Prospectus

Initial Public Offering of Ordinary Shares

Joint Lead Managers

Goldman Sachs | UBS | Barrenjoey

Financial Advisor

REUNION CAPITAL PARTNERS

Virgin Australia Holdings Limited
ACN 100 686 226

Important Notices

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Virgin Australia Holdings Limited (ACN 100 686 226) (**Virgin Australia** or **Company**).

This Prospectus is issued by Virgin Australia and Virgin Australia SaleCo Limited (ACN 687 595 366) (**SaleCo**). See Section 7 for further information on the Offer, including as to details of the securities that will be issued and transferred under this Prospectus.

Lodgement and Listing

This Prospectus is dated 13 June 2025 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It is a replacement prospectus that replaces the prospectus dated 6 June 2025 (**Original Prospectus**) that was lodged with ASIC on that date (**Original Prospectus Date**).

The differences between this Prospectus and the Original Prospectus are:

- inclusion of the paragraph entitled "Currency" in these Important Notices;
- amendments to Section 1.3 (Key Features of Virgin Australia's Business Model) to include definitions of airline revenue streams;
- amendments to Section 1.4 (Financial Information) of the Investment Overview to include definitions of the terms "Underlying revenue and income", "EBITDA", "Underlying EBITDA", "Underlying EBITDA margin", "EBIT", "Underlying EBIT", Underlying EBIT margin", "Underlying net profit", "Underlying net profit margin", an explanation of the Significant Items excluded from such underlying financial metrics and inclusion of additional cross-references to Sections 4.2.2 and 4.2.4.1;
- amendments to Section 1.6 (Key Risks) of the Investment Overview to include additional information of the competition Velocity faces from Qantas Frequent Flyer in the key risk entitled "Virgin Australia operates in a highly competitive environment", a new key risk entitled "Retained holdings by BC Hart and Qatar Airways" (summarising the risk in Section 5.3.6 of the Original Prospectus), further information on potential delays to aircraft (and in particular, Boeing 737-10 aircraft) in the key risk entitled "Risks associated with the introduction of new aircraft" and reference to the risk of a loss of slot allocations and the ACCC or regulators not re-authorising alliances in the risk factor entitled "Other risks";
- amendments to Section 1.10 (Overview of the Offer) to change the heading of the topic "What is the proposed use of proceeds from the Offer?" to "What is the purpose of the Offer?" and inclusion of a new topic entitled "What is the proposed sources and uses of funds from the Offer?", inclusion of associated cross-referencing to Sections 7.1.2 and 7.1.3 respectively and inclusion of a footnote to explain Selling Shareholder is BC Hart, an entity controlled by funds managed by Bain Capital;
- deletion of reference to 'medium haul international services' in Section 2.3.2;
- amendments to section 3.2 (History) to include more information from Section 2.2.3 (History of the Australian domestic airline RPT industry) on the reasons for Virgin Australia having entered voluntary administration and delisting from the ASX in 2020;
- inclusion of a footnote explaining the definition of Underlying EBITDA in the Key Offer statistics and Section 3.4.4 (Balance Sheet Reset for Growth) and amendments from "ancillary flying revenue" to "ancillary revenue" in Section 3.5.3.2 (and the Summary of Significant Accounting Policies in Appendix B) for consistency with the rest of the Prospectus;
- repetition of disclosures about restricted cash into Section 4.7.1 which already appeared in Section 4.7.5;
- inclusion of cross-references in notes in Table 28 and 29 in Section 4.7.3 (Summary of indebtedness) and Section 4.7.4 (Description of Financing facilities) to provide further detail on existing debt facilities;
- clarification of the expected reimbursement revenue in Sections 4.11.1, 4.12.3.1.1 and 4.12.3.1.2;
- additional clarification in Section 3.5.2 (Fleet Overview) and Section 5.2.10 (risk factor on grounding of an aircraft type) to clarify that Boeing 737 Max aircraft including Boeing 737-8 and 737-10 aircraft incorporated in Virgin Australia's fleet plan and inclusion of the fact that BC Hart and Qatar Airways Group may exert considerable influence over Virgin Australia's future strategy and direction in risk factor in Section 5.3.6 (Retained holdings by BC Hart and Qatar Airways);
- amendments to section 9.6 (Finance Arrangements) to include further detail on the New Corporate Facility and existing secured and unsecured financing facilities of Virgin Australia;
- the removal of a superfluous subheading (Section 9.6.3.1 in the Original Prospectus) and associated amendments to cross-referencing in other sections;
- replacement of the term "VAH" with "the Company" or "Virgin Australia" throughout the Prospectus;
- inclusion of further information on the class action proceeding in Section 9.8 (Litigation and Claims) to include the claimants, their allegations, the respondents and information about the potential exposure under the claim;
- inclusion of clarification that BC Company is not associated with Bain Capital or BC Hart in the Glossary and Section 9;
- adding or supplementing the following defined terms to the Glossary (and/or adding a footnote including that definition the first time they are used in this Prospectus): "ancillary revenue", "BC Hart", "Charter services", "codeshare", "corporate dealing model", "fare unbundling", "full-service carrier", "LHI", "low-cost carrier", "narrow-body aircraft", "QIC", "QIC Investments", "RPT", "SHI", "Selling Shareholder", "value carrier", "wet lease" and "wide-body aircraft";
- the Statutory FY25F Net profit/(loss) and the Revised Statutory FY25F Net profit/(loss) in the Statutory to pro forma income statement reconciliation (FY25F) in Appendix A was amended for a calculation error from $381 million to $429 million;
- amendments to repeat that the overall impact of the Qatar Airways wet lease arrangements and new services to Virgin Australia's EBIT is not expected to be material in Section 1.1, 1.3, 1.5, 3.8.1.3 and 9.3.3; and
- amendment to Section 4.10 to replace references to the completion of the administration process with the receipt of information from the administrator to better reflect the stage of the administration process (and to note that information is now expected prior to 30 September 2025 instead of prior to 30 June 2025).

