specific events, including material adverse changes in Virgin Australia Group's financial condition. An increase in the restricted cash requirements could have an adverse effect on Virgin Australia Group's financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES

36



Key risks continued

41. *Virgin Australia Group has a substantial level of fixed obligations which may limit operational and financial flexibility*

Virgin Australia Group has a significant amount of fixed obligations, including debt, aircraft leases and financings, aircraft purchase commitments, leases and developments of airport and other facilities, and other cash obligations. As a result of the substantial fixed costs associated with these obligations:

- a decrease in revenues results in a disproportionately greater percentage decrease in earnings;
- Virgin Australia Group may not have sufficient liquidity to fund all of its fixed obligations if its revenues decline or costs increase; and
- Virgin Australia Group may have to use its working capital to fund its fixed obligations instead of funding general corporate requirements, including capital expenditures.

These fixed obligations could also impact Virgin Australia Group's ability to obtain additional financing, if needed, and its flexibility in the conduct of its business, which could materially adversely affect its liquidity, results of operations and financial condition.

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

Some of the financing and other major agreements to which Virgin Australia Group 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. Virgin Australia Group's failure to comply with its contractual obligations could result in a variety of material adverse consequences.

Financing arrangements may affect and, in some cases, significantly limit or prohibit, among other things, the manner in which Virgin Australia Group may structure or operate its business, including by limiting Virgin Australia Group's ability to:

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

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

NOT FOR DISTRIBUTION IN THE UNITED STATES

37



Key risks continued

43. *Virgin Australia Group's strategic direction may be altered if it is acquired or a change of control occurs*

A number of international airlines hold large shareholdings in Virgin Australia Group. If one or more of these shareholders, or any other person or company, acquires Virgin Australia Group or increases its shareholdings to initiate a change of control of Virgin Australia Group, Virgin Australia Group may be required to unwind a number of its strategic alliances or amend or terminate material contracts relating to its business operations. Such an acquisition or increase in shareholding could have a material adverse effect on Virgin Australia Group's strategic direction, financial condition and results of operations.

44. *Virgin Australia Group faces risks from legal and arbitration proceedings*

From time to time, Virgin Australia Group is involved in lawsuits and claims, the majority of which arise as a consequence of the normal course of its business and out of its relationships with employees, staff, public bodies, passengers and suppliers, as well as out of industrial activities.

The results of such lawsuits and claims can be uncertain and cannot therefore be precisely determined. No assurance can be given that any provisions made in relation to any ongoing investigations, legal and/or arbitration proceedings will be sufficient should any of the investigations or proceedings have a negative outcome for Virgin Australia Group. A negative outcome in any investigation or claim could have a material adverse effect on Virgin Australia Group's financial condition and results of operations.

45. *Virgin Australia Group's major shareholders may withdraw support*

Virgin Australia Group's major shareholders have previously provided additional equity capital and loan facilities to Virgin Australia Group. If these shareholders do not provide similar support in the future if required by Virgin Australia Group, it may result in an adverse effect on Virgin Australia Group's business, financial condition and results of operations.

46. *Ongoing data security and privacy protection compliance requirements could increase costs, and any significant data breach or breach of privacy laws could harm Virgin Australia Group's business, financial condition or results of operations*

Virgin Australia Group's business requires the appropriate and secure utilisation of customer and other sensitive information. Virgin Australia Group cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the Internet, malware, computer viruses and the like) will not compromise or breach the technology protecting the networks that access and store sensitive information. Virgin Australia Group is required to comply with the Australian Privacy Principles under the Privacy Act 1988 (Cth) (the "Privacy Act") and, relevantly, is required to take reasonable steps to protect personal information it holds from misuse, interference and loss, as well as unauthorised access, modification or disclosure. Under the Privacy Act, Virgin Australia Group is responsible for the acts or omissions of its overseas service providers. In addition, commercial partners, including credit card issuers and credit card processing service providers, impose data security standards that must be met. Failure to comply with these legislative obligations and other standards (including credit card payment standards), may result in penalties, fines, the mandatory adoption of enforceable undertakings, adverse publicity and the commencement of civil proceedings against Virgin Australia Group, any of which may have an adverse effect on Virgin Australia Group's business, financial condition and results of operations.

NOT FOR DISTRIBUTION IN THE UNITED STATES

38



Table of contents

1. Entitlement Offer Overview
2. Virgin Australia Group Overview
3. Equity Raising Details
4. Key risks
- 5. Offer Jurisdictions**



NOT FOR DISTRIBUTION IN THE UNITED STATES

39

For personal use only



International offer jurisdictions

This document does not constitute an offer of New Shares of Virgin Australia Group in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia and New Zealand, except as otherwise determined by the Group and as permitted by applicable laws, including the below.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand) or the Financial Markets Conduct Act 2013 (New Zealand).

