

19 May 2020

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Moody's Ratings Action

Virgin Australia Holdings (ASX: VAH & VAHHA) provides the attached Moody's Rating Action for release to the market, revising its long term credit ratings for the Group.

ENDS

This announcement was authorised for release by Vaughan Strawbridge, Deloitte

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MOODY'S

INVESTORS SERVICE

Rating Action: **Moody's downgrades Virgin Australia to Ca from Caa1 on missed coupon payment**

18 May 2020

Sydney, May 18, 2020 -- Moody's Investors Service has today downgraded Virgin Australia Holdings Limited's Corporate Family Rating to Ca from Caa1. Concurrently, Moody's has downgraded Virgin's senior unsecured and backed senior unsecured ratings to C from Caa2, and its backed senior unsecured MTN program to (P)C from (P)Caa2.

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The outlook on the ratings has been changed to developing from ratings under review.

RATINGS RATIONALE

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The airline sector has been one of the sectors most significantly affected by the shock given its sensitivity to consumer demand and sentiment. More specifically, the weaknesses in Virgin's credit profile, including its exposure to global demand for travel, have left it vulnerable to shifts in market sentiment in these unprecedented operating conditions. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Today's action reflects the impact on Virgin of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

The rating action was prompted by Virgin missing the coupon payment on 15 May 2020 of its USD425 million 8.125% 2024 bonds, after entering into voluntary administration on 21 April 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Virgin is in voluntary administration and a number of potential bidders have expressed interest in purchasing the airline. Additionally, the second creditors' meeting has been scheduled for 22 August 2020.

Any future change in rating will depend on the outcome of the voluntary administration process.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Passenger Airline Industry published in April 2018 and available at https://www.moody's.com/research/Passenger-Airline-Industry--PBC_1091811. Alternatively, please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

COMPANY PROFILE

Virgin Australia Holdings Limited, headquartered in Brisbane, is Australia's second largest airline following its launch in 2000 and listing on the Australian Securities Exchange in 2003. As of fiscal 2019, it had generated revenues of AUD5.8 billion and carried around 24.8 million passengers.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and

Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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