A new defined term "Original Prospectus" has been included to reference the Prospectus lodged with ASIC on 6 June 2025 which was replaced by this Prospectus (some references to "Prospectus" have been amended to "Original Prospectus" where appropriate). Certain references to the date of this Prospectus have been updated to refer to the date of the Original Prospectus and a new date of the Prospectus has been included in the Timetable.

This Prospectus is issued by Virgin Australia and SaleCo for the purpose of Part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Virgin Australia will apply to the Australian Securities Exchange (**ASX**) within seven days after the Original Prospectus Date for admission of Virgin Australia to the Official List and quotation of the Shares on the ASX (**Listing**).

Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus later than 6 July 2026, being 13 months after the Original Prospectus Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Virgin Australia. In particular, in considering the prospects of Virgin Australia, you should consider the risk factors that could affect the performance of Virgin Australia. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information set out in Sections 4.12.1 and 4.12.2 and the risk factors set out in Section 5 that could affect Virgin Australia's business, financial condition, and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of Virgin Australia, the repayment of capital by Virgin Australia or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits Virgin Australia from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven-day period after lodgement of the Original Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, an electronic version of this Prospectus will be made available to Australian residents, without the Application Form, at Virgin Australia's offer website, www.VirginAustraliaIPO.com.au. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Virgin Australia. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale or accurately represent the technical aspects of the products.

Disclaimer and Forward-Looking Statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Virgin Australia, SaleCo, the Directors, the SaleCo directors, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus when deciding whether to invest in Shares. Except as required by law, and only to the extent so required, none of Virgin Australia, SaleCo, the Directors, the SaleCo directors, the Joint Lead Managers nor any other person warrants or guarantees the future performance of Virgin Australia, or any return on any investment made pursuant to this Prospectus.

This Prospectus includes Forecast Financial Information based on an assessment of present market, economic and operating conditions, and on a number of general and specific assumptions set out in Sections 4.12.1 and 4.12.2, regarding future events and actions that, as at the Original Prospectus Date, Virgin Australia expects to take place. The basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation for the Historical Financial Information.

This Prospectus also contains forward-looking statements (which includes amongst others, the Forecast Financial Information) that are subject to various risks and uncertainties. Forward-looking statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements are not guarantees of future performance and speak only as of the Original Prospectus Date.

Any forward-looking statements are subject to various risks that could cause Virgin Australia's actual results to differ materially from the results expressed or anticipated in these statements.

Forward-looking statements should be read in conjunction with, and are qualified by reference to, risks as set out in Section 5, general assumptions, specific assumptions and the sensitivity analysis as set out in Section 4.14, and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond Virgin Australia, SaleCo, the Directors and the SaleCo director's control. None of Virgin Australia, SaleCo, any of their respective directors or the Joint Lead Managers or any other person guarantees that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Virgin Australia does not have any obligation (or intention) to update or revise forward-looking statements contained in this Prospectus, or publish any prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law. **You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by certain geopolitical tensions**.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. Virgin Australia, SaleCo, Virgin Australia's share registry, Computershare Investor Services Pty Limited (**Share Registry**) and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Barrenjoey Markets Pty Limited (**Barrenjoey**), Goldman Sachs Australia Pty Ltd (**Goldman Sachs**) and UBS Securities Australia Limited (**UBS**) have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Lead Manager or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act) (**Related Bodies Corporate**), or any of their respective officers, directors, employees, partners, advisers or agents.