The New Shares in the Entitlement Offer are not being offered or sold to the public in New Zealand other than to existing shareholders of Virgin Australia with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

Other than in the Entitlement Offer, New Shares may be offered and sold in New Zealand only to persons who meet one of the criteria for being a wholesale investor under clause 3(2) and (3) of Schedule 1 of the Financial Markets Conduct Act 2013.

British Virgin Islands

The New Shares may not be offered in the British Virgin Islands unless the Group or any person offering the New Shares on its behalf is licensed to carry on business in the British Virgin Islands. Virgin Australia Group is not licensed to carry on business in the British Virgin Islands. The securities may be offered to British Virgin Islands business companies from outside the British Virgin Islands without restriction.

China

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

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 or elsewhere that 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 New Shares that 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 under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

NOT FOR DISTRIBUTION IN THE UNITED STATES

40



International offer jurisdictions continued

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that 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 New Shares that 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 under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

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.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of June 29, 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of June 29, 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore 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 New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Group's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

NOT FOR DISTRIBUTION IN THE UNITED STATES

41

For personal use only



International offer jurisdictions continued

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Group received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the New Shares, including the receipt of applications and/or the allotment or redemption of New Shares, may be rendered within the United Arab Emirates by Virgin Australia Group.

No offer or invitation to subscribe for New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

NOT FOR DISTRIBUTION IN THE UNITED STATES

42



International offer jurisdictions continued

United Kingdom

Neither the information in this document 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 the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, 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 document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by 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 the New Shares 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 the Group.

In the United Kingdom, this document 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 document 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 document or any of its contents.

NOT FOR DISTRIBUTION IN THE UNITED STATES

43

For personal use only

4 ADDITIONAL INFORMATION

4.1 Eligibility of Shareholders

The Entitlement Offer is being offered to all Eligible Shareholders only.

Eligible Shareholders are Shareholders who:

- (a) are registered as holders of existing Shares in the Group as at 7:00pm (Sydney time) on the Record Date;
- (b) have a registered address on the Group's share register in Australia or New Zealand as at 7:00pm (Sydney time) on the Record Date (or are a Shareholder not in Australia or New Zealand that the Group has otherwise determined is eligible to participate);
- (c) are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States; and
- (d) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

The Group reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by BPAY, cheque, bank draft or money order you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

The Group has determined that it is unreasonable to extend the Entitlement Offer to Shareholders who have a registered address outside of Australia or New Zealand (except in certain circumstances) because of the small number of such Shareholders, the number and value of New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. The Group reserves the right (in its absolute discretion) to extend the Entitlement Offer to Shareholders who have registered addresses outside Australia or New Zealand (subject to compliance with relevant laws).

4.2 Ranking of New Shares

The New Shares issued under the Entitlement Offer will be fully paid and rank equally with existing Shares.

4.3 Issue of New Shares, quotation and trading

The Group has applied for quotation of the New Shares on ASX in accordance with Listing Rule requirements. If ASX does not grant quotation of the New Shares, the Group will repay all application monies (without interest).

It is expected that trading of New Shares will, subject to ASX approval, commence trading on a deferred settlement basis on Thursday 28 July 2016. It is expected that issue of the New Shares under the Entitlement Offer will take place on Thursday 4 August 2016. Application monies will be held by the Group on trust for applicants until the New Shares are issued. No interest will be paid on application monies.

Subject to approval being granted, it is expected that the New Shares issued under the Entitlement Offer will commence trading on a normal basis on Friday 5 August 2016.

It is the responsibility of applicants to determine the number of New Shares issued to them prior to trading in the New Shares. The sale by an applicant of New Shares prior to receiving their holding statement is at the applicant's own risk.

4.4 Capital structure

After the issue of New Shares under the Entitlement Offer, the capital structure of the Group is expected to be as follows (subject to rounding of fractional Entitlements):

| | |
|---|---------------|
| Shares on issue as at Record Date | 4,057,573,937 |
| Maximum number of New Shares to be issued under the Entitlement Offer | 4,057,573,937 |
| Maximum Shares on issue on completion of the Entitlement Offer | 8,115,147,874 |

4.5 Potential dilution

You should note that if you do not participate in the Entitlement Offer, the proportion your Shares represent to the total number of Shares on issue as at the date of this Offer Booklet may be halved.

