ASX RELEASE

Virgin Australia Holdings Limited Confirms No Current Intention to Privatise the Group and Announces Buy-Back Facility to Provide Liquidity to Unmarketable Parcel Holders

28 February 2018

The Board of Directors of Virgin Australia Holdings Limited (ASX: VAH) (**Virgin Australia Group** or **Group**) today confirmed there is no current intention to privatise the Group and announced a share buy-back facility to provide liquidity to unmarketable parcel holders.

Chairman of the Board Elizabeth Bryan said: "As I noted at the Annual General Meeting in November 2017, the Board has been looking at whether it is appropriate to remain listed, or to become a privately held company.

"Following discussions with the major shareholders, the Board has decided not to privatise the company.

"However, the Board remains conscious that the company has a small free float and a register made up of more than 38,000 shareholders, of whom approximately 21,000 hold unmarketable parcels of shares worth less than $500.

"Therefore, in light of the decision to remain a publicly listed company, the Board has decided to offer smaller shareholders the unmarketable parcel buy-back facility we have announced today. This facility will give those shareholders the ability to sell their shares at an appropriate price and in a convenient, cost-effective manner.

"The Board and management team continue to be focused on strengthening the Group's financial foundation and working towards sustainable profitability, and the financial results released today demonstrate our strong progress in this regard. We look forward to continuing to build on this success," Ms Bryan said.

Further information about the Unmarketable Parcel Buy-Back Facility

The Group will offer an opt-out facility (the **Facility**) to buy-back unmarketable parcels of shares from unmarketable parcel holders at a price of $0.30 per share (**Buy-Back Price**). The Buy-Back Price has been set by the Board after taking into account recent trading and the performance of the Group.

An unmarketable parcel of shares (**Unmarketable Parcel**) is a shareholding in the Group valued at less than $500, being a shareholding that is comprised of 1,666 shares or less as at 7.00pm Sydney time on Tuesday, 6 March 2018 (**Record Date**) based on the Buy-Back Price.

Shareholders who hold Unmarketable Parcels will have these bought back by the Group at the Buy-Back Price in full unless they opt out by the closing date of the Facility.

Shareholders who participate in the Facility will not have to pay any brokerage or handling fees associated with the buy-back of their shares. All shares bought back by the Group through the Facility will subsequently be cancelled.

A letter will be despatched to all shareholders eligible to participate in the Facility from 9 March 2018. This letter will enclose relevant documents and provide more information about the Facility and will be released to the market shortly.

The Unmarketable Parcels held by shareholders of the Group represent approximately 0.2% of issued share capital.

Depending on the number of eligible shareholders who opt out of the Facility, the total cost of the Unmarketable Parcel Buy-Back Facility is expected to be up to approximately $5 million, including transaction costs.

The Facility will be funded from existing liquidity.

Tax implications of participating in the Facility

There will be no adverse tax consequences for the Group upon completion of the Facility, and the franking credit balance of Virgin Australia will remain unchanged as a result of the Facility.

The tax outcomes for shareholders who participate in the Facility will vary depending on the circumstances of participating shareholders. It is therefore strongly recommended that shareholders consult with their taxation professional regarding their particular circumstances.

The proceeds that participating shareholders receive from the Facility will be important for the calculation of any tax liability of participating shareholders. In the Group's view, proceeds from the Facility will be entirely treated as a return of capital, resulting in a Capital Gains Tax event for most shareholders, unless shares are held on revenue account. It is the Group's view that no portion of the proceeds that participating shareholders receive from the Facility will be treated as a dividend for tax purposes.

The Group is currently engaging with the Australian Taxation Office (**ATO**) to confirm this understanding of potential Australian tax consequences for participating shareholders. To the extent that the Group receives a formal response from the ATO on this issue, this response would be published after proceeds from the Facility have been paid to participating shareholders.

Shareholders who are not Australian residents will need to seek professional advice on the taxation implications in their country of residence from participating in the Facility.

Key Dates

Date	Key dates
Wednesday, 28 February 2018	Announcement of the Facility
7.00pm Sydney time, Tuesday, 6 March 2018	Record Date
Friday, 9 March 2018	Despatch of Facility documents to eligible shareholders
7.00pm Sydney time, Friday, 13 April 2018	Closing Date: Period to opt out of the Facility closes
Monday, 16 April 2018	Announcement of the outcomes of the Facility
As soon as practicable post Monday, 23 April 2018	Shareholders who have participated in the Facility to receive proceeds in respect of and documentation confirming shares that have been bought back

Shareholders who are eligible to participate in the Facility should consider the documents they receive about the Facility carefully and if needed, seek professional advice on the financial and taxation implications of participating in the Facility that is relevant to their individual circumstances.

ENDS

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