To the maximum extent permitted by law, the Joint Lead Managers, their respective affiliates and Related Bodies Corporate, and any of their respective officers, directors, employees, partners, advisers or agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Statements of Past Performance

This Prospectus includes information regarding the past performance of Virgin Australia. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information Presentation

All references to FY23, FY24 and FY25F appearing in this Prospectus are to the financial years ended or ending 30 June 2023, 30 June 2024 and 30 June 2025 respectively, unless otherwise indicated. All references to H1FY24 and H1FY25 are to the half financial years ended or ending 31 December 2023 and 31 December 2024, respectively, unless otherwise indicated. All references to CY are to calendar year being the 12 month period ending 31 December in the relevant year stated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this

Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (as adopted by the Australian Accounting Standards Board), which comply with International Financial Reporting Standards issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information.

The Forecast Financial Information presented in this Prospectus is unaudited.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Investors should be aware that certain measures included in this Prospectus are "non-IFRS financial information" under Regulatory Guide 230 Disclosing Non-IFRS Financial Information, published by ASIC, and are not recognised under AAS or any other recognised body of accounting standards. Virgin Australia, however, believes this non-IFRS Financial Information provides useful information to users in measuring Virgin Australia's financial performance and financial condition.

The non-IFRS measures do not have standardised meanings prescribed by AAS and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS. Investors are cautioned, therefore, not to place undue reliance on any non IFRS financial information and ratios included in this Prospectus.

Market and Industry Data Based Primarily on Management Estimates

This Prospectus (and in particular Section 2) contains data relating to the industries, segments, sectors and channels in which Virgin Australia operates (**Industry Data**). Such information includes, but is not limited to, statements and data relating to markets, market sizes, capacity share, passenger numbers, loyalty program membership information, in each case pertaining to Virgin Australia's business and the markets in which it operates . Unless otherwise stated, this information has been prepared by Virgin Australia using both publicly available data and internally generated data (including industry research and interviews with industry participants). Virgin Australia's internally generated data is based on estimates and assumptions that both the Directors and Virgin Australia's management believe to be reasonable, as at the Original Prospectus Date.

The Industry Data has not been independently prepared or verified and none of Virgin Australia, SaleCo or the Joint Lead Managers can assure you as to its accuracy or the accuracy of the underlying assumptions used to estimate such Industry Data. Virgin Australia's estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Investors should note that industry and sector data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual industry or market conditions.

In addition to the Industry Data, this Prospectus uses third-party data, estimates and projections. Virgin Australia has not obtained the consent of these authors for the inclusion of such information in reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72. There is no assurance that any of the third-party data, estimates or projections contained in this Prospectus will be achieved. Virgin Australia has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Currency

All references in this Prospectus to "A$", "$", "AUD", Australian Dollars are to the lawful currency of Australia. All references to "US$", "USD" or United States Dollars are to the lawful currency of the United States. All references to "JPY" are to Japanese Yen.

Rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Prospectus are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Prospectus.

Obtaining a Copy of this Prospectus

This Prospectus is available in electronic form to Australian residents on Virgin Australia's offer website, www.VirginAustraliaIPO.com.au.

The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia and is not available to persons in any other jurisdictions, including the United States.

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Virgin Australia Offer Information Line on 1300 273 158 (within Australia) or +61 3 9415 4264 (outside Australia) between 8:30am and 5:00pm (Sydney time), Monday to Friday (excluding public holidays).

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at www.VirginAustraliaIPO.com.au, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

No Cooling Off Rights

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No Offering Where Illegal

This Prospectus does 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. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be unlawful. In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and, accordingly, the Shares may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws. The Offer is not being extended to any investor outside Australia or New Zealand, other than to certain Institutional Investors as part of the Institutional Offer. In particular, this Prospectus may not be distributed to, or relied upon by, any person in the United States, unless accompanied by the US Institutional Offering Memorandum as part of the US Institutional Offer.

See Section 9 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Activities of the Joint Lead Managers

The Joint Lead Managers and their respective affiliates (**Syndicate Members**) are full service financial institutions engaged in various activities, which may include (without limitation) to varying degrees securities issuing, securities trading, issuing, arranging the distribution of, and distributing, and the provision of advice in connection with, securities and other financial products, financial advisory, provision of retail, business, private, commercial and investment banking, investment management, corporate finance, credit and derivative products, brokerage, investment research, principal investment, hedging, market making, the provision of finance, including (without limitation) in respect of securities of, or loans to, or in connection with, Virgin Australia and its related bodies corporate, customers, investors, shareholders, persons directly or indirectly involved in the Offer, and their respective affiliates and their respective officers, directors, employees, partners, advisers, contractors and agents or interests associated with such persons (**Relevant Persons**), brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees, other benefits and expenses or other transaction consideration, and out of which conflicting interests or duties may arise. In the course of these activities, the Syndicate Members may at any time for, or in connection with, their own account and for the accounts of their clients, why may include Relevant Persons, hold long or short positions, make or hold investments in, trade or otherwise effect transactions or take or enforce security for, or in connection with, their own account or the accounts of their clients, including through transactions involving debt, equity or hybrid securities, loans, financing arrangements or other financial accommodation, hedging products, financial products or services in connection with, or which rely on the performance of obligations by any Relevant Person, and may finance the acquisition of those securities and/or financial products and take or enforce security over those securities and/or financial products and receive customary fees and expenses or other transaction consideration in respect of such activities.