4.6 Reconciliation

In any entitlement offer, investors may believe that they own more existing Shares on the Record Date than they ultimately do. This may result in a need for reconciliation to ensure all Eligible Shareholders have the opportunity to receive their full Entitlement.

The Group may need to issue a small quantity of additional New Shares to ensure all Eligible Shareholders have the opportunity to receive their appropriate allocation of New Shares. The price at which these New Shares would be issued, if required, is the same as the Offer Price.

The Group also reserves the right to reduce the size of an Entitlement or New Shares allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders, if their Entitlement claims prove to be overstated, if they or their nominees fail to provide information requested to substantiate their Entitlement claims, or if they are not Eligible Shareholders.

4.7 Underwriting

The Entitlement Offer is fully underwritten and sub-underwritten as summarised in this Offer Booklet.

The Group and the Underwriter have entered into an Underwriting Agreement. Customary with these types of arrangements:

- (a) the Group and the Underwriter have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer;
- (b) the Group has agreed, subject to certain carve-outs, to indemnify the Underwriter, their affiliates and related bodies corporate, and their respective directors, officers, employees, partners and agents (including their respective directors,

For personal use only

officers, employees, partners and agents of their affiliates and related bodies corporate) against all claims, demands, damages, losses, costs, expenses and liabilities arising out of or in connection with the Entitlement Offer;

- (c) the Underwriter may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, including (but not limited to) where:
- (i) the Group is removed from the official list of ASX or its Shares are suspended from quotation;
 - (ii) there is a general moratorium on commercial banking activities in certain jurisdictions or a suspension or material limitation in trading in securities on certain securities exchanges, and this has or is likely to have (amongst other things) a material adverse effect on the Underwriter's ability to market, promote or settle the Entitlement Offer;
 - (iii) there are certain delays in the timetable for the Entitlement Offer without the Underwriters' consent;
 - (iv) a statement contained in any of the offer documents (including this Offer Booklet and all ASX announcements made in connection with the Entitlement Offer) is or becomes misleading or deceptive or likely to mislead or deceive, or the offer documents omit any material information they are required to contain, and this has or is likely to have (amongst other things) a material adverse effect on the Underwriter's ability to market, promote or settle the Entitlement Offer; or
 - (v) the Group withdraws the Entitlement Offer; and
- (d) the Underwriter will receive a fee of \$2,640,000 and will also be reimbursed for certain expenses.

Neither the Underwriter nor any of its respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents have authorised or caused the issue of this Offer Booklet. To the maximum extent permitted by law, the Underwriter and its respective related bodies corporate and affiliates and each of their respective directors, officers, partners, employees, representatives or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this information being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. Neither the Underwriter nor any of its respective related bodies corporate and affiliates, nor any of its respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer, nor does it make any representations or warranties to you concerning this Entitlement Offer or any such information, and you represent, warrant and agree that you have not relied on any statements

made by the Underwriter or any of its respective related bodies corporate and affiliates or any of its respective directors, officers, partners, employees, representatives or agents in relation to the New Shares or the Entitlement Offer generally.

4.8 Pre-commitments and sub-underwriting

Singapore Airlines, HNA Innovation, Virgin Group, Nanshan Group and Air New Zealand have made binding commitments to take up their Entitlements under the Entitlement Offer.

Singapore Airlines, HNA Innovation and Virgin Group have also made binding commitments to contribute to the sub-underwriting of Entitlements not taken up by other Shareholders. No fees are payable to those major Shareholders who are sub-underwriters for agreeing to sub-underwrite, or for subscribing for, any Shortfall Shares in the Entitlement Offer. The Underwriter may also before or after the date of this Offer Booklet enter into sub-underwriting agreements with third party sub-underwriters to subscribe for certain Shortfall Shares. Any fees to such third party sub-underwriters will be paid by the Underwriter.

Illustrative examples of the potential Shareholdings that Shareholders may have on completion of the Entitlement Offer are provided in Section 3 of the Investor Presentation in Section 3 of this Offer Booklet.

If one of the major Shareholders or Air New Zealand breaches or defaults under a material provision of its commitment or sub-underwriting arrangements (Defaulting Major Shareholder), the Underwriter may but is not obliged to subscribe for or procure other persons to subscribe for the Shortfall Shares created as a result of the breach or default by that Defaulting Major Shareholder (and in such case the number of New Shares to be issued, the amount raised under the Entitlement Offer, and the extent of dilution of existing Shareholders, will be less than anticipated).

4.9 Participation of Directors

The Directors (and their respective associates) may acquire New Shares under the Entitlement Offer to the extent they are Eligible Shareholders. Holdings of Shares are subject to the Listing Rules. Details of Directors' holdings of Shares and other securities of Origin are disclosed to, and available from, ASX at www.asx.com.au.

