

23 March 2016

Ms Belinda Mai
Advisor, Listings
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

By email: belinda.mai@asx.com.au

Dear Ms Mai

I refer to your letter of 21 March 2016 headed Virgin Australia Holdings Limited (the "**Entity**"): ASX Aware Query.

The Entity released an announcement at 8.35 am on Monday 21 March 2016 (Sydney time) (the "**Announcement**") which contained two key statements: the commencement of a review of the Entity's capital structure and the entry by the Entity into a new loan facility (the "**Loan Facility**").

Below, the Entity responds to the questions 1 – 4 on page 3 of your letter in relation to each of the key statements.

With respect to the information contained in the Announcement about the commencement of a review of the Entity's capital structure, the Entity does not consider that a reasonable person would expect such information to have a material effect on the price or value of its securities, for the reasons set out below.

- (a) It is common practice for companies to continually review their capital structure in order to deliver the best possible outcomes for shareholders.
- (b) The Entity has consistently advised the market that one of its strategic objectives is to optimise its balance sheet, including:
 - (i) On 29 August 2014, at the Entity's disclosure of its FY14 results, the Entity announced its new strategy, known as the Virgin Vision strategy. In the statement released to the ASX entitled 'FY14 Financial Results Release', the Entity's CEO John Borghetti said, "*Over the next three years, the Virgin Australia Group will focus on six key areas... [including] optimising the balance sheet,*" and that "*over the next three years, we will continue to execute initiatives designed to improve liquidity, reduce debt and maintain a strong cash balance.*"
 - (ii) At the Entity's disclosure of its FY14 results, its interim FY15 results on 19 February 2015 and its interim FY16 results on 11 February 2016, the Entity referred to "*optimising the balance sheet*" as a "*strategic priority*" or "*Virgin Vision objective*" in each of the presentations for these reporting events. These presentations were released to the ASX.
 - (iii) In the Entity's 2015 Annual Report, released to the ASX on 23 September 2015, the CEO's report stated that "*...the Virgin Australia Group will continue to focus on the Virgin Vision 2017 priorities of... optimising the balance sheet*".

- (iv) At the Entity's disclosure of its interim FY16 results on 11 February 2016, in the statement released to the ASX entitled 'FY16 Half Year Results Release', the Entity's CEO John Borghetti said, *"The Group will continue to focus on optimising its balance sheet through the second half of the 2016 financial year."*
- (c) The commencement of a formal review of the Entity's capital structure is a part of the fulfilment of the Entity's strategic objective to optimise its balance sheet and, having regard to the previous disclosures, does not of itself provide any additional information that is material to the price or value of securities.
- (d) The Entity has maintained transparency in relation to its balance sheet, specifically its cash position and interest-bearing liabilities, most recently providing information at its interim FY16 results on 11 February 2016, where the Entity:
 - (i) in the statement released to the ASX on that date entitled 'FY16 Half Year Results Release' stated that: *"The Group's total cash position was \$906.7 million, down from \$1028.5 million at 30 June 2015 with unrestricted cash of \$543.7 million, down from \$718.9 million at 30 June 2015"*;
 - (ii) in an interim financial report for the period ended 31 December 2015 released to the ASX on that date, the Entity disclosed total interest-bearing liabilities of approximately \$3,013 million, including \$626.2 million of current interest-bearing liabilities, up approximately \$251 million from June 2015 and on a total equity base of approximately \$934 million; and
 - (iii) in the presentation released to the ASX on that date, slide 21, entitled 'Cash Flow', showed net operating cash flows of approximately \$10.2 million and a net cash outflow for the period of \$133.0 million.

With respect to the information contained in the Announcement about the Loan Facility, the Entity does not consider that a reasonable person would expect such information to have a material effect on the price or value of its securities, for the reasons set out below.

- (a) The Entity, as a part of its business as usual activities, regularly undertakes financing and refinancing activities in order to fund its operations and maintain a required level of liquidity. This is standard practice in the aviation industry. As these activities are a part of the ordinary course of business, the Entity's practice is not to separately disclose such activities (although, required details about such facilities are disclosed in our statutory accounts). As a matter of transparency and good governance, the Entity has however typically disclosed:
 - (i) Any new funding provided by shareholders, with the objective of informing the market that the funding has been provided on an arm's length basis. The Entity has previously disclosed shareholder loan facilities extended to it in 2013.
 - (ii) Facilities obtained from a material new source of funding. For example, the Entity has previously disclosed the debut Enhanced Equipment Notes Issuance in 2013 and the debut Unsecured Debt Issuance in 2014.