The recipient acknowledges that none of it, Virgin Australia nor the Joint Lead Managers intend that the Joint Lead Managers, nor any member of their respective groups (nor any of their respective affiliates) and/or any of their respective officers, directors, employees, partners, contractors, advisers or agents, acts as the adviser of or is responsible as a fiduciary, or assumes any other duties, to the recipient, its officers, employees, consultants, agents, securityholders, creditors or any other person. Each recipient and each Joint Lead Manager (on behalf of each other member of their group and their respective affiliates) expressly disclaim any fiduciary relationship.

No reliance may be placed on the Joint Lead Managers or their respective affiliates, and/or their respective officers, directors, employees, partners, contractors, advisers or agents for financial, legal, taxation, accounting or investment advice or recommendations of any sort. The recipient agrees that it is responsible for making its own independent judgements with respect to the Offer, any other transaction and any other matters arising in connection with this Prospectus.

- In connection with the Institutional Offer, one or more investors may elect to acquire an economic interest in the Shares (**Economic Interest**), instead of subscribing for or acquiring the legal or beneficial interest in those shares. Any Joint Lead Manager (or its affiliates) may, for its own account, write derivative transactions with those investors relating to the Shares to provide the Economic Interest, or otherwise acquire shares in Virgin Australia in connection with the writing of such derivative transactions in the Offer and/or the secondary market. As a result of such transactions, any Joint Lead Manager (or its affiliates) may be allocated, subscribe for or acquire Shares (or other shares of Virgin Australia) in the Offer and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in such shares. These transactions may, together with other shares in Virgin Australia acquired by a Joint Lead Manager or its affiliates in connection with its ordinary course sales and trading, principal investing and other activities, result in the Joint Lead Manager or its affiliates disclosing a substantial holding, earning fees and recovering expenses.

Privacy

By completing an Application Form, you are providing personal information to Virgin Australia and SaleCo through the Share Registry, which is contracted by Virgin Australia to manage Applications.

Virgin Australia and SaleCo, and the Share Registry on their behalf, and their agents and service providers may collect, hold, disclose and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration, and for other purposes related to your investment listed below.

If you do not provide the information requested in the Application Form, Virgin Australia, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

Virgin Australia and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Joint Lead Managers to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for analysing Virgin Australia's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for administering, and advising on, the Shares and for associated actions.

Virgin Australia's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of Virgin Australia and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about Virgin Australia's privacy practices by contacting the Share Registry as follows:

Telephone: (outside Australia)
+61 3 9415 4000
(within Australia)
1300 850 505

Address: Privacy Officer
Computershare Investor
Services Pty Limited
Yarra Falls,
452 Johnston Street
Abbotsford VIC 3067
Australia

Virgin Australia aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Virgin Australia or the Share Registry if any of the details you have provided change.

Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide is provided in Section 8.

Intellectual Property

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with us.

Company Website

Any references to documents included on Virgin Australia's website are provided for convenience only, and none of the documents or other information on Virgin Australia's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

Defined Terms and Abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Appendix C. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney, Australia time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Virgin Australia Offer Information Line on 1300 273 158 (within Australia) or +61 3 9415 4264 (outside Australia) between 8:30am and 5:00pm (Sydney time), Monday to Friday (excluding public holidays).

This document is important and should be read in its entirety.

Contents

Timetable

Original Prospectus Date (date of Original Prospectus) and entry into Underwriting Agreement	6 June 2025
Prospectus Date (date of this Prospectus)	13 June 2025
Broker Firm Offer and Priority Offer open	16 June 2025
Broker Firm Offer and Priority Offer closes	19 June 2025
Admission to official list of ASX	23 June 2025
Expected commencement of trading of Shares on ASX on a conditional and deferred settlement basis on ASX	24 June 2025
Settlement of the Offer and last day of conditional trading on ASX	25 June 2025
Issue and transfer of Shares (**Completion**)	26 June 2025
Commencement of trading on ASX on a normal settlement basis	26 June 2025
Expected completion of despatch of holding statements	27 June 2025

Dates may change

The dates above are indicative only and may be subject to change without notice.

The Company and SaleCo, in consultation with the Financial Adviser and the Joint Lead Managers, reserve the right to vary any or all of these times and dates subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including to close the Offer early, extend the Offer, defer the Closing Date, accept late Applications either generally or in particular cases, allot Shares at different times to investors, or withdraw the Offer, without prior notification. The quotation and commencement of trading of the Shares are subject to confirmation from ASX. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. Times stated throughout this Prospectus refer to the time in Sydney, Australia.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Questions

Please call the Virgin Australia Offer Information Line on 1300 273 158 (inside Australia) or +61 3 9415 4264 (outside Australia) from 8:30am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays) during the Offer Period. If you have any questions, contact your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

References to “We”, “Us” and “Our”

Where used in this Prospectus, the expressions “we”, “us” and “our” refer to Virgin Australia.

Key Offer Statistics

Offer metrics	
Offer Price ($)	2.90 per Share
Total proceeds under the Offer ($ millions)	685.0
Total proceeds from the issue of the New Share under the Offer ($ millions)[1]	0.0
Total proceeds from the sale of Existing Shares available under the Offer ($ millions)	685.0
Total number of New Shares available under the Offer	1
Total number of Existing Shares to be sold under the Offer (millions)	236.2
Total number of Shares held by the Existing Shareholders on Completion of the Offer (millions)	545.8
Fully Diluted Issued Capital (Shares on issue at Completion of the Offer and certain Share Rights)[2] (millions)	793.9

Capitalisation	
Indicative Market Capitalisation at the Offer Price ($ millions)[3]	2,302.2
Pro forma adjusted net debt ($ millions)[4]	1,318.3
Enterprise Value ($ millions)[5]	3,620.5

Valuation multiples	
Enterprise value / pro forma underlying FY25F EBITDA[6]	3.4x
Enterprise value / pro forma FY25F EBITDA[7]	4.0x
Offer Price / pro forma underlying FY25F net profit per Share[8]	7.0x
Offer Price / pro forma FY25F net profit per Share[9]	10.5x

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1. Cash proceeds received by Virgin Australia relate only to the proceeds from the issue of New Shares under the Broker Firm Offer, the Priority Offer, and the Institutional Offer.
2. Total number of Shares on issue at Completion of the Offer comprises 731.8 million Shares on issue before the Offer, 1 New Share to be issued under the Offer together with 50.2 million Shares held by Management and former members of management under the Legacy Incentive Scheme (after reclassification of A Class Shares to Shares as described in Section 6.3.4.2). Fully Diluted Issued Capital includes Shares on issue at Completion of the Offer plus approximately 8.4 million Share Rights that are to be issued to certain Virgin Australia employees as VA Take-Off Grants (assuming that no eligible employees opts-out of receiving their VA Take-Off Grant) and 3.4 million Share Rights that will be issued to certain members of Management in connection with their employment relationship (see Section 6.3.4.6 and 6.3.4.7 for further details). Although the Share Rights to be issued under the VA Take-Off Grant are included in the Fully Diluted Issued Capital at Completion, it is expected that the actual grant of Share Rights under the Take-Off Grant will happen shortly after Completion.
3. Indicative market capitalisation is calculated as the Offer Price multiplied by Fully Diluted Issued Capital.
4. Pro forma net debt is calculated as total interest-bearing liabilities less estimated cash and cash equivalents and term deposits at bank of at 31st December 2024 (see Section 4.7.3 for further details).
5. Enterprise value is calculated as the sum of indicative market capitalisation of Virgin Australia at the Offer Price and pro forma adjusted net debt (see Section 4.7.3 for further details).
6. The Enterprise value / Pro Forma Underlying EBITDA ratio is calculated as the enterprise value (based on the Offer Price) divided by Pro Forma underlying FY25F EBITDA (see Sections 4.2.4.1 for an explanation of Underlying EBITDA, which excludes Significant Items as discussed in Section 4.2.2). See also Sections 4.12.1 and 4.12.2 for a discussion of the assumptions underlying the Forecast Financial Information and Section 4.14 for a sensitivity analysis of the Forecast Financial Information.
7. The Enterprise value / Pro Forma EBITDA ratio is calculated as the enterprise value (based on the Offer Price) divided by Pro Forma FY25F EBITDA. See also Sections 4.12.1 and 4.12.2 for a discussion of the assumptions underlying the Forecast Financial Information and Section 4.14 for a sensitivity analysis of the Forecast Financial Information.
8. This ratio is commonly referred to as a “P/E” or “price/earnings ratio”. The P/E or price/earnings ratio is calculated as the price per Share (based on the Offer Price) divided by Pro Forma underlying FY25F net profit (refer Section 4.2.4.1 for an explanation of Underlying net profit, which excludes Significant Items as discussed in Section 4.2.2) divided by Fully Diluted Issued Capital (see footnote 2 above). See also Sections 4.12.1 and 4.12.2 for a discussion of the assumptions underlying the Forecast Financial Information and Section 4.14 for a sensitivity analysis of the Forecast Financial Information.
9. This ratio is commonly referred to as a “P/E” or “price/earnings ratio”. The P/E or price/earnings ratio is calculated as the price per Share (based on the Offer Price) divided by Pro Forma FY25F net profit per Share, respectively divided by Fully Diluted Issued Capital. See Sections 4.12.1 and 4.12.2 for a discussion of the assumptions underlying the Forecast Financial Information and Section 4.14 for a sensitivity analysis of the Forecast Financial Information.