4.10 Continuous Disclosure

The Group is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including the preparation of annual reports and half yearly reports.

The Group is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets conducted by ASX. In particular, the Group has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of the Shares. That information is available to the public on ASX.

For personal use only

4.11 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

4.12 Not investment advice

This Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. The Group is not licensed to provide financial product advice in respect of the New Shares. The information contained in this Offer Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with the Group's other periodic statements and continuous disclosure announcements lodged with ASX.

4.13 Governing law

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

4.14 Withdrawal of the Entitlement Offer

The Group reserves the right to withdraw all or part of the Entitlement Offer and this Offer Booklet at any time, subject to applicable laws, in which case the Group will refund application monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any application monies paid by you to the Group will not entitle you to receive any interest and that any interest earned in respect of application monies will belong to the Group.

4.15 Privacy

As a Shareholder, the Group and the Share Registry have already collected certain personal information from you. If you apply for New Shares, the Group and the Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, the Group and the Share Registry may disclose your personal information for purposes related to your Shareholding to their agents, contractors or third party service providers to whom they outsource services, in order to assess your application for New Shares, the Group's share register for ongoing administration of that register, printers and mailing houses for the purposes of preparation of the distribution of Shareholder information and for handing of mail, or as otherwise under the Privacy Act 1988 (Cth).

You can ask us to access information that we hold about you or to correct information we hold about you by telephoning or writing to the Group through the Share Registry as follows:

1300 782 849 (within Australia)
+61 3 9415 4179 (outside Australia)

For more information on access, corrections or compliant handling, please see the Group's privacy policy <http://www.virginaustralia.com/au/en/about-us/legal-policies/privacy/>

5 AUSTRALIAN TAXATION CONSEQUENCES

Below is a general guide to the Australian income tax, goods and services tax ('GST') and stamp duty implications of the Entitlement Offer for Eligible Shareholders that hold their New Shares acquired on capital account.

The guide does not consider the Australian tax consequences for Eligible Shareholders that:

- hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment; or
- hold their Shares through an employee share scheme or whose Shares are held as revenue assets or trading stock; or
- may be subject to special tax rules, such as trusts (except where expressly stated), superannuation funds (except where expressly stated), partnerships, tax exempt organisations and insurance companies; or
- are subject to the 'taxation of financial arrangements' provisions in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to their holding of Shares, New Shares or Entitlements; or
- are tax residents of any jurisdiction (including New Zealand) other than Australia.

The guide does not take account of the individual circumstances of particular Eligible Shareholders and does not constitute tax advice. It does not purport to be a complete analysis of the potential tax consequences of the Entitlement Offer and is intended as a general guide to the Australian tax implications. Eligible Shareholders should seek advice from an appropriate professional advisor in relation to the tax implications of the Entitlement Offer based on their own individual circumstances.

5.1 Issue of Entitlement

The issue of the Entitlement will not in itself result in any amount being included in the assessable income of an Eligible Shareholder.

5.2 Exercise of Entitlement

New Shares will be acquired where the Eligible Shareholder exercises all or part of their Entitlement under the Entitlement Offer.

An Eligible Shareholder will not derive any assessable income, or make any capital gain or capital loss at the time of exercising their Entitlement under the Entitlement Offer.

For personal use only

For Australian capital gains tax (CGT) purposes, New Shares will be taken to have been acquired on the day that an Eligible Shareholder exercises their Entitlement. The cost base of each New Share will be equal to the Offer Price payable for each New Share (plus any non-deductible incidental costs the Eligible Shareholder incurs in acquiring the New Shares).

5.3 Lapse of Entitlement

If an Eligible Shareholder does not accept all or part of their Entitlement in accordance with the instructions set out above, then that Entitlement will lapse. There should be no tax implications for an Eligible Shareholder from the lapse of the Entitlement.

5.4 Taxation in respect of dividends on New Shares

Eligible Shareholders that exercise their Entitlements will acquire New Shares. Any future dividends or other distributions made in respect of those New Shares will be subject to the same taxation treatment as dividends or other distributions made on Shares held in the same circumstances.

5.5 Disposal of New Shares

A future disposal of New Shares will constitute a CGT event for Eligible Shareholders.

An Eligible Shareholder will make a capital gain if the capital proceeds received on disposal exceed the total cost base of the New Shares. An Eligible Shareholder will make a capital loss if the capital proceeds are less than the total reduced cost base of the New Shares.