In the circumstances outlined in sub-paragraphs (i) and (ii) above, the Entity discloses such facilities or funding activities to the market as soon as is practicable after they have been finalised.

- (b) Consistent with this practice, the Entity disclosed the Loan Facility as soon as practicable after it was executed and prior to the market opening on Monday 21 March 2016. The terms of the Loan Facility were only finalised at approximately 11.50 pm Sunday 20 March 2016 (Sydney time). Until this time, the terms of the Loan Facility, including required third party consents, were substantially incomplete and outside the Entity's control.
- (c) The Entity has no reason to believe that confidentiality in relation to the Loan Facility was lost at any time prior to the release of the Announcement on Monday 21 March 2016.

Recent share price volatility

- (a) Other than recent market commentary in relation to the Entity's balance sheet following the release of the Entity's interim results on 11 February 2016 and ongoing macro-economic market volatility, the Entity is not aware of any reasons for the change in the Entity's share price between the close of trading on Tuesday 15 March 2016 and close of trading Friday 18 March 2016 or the increase in trading volume over that same period. The Entity monitors its share price and trading volume as a part its usual business practices. In discussions with the ASX on Friday 18 March 2016, the Entity stated that other than the foregoing, it was not aware of any reasons for these events and confirmed its continued compliance with its continuous disclosure obligations.

In response to question 5 on page 5 of your letter, the Entity confirms that it is compliant with the Listing Rules and in particular Listing Rule 3.1.

Yours sincerely



Sharyn Page
Company Secretary



21 March 2016

Ms Sharyn Page
Company Secretary
Virgin Australia Limited
Level 5, 7 Macquarie Place
Sydney NSW 2000

By email: sharyn.page@virginaustralia.com

Dear Ms Page,

Virgin Australia Holdings Limited (the "Entity"): ASX aware query

ASX Limited ("ASX") refers to the following:

1. The Entity's announcement entitled "VAH Provides Update on Capital Structure Review" lodged with ASX Market Announcements Platform and released at 8:35 AM on Monday, 21 March 2016 (the "Announcement"), disclosing the entity's commencement of a review of its capital structure, and Virgin Australia Group securing a new 12 month A\$425 million loan facility with its four major shareholders Air New Zealand, Etihad Airways, Singapore Airlines and Virgin Group.
2. The change in share price of the Entity from \$0.43 at the close of trading on Tuesday, 15 March 2016 to \$0.35 at the close of trading on Friday, 18 March 2016 and the increased trading volume over this period (the "Share Trading").
3. The conversation between ASX and the Entity on Friday, 18 March 2016 regarding the change in share price and trading volumes. The Entity attributed the change to its balance sheet performance and its methodology of hedging crude oil prices and confirmed compliance with its continuous disclosure obligations.
4. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
5. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.



6. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

7. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “Listing Rule 3.1A.2 – the requirement for information to be confidential”. In particular, the Guidance Note states that:

“An entity which is relying on Listing Rule 3.1A not to disclose information about a market sensitive transaction it is negotiating should as a matter of course be monitoring, either itself or through its advisers:

- the market price of its securities and of the securities of any other listed entity involved in the transaction;*

for signs that information about the transaction may no longer be confidential and have a draft letter to ASX requesting a trading halt and a draft announcement about the negotiations ready to send to ASX to cater for that eventuality. The closer the transaction gets to being concluded, the higher the risk of leaks and the more diligent that monitoring should be.

In relation to the second component of Listing Rule 3.1A.2, ASX may form the view that information about a matter involving an entity has ceased to be confidential if:



- *there is a sudden and significant movement in the market price or traded volumes of the entity's securities that cannot be explained by other events or circumstances.*

Each of these is an indication that the matter is no longer confidential and therefore Listing Rule 3.1A.2 no longer applies."

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. If the answer to question 1 is "yes", when did the Entity first become aware of the information.
4. If the answer to question 1 is "yes" and the Entity first became aware of the information before the relevant date, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay. Reference should also be made to the Share Trading and whether or not this may have indicated that confidentiality had been lost.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM Wednesday, 23 March 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.



Your response should be sent to me by e-mail at belinda.mai@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.



If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Belinda Mai', with a long horizontal flourish extending to the right.

Belinda Mai
Adviser, Listings