Letter from the Chairman

6 June 2025

Dear Investor,

On behalf of our Board of Directors, I am pleased to offer you the opportunity to become a Shareholder in Virgin Australia Holdings Limited (the **Company**, and together with its consolidated entities, **Virgin Australia**).

Virgin Australia is the second largest airline group operating in the structurally attractive Australian aviation market. With a focus on delivering great value and choice to customers, Virgin Australia's ambition is to be the most loved airline in Australia, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety.

Virgin Australia operates a fleet of more than 100 aircraft on 76 routes to 38 destinations[1] across its domestic and short-haul international (**SHI**)[2] business. Additionally, we have a world class suite of international airline partners which provide a comprehensive 'capital light' long-haul international (**LHI**)[3] network enabling Virgin Australia's customers to fly to over 650 destinations globally. Virgin Australia's partnership network has recently been further strengthened by entering an integrated alliance with Qatar Airways, under which Virgin Australia will operate new LHI services between Australia and Doha under a wet lease arrangement.[4] Qatar Airways Group also recently acquired 25% of the equity of the Company.[5]

Virgin Australia's airline business is supported by Velocity, Virgin Australia's award-winning loyalty program[6] with approximately 80 commercial partners and approximately 13 million members,[7] making it one of the largest loyalty programs in Australia.[8] Velocity is an important source of revenue for Virgin Australia as well as a key element in enhancing our customer's experience and, in turn, their loyalty to Virgin Australia's airline.

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[1] As at 31 December 2024. Excludes Cairns-Haneda route which ceased in February 2025.

[2] SHI refers to short international flights that are usually between neighbouring or nearby countries and typically operated using narrow-body aircraft.

[3] LHI refers to long distance international flights often connecting different continents and typically operated using wide-body aircraft.

[4] A wet lease arrangement refers to a leasing arrangement where an airline (the lessor) provides an aircraft along with crew, maintenance, and insurance services to another airline (the lessee), for consideration. Under a wet lease, the aircraft operates under the lessor's Air Operator Certificate (AOC), and the lessor retains operational control of the flight. On 28 March 2025, the ACCC issued a final determination granting authorisation of this integrated alliance for a period of 5 years, until 28 March 2030.

[5] As at the Original Prospectus Date, BC Hart currently holds 75% of the Shares on issue while Qatar Airways Group holds 25% of the Shares on Issue. Class A Shares in the Company will be converted to Shares before Completion. See Sections 6.3.4.2 and 7.1.4 for more information.

[6] Velocity was recognised as having Best Redemption Ability for eight consecutive years by the Freddie Awards (2013 to 2020 inclusive).

[7] As at 31 December 2024.

[8] By number of members.

Virgin Australia was co-founded in 2000 by Brett Godfrey and Rob Sherrard, with start-up capital from Sir Richard Branson, as Virgin Blue. Since then, the business has undergone significant change, including more recently its acquisition by Bain Capital out of voluntary administration in 2020 and the transformation which commenced during the administration process and has continued since.

The administration process and the new Shareholder's support following this difficult period have since allowed us to reset the business, remove underperforming parts of the business such as Tigerair Australia, freight and the dedicated LHI business and renew our focus on our core domestic and targeted SHI business. We have transformed the major parts of the business including our commercial and operational model. Part of removing complexity from the business included moving to a more simplified and modern fleet consisting primarily of Boeing 737 aircraft, providing a number of operational benefits including network flexibility, reduced maintenance and aircraft order costs, and more efficient pilot and cabin crew training. We have reset the balance sheet to pursue growth without compromising our financial strength and applied financial discipline throughout the business.

This transformation has been overseen by a strong and proven management team, now led by Dave Emerson, who has been intimately involved in the revitalisation of Virgin Australia. The Board believes that Dave and his team have the experience, skills and passion to continue delivering exceptional results as the business enters its next phase.

