

6 July 2016

Dear Shareholder

**VIRGIN AUSTRALIA HOLDINGS LIMITED A\$852 MILLION PRO RATA NON-RENOUNCEABLE ENTITLEMENT OFFER**

This letter is to inform you about the Entitlement Offer, which the Virgin Australia Group will make to Eligible Shareholders (as described below) on the following key terms:

- An offer to acquire one New Share for every one ordinary share in the Virgin Australia Group held at 7.00pm (Sydney time) 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.
- You may accept the Entitlement Offer in respect of all or part of your Entitlement. If you choose not to participate in the Entitlement Offer, or you do nothing with respect to the Entitlement Offer, your Entitlement will lapse and you will receive no value for the lapsed Entitlement.
- If you are an Eligible Shareholder, an Offer Booklet and a personalised Entitlement and Acceptance Form will be mailed to you on or about Thursday 14 July 2016. The Offer Booklet is currently available on the Australian Securities Exchange website at [www.asx.com.au](http://www.asx.com.au) (ASX: VAH) and at <http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/>
- If you wish to accept your Entitlement in whole or in part, please be alert for the receipt of the Offer Booklet and consider it as soon as you receive it.
- The Entitlement Offer is expected to close at 5.00pm (Sydney time) on Wednesday 27 July 2016. If you wish to participate in the Entitlement Offer, your Entitlement and Acceptance Form must be returned to Virgin Australia Group together with payment for the New Shares to be acquired as described in the Offer Booklet

**This letter is not an offer to issue Entitlements under the Entitlement Offer or New Shares to you, nor an invitation for you to apply for Entitlements or New Shares. You are not required to do anything in response to this letter.**

**An Offer Booklet in relation to the Entitlement Offer will be despatched to Eligible Shareholders (as described below) on or around Thursday 14 July 2016 and is currently available on the Australian Securities Exchange website at [www.asx.com.au](http://www.asx.com.au) (ASX: VAH) and at <http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/>**

On Wednesday 6 July 2016, Virgin Australia Holdings Limited (the **Virgin Australia Group** or the **Group**) announced the launch of a fully underwritten 1 for 1 (**Offer Ratio**) pro rata non-renounceable entitlement offer of new fully paid ordinary shares in Virgin Australia Group (each a **New Share**, together **New Shares**) to raise approximately A\$852 million (**Entitlement Offer**).

New Shares are being offered at an offer price of A\$0.21 per New Share (**Offer Price**), which 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 New Shares issued under the Entitlement Offer will rank equally in all respects with existing shares (including rights to dividends and distributions).

In total, the proposed Entitlement Offer and the previously announced placement to HNA Innovation<sup>1</sup> will raise total gross proceeds of A\$1,011 million.

### **The Entitlement Offer**

The Entitlement Offer comprises an offer to Eligible Shareholders (as described below) to participate at the Offer Price and Offer Ratio. The Entitlement Offer is being made in accordance with section 708AA of the Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus is required to be prepared in relation to the Entitlement Offer.

The Entitlement Offer is being made to Eligible Shareholders on the basis of an entitlement to acquire 1 New Share for every 1 existing Share held in the Virgin Australia Group on the Record Date of 7.00pm (Sydney time) on Monday 11 July 2016 at the Offer Price of A\$0.21 per New Share (**Entitlement**).

As the Entitlement Offer is non-renounceable, entitlements under the Entitlement Offer cannot be sold or traded on the Australian Securities Exchange (**ASX**) or on any other exchange, nor can they be privately transferred.

### Eligible Shareholders

"**Eligible Shareholders**" are those persons who:

- are registered as holders of existing shares in the Group as at 7:00pm (Sydney time) on the Record Date;
- have a registered address on the Group's share register in Australia or New Zealand on the Record Date (or are a shareholder not in Australia or New Zealand that the Group has otherwise determined is eligible to participate);
- 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
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

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<sup>1</sup> HNA Innovation Ventures (Hong Kong) Co. Limited (an assignee of Hainan HNA Innovation Ventures Co Ltd) and a subsidiary of HNA Aviation Group.

The Group reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder (as described below).

Eligible Shareholders have the following alternatives available in relation to the Entitlement Offer:

1. take up all of their Entitlement;
2. take up part of their Entitlement and allow the balance to lapse; or
3. do nothing, in which case their Entitlement will lapse and they will receive no value for those lapsed Entitlements.

To the extent that shareholders do not take up their Entitlement in full, their interest in the Virgin Australia Group will be reduced as a result of dilution by the New Shares issued under the Entitlement Offer.

Full details of the terms and conditions of the Entitlement Offer will be contained in the Offer Booklet lodged with ASX and to be despatched to Eligible Shareholders in accordance with the Entitlement Offer timetable set out below.

#### Ineligible shareholders

**"Ineligible Shareholders"** are shareholders who are not Eligible Shareholders and are consequently unable to participate in the Entitlement Offer.

The restrictions upon eligibility to participate in the Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Virgin Australia Group of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. The Group has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Act, that it would be unreasonable to make or extend offers to shareholders in certain countries under the Entitlement Offer.

In compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Act, Ineligible Shareholders:

- will not be able to subscribe for New Shares under the Entitlement Offer;
- will not be sent the documents relating to the Entitlement Offer; and
- will not receive any value for the New Shares to which they would otherwise have been entitled.

### Entitlement Offer 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 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. 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. All references to time are to Sydney time.

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

### Further information

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch.

The Group will make an application to the ASX for official quotation of the New Shares. The number of shares on issue in the Group at the date of this letter and the total number of shares that will be on issue in the Group following the Entitlement Offer are as follows:

Shares on issue as at the date of this letter	4,057,573,937
Approximate number of New Shares to be issued under the Entitlement Offer	4,057,573,937
Approximate number of shares to be on issue after the Entitlement Offer	8,115,147,874

Further information in relation to the Entitlement Offer has been disclosed on the ASX and is available at [www.asx.com.au](http://www.asx.com.au) (ASX: VAH) and at <http://www.virginaustralia.com/au/en/about-us/company-overview/investor-information/>

On behalf of the Board of the Virgin Australia Group, I thank you for your continued support.

Yours sincerely



**Elizabeth Bryan**  
Chairman