The cost base of each New Share will be equal to the Offer Price payable for each New Share (plus certain non-deductible incidental costs the Eligible Shareholder incurs in acquiring or disposing of the New Shares).

Eligible Shareholders that are individuals, trusts or complying superannuation entities and that have held their New Shares for 12 months or more at the time of disposal should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). The CGT discount factor is 50% for individuals and trusts and 33 1/3% for complying superannuation entities.

For the purpose of determining whether the New Shares have been held for 12 months or more, Eligible Shareholders will be taken to have acquired them when they exercise their Entitlement under the Entitlement Offer.

5.6 GST

No GST should be payable in respect of the acquisition of the New Shares under the Entitlement Offer. Eligible Shareholders may be restricted in their ability to claim input tax credits for any GST incurred on costs associated with the acquisition of New Shares depending on their particular circumstances.

5.7 Stamp duty

Stamp duty will not be payable in respect of the taking up of New Shares on the assumption no Shareholder and associated persons will hold an interest of 90% or more in the Group.

6 DEFINITIONS

Air New Zealand means Air New Zealand Limited.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and the securities exchange operated by it.

Business Day has the same meaning as in the Listing Rules.

Closing Date means 5.00pm (Sydney time) on Wednesday 27 July 2016, the day the Entitlement Offer closes.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of Virgin Australia Holdings Limited.

Eligible Shareholder means a Shareholder who:

- (a) is a Shareholder on the Record Date;
- (b) has a registered address in Australia or New Zealand on the Record Date (or is a Shareholder not in Australia or New Zealand that the Group has otherwise determined is eligible to participate);
- (c) is not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States; and
- (d) is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Entitlement means the right to subscribe for 1 New Share for every 1 Share held by Eligible Shareholders on the Record Date, pursuant to the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form that will accompany this Offer Booklet when it is dispatched to Eligible Shareholders.

Entitlement Offer means the pro rata non-renounceable offer to Eligible Shareholders to subscribe for 1 New Share for every 1 Share of which the Shareholder is the registered holder on the Record Date, at an Offer Price of A\$0.21 per New Share pursuant to this Offer Booklet.

Group means Virgin Australia Holdings Limited ACN 100 686 226.

HNA Aviation Group means HNA Aviation Group Co. Ltd.

HNA Innovation means HNA Innovation Ventures (Hong Kong) Co. Limited (an assignee of Hainan HNA Innovation Ventures Co Ltd) and a subsidiary of HNA Aviation Group.

Ineligible Shareholder means a Shareholder that is not an Eligible Shareholder.

Investor Presentation means the presentation to investors released to the ASX on Wednesday 6 July 2016, incorporated in Section 3 of this Offer Booklet.

Listing Rules means the official listing rules of ASX.

Offer Booklet means this document.

New Shares means Shares to be allotted and issued under the Entitlement Offer, including (as the context requires) the shortfall from the Entitlement Offer issued to the Underwriter or any Sub-Underwriters.

Offer Price means A\$0.21 per New Share.

Record Date means 7.00pm (Sydney time) on Monday 11 July 2016.

Share means a fully paid ordinary share in the capital of the Group.

Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Shareholder means a holder of Shares.

Shortfall Shares means those New Shares not taken up under the Entitlement Offer.

Singapore Airlines means Singapore Airlines Limited.

TERP means the theoretical ex-rights price which is calculated by reference to the Group's closing price of \$0.295 per share on Tuesday 14 June 2016, being the last trading day prior to the announcement of the Entitlement Offer.

Timetable means the indicative table set out in the 'Key Dates' section of this Offer Booklet.

Underwriter means UBS AG, Australia Branch ABN 47 088 129 613.

Underwriting Agreement means the underwriting agreement dated Wednesday, 15 June 2016 between the Group and the Underwriter.

US Securities Act means the US Securities Act of 1933, as amended.

Virgin Australia Group means Virgin Australia Holdings Limited ACN 100 686 226.

Virgin Group means Corvina Holdings Pty Ltd.

7 CORPORATE INFORMATION

Company

Virgin Australia Holdings Limited
ACN 100 686 226
56 Edmondstone Rd
Bowen Hills Queensland 4006
Tel +61 7 3295 3000
<http://www.virginaustralia.com>

Underwriter

UBS AG, Australia Branch
Level 16, 2 Chifley Square
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Legal Adviser

Clayton Utz
Level 15, 1 Bligh Street
Sydney NSW 2000

Virgin Australia Group Entitlement Offer Information Line

Australia: 1300 782 849
Outside Australia: +61 3 9415 4179
Open 8.30am to 5.30pm (Sydney time) Monday to Friday during the offer period.

For personal use only

For personal use only