Having already made significant strides in Virgin Australia's transformation and gaining an average 32% domestic RPT[9] capacity market share in CY24,[10] Virgin Australia believes it is now appropriate for the business to transition to being a publicly listed company. This provides an opportunity for others to invest in Virgin Australia and share in its profits and growth.

On Completion, investors participating in the Offer are expected to hold 30% of the Shares, with the remainder being held by Existing Shareholders. As set out in Section 7.9, certain Existing Shareholders ongoing holdings will be subject to pre-agreed Escrow Arrangements.

This Prospectus contains detailed information about the Offer, Virgin Australia's business, the industry in which Virgin Australia operates and its forecast and historical information. An investment in Virgin Australia is subject to a range of risks both within and outside of its control, including risks arising from an increase in competition and other actions of its competitors (including its major competitor that is a larger operator), a failure to execute its growth strategy and meet its forecasts, increased fuel prices and fluctuations in exchange rates, a decline in economic conditions and risks from the impact of recent increases in tariffs, a failure to attract new and retain existing customers, the occurrence of major safety or security incidents and climate risks (both physical risks and also risks which arise from the transition to a low carbon economy). Section 5 contains further details on these and other risks of investing in Virgin Australia. Please read this Prospectus carefully, and in its entirety, before deciding to invest in the Company.

On behalf of the Board of Directors, I look forward to welcoming you as a Virgin Australia Shareholder.

Peter Warne
Independent Non-Executive Chairman
Virgin Australia

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[9] RPT refers to regular passenger transport, meaning scheduled passenger transport services operated for the public on fixed routes and timetables (in contrast to charter services).

[10] Diio Mi. As measured by published ASK in CY24. Virgin Australia's capacity market share increased to 33% for H2CY24 following the voluntary administration of Regional Express Holdings (**Rex**). Refer to Section 2.2.6 for additional information regarding the competitive landscape.

01

Investment Overview

1.1 Introduction

Topic	Summary
Who is Virgin Australia and what does it do?	Virgin Australia is Australia's second largest airline group, providing domestic and international travel services to millions of Australian and international customers each year. With a fleet of 104 aircraft,[1] VA Airlines flies a regular public transport (**RPT**) network of 76 routes[2] across domestic and SHI locations. In addition, Virgin Australia Regional Airlines (**VARA**) operates a leading charter[3] business primarily across remote and regional Western Australia that services major resources, energy and government clients with fly-in fly-out operations. Virgin Australia's extensive flight network is supported by Velocity, Virgin Australia's award-winning loyalty program,[4] that is one of the largest in Australia[5] with approximately 13 million members and a network of approximately 80 commercial partners (including some of the world's leading airlines) and over 300 eStore and Velocity Rewards Store brands.[6] Virgin Australia also works with international airline partners, including Qatar Airways, United Airlines, Singapore Airlines and Air New Zealand amongst others, for limited SHI and comprehensive long-haul reach to support its existing route network. Domestic cargo services are also provided on Virgin Australia's domestic RPT network. Virgin Australia reports across two operating segments, being Airlines (comprising VA Airlines, which primarily operates domestic RPT services and SHI RPT services[7] and VARA, which undertakes the charter business) and Velocity. **For further information, see Section 3.1.**
What is Virgin Australia's history?	Virgin Australia was co-founded in 2000 by Brett Godfrey and Rob Sherrard with start-up capital from Sir Richard Branson as Virgin Blue and has been a key player in the Australian domestic airline market since its inception. In April 2020, following the outbreak of COVID-19, Virgin Australia entered voluntary administration. During administration, Virgin Australia underwent a comprehensive reset of the operating model and cost base which included discontinuing Tigerair Australia, dedicated cargo freighters, LHI services[8] and select underperforming SHI routes and simplifying the fleet. Virgin Australia was subsequently acquired by Bain Capital in November 2020. Under Bain Capital's ownership in the period following administration, further business simplification measures were taken, including the commercial model reset with a renewed customer value proposition and the reintroduction of SHI routes to complement Virgin Australia's domestic operations. Virgin Australia also strategically repositioned the business to focus on segments that led the post-COVID-19 recovery, namely the premium leisure, small and medium enterprises (**SMEs**) and value-conscious corporate customer segments. While the business has undergone significant change, Virgin Australia still strives to be the most loved airline in Australia, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety. **For further information, see Section 3.2.**

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[1] As at 31 December 2024. Operational aircraft excluding wet lease lines.

[2] As at 31 December 2024. Excludes Cairns-Haneda route which ceased in February 2025.

[3] Charter services refer to contracted air services primarily where a commercial or government customer hires a whole aircraft (or a block of seats) for their specific needs. For charter services, customers specify the routes, times and capacity required and these services are not generally open to the public (in contrast to RPT services).

[4] Velocity was recognised as having the Best Redemption Ability for eight consecutive years by the Freddie Awards (2013 to 2020 inclusive).

[5] Based on number of members.

[6] Number of members, partners and eStore brands at 31 December 2024.

[7] VA Airlines primarily operates domestic RPT services (through Virgin Australia Airlines Pty Ltd (**VAA**)) and SHI RPT services that will be supported by the limited LHI service arrangement with wet leased aircraft from Qatar Airways (through entities controlled by Virgin Australia International Holdings Pty Ltd (**VAIH**)), alongside its broader international airline partner network. Section 9.3.1 provides an explanation of the structural separation of Virgin Australia's international RPT business from its domestic RPT business.

[8] Including routes to Los Angeles which were discontinued during administration and routes to Hong Kong which were discontinued shortly prior to administration.

Topic	Summary
What is Virgin Australia's route network?	Virgin Australia has a targeted route network focused on core domestic, SHI and charter routes. VA Airlines flies 76 RPT routes[9] across domestic and SHI locations. This includes: • 64 domestic routes across its domestic network of 33 destinations. Virgin Australia had an average domestic RPT capacity market share of 32% in CY24[10]; and • 12 SHI routes across five popular overseas tourist destinations including Fiji (Nadi), Indonesia (Denpasar), Samoa (Apia), Vanuatu (Port Vila) and New Zealand (Queenstown). In addition, VARA operates a leading charter business primarily across remote and regional Western Australia that services major resources, energy and government clients with fly-in fly-out operations. Virgin Australia also operates a 'capital light' LHI network through its strategic alliances and codeshare[11] partnerships with major airlines. Through those arrangements, Virgin Australia is able to provide customers with access to over 650 destinations globally. Virgin Australia will also commence operating one daily flight between each of Sydney, Brisbane, Perth and Melbourne and Doha under a wet lease arrangement with Qatar Airways, with planned commencement dates beginning from June 2025. The wet lease arrangement will enable Virgin Australia to carefully re-enter LHI travel in partnership with a leading global carrier[12] by minimising the complexity and risk to Virgin Australia's core activities, balance sheet and earnings that LHI operations would otherwise entail. While these arrangements with Qatar Airways are expected to generate longer term benefits, the overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material. In addition to its wet lease arrangement with Qatar Airways providing traffic flows to Europe, the Middle East and Africa, Virgin Australia has strategic alliances with the following major international airlines: Singapore Airlines (Asia and the Indian subcontinent), United Airlines (USA), Air Canada (Canada), Air New Zealand (New Zealand) and ANA (Japan). **For further information, see Section 3.5.1.**

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9. As at 31 December 2024. Excludes Cairns-Haneda route which ceased in February 2025.
10. Diio Mi. As measured by published ASKs. Refer to Section 2.2.6 for additional information regarding the competitive landscape.
11. A codeshare refers to a cooperative arrangement between airlines in which an airline (the marketing carrier) sells seats on a flight operated by another airline (the operating carrier) under its own airline designator and flight number. This allows airlines to market and sell seats on each other's services, expanding their network reach and offering passengers more destinations and seamless connections, without additional aircraft deployment.
12. Qatar Airways was awarded "World's Best Airline" by Skytrax in 2024.

1.2 Key features of the industry which Virgin Australia operates

Topic	Summary
What industry does Virgin Australia operate in?	Virgin Australia operates within the following industries: • the Australian domestic airline industry that provides domestic RPT and charter services within Australia; • the Australian international airline industry where SHI and LHI RPT services are provided to and from Australia; and • the Australian loyalty program industry with respect to Velocity. Virgin Australia reports across two operating segments: ***Airlines*** In CY24, the Australian domestic airline industry, including domestic and regional RPT and charter services, generated approximately $19.6 billion[13] of revenue. The Australian domestic airline industry is structurally attractive and unique compared to many countries, given Australia's large geographic size, the long distances between its major capital cities and the lack of fast and efficient alternative modes of transport between them. Australia's busiest domestic routes are primarily concentrated on the east coast, with the routes between Sydney, Melbourne and Brisbane commonly referred to as the "Golden Triangle", and are some of the busiest routes in the world.[14] Given Australia's geographic characteristics as an island continent and the long distances to other major continents, it is heavily reliant on airline travel for inbound and outbound international travel. In 2024, there were 41.4 million international airline passengers departing from or arriving in Australia and this has grown at a CAGR of 3.9% between 2000 to 2024.[15] International travel into and out of Australia is primarily driven by holiday travel, visiting friends and family, business travel and education. International outbound travel from Australia is supported by its proximity to the Asia-Pacific, and its relatively affordable and attractive travel options. ***Velocity*** Through Velocity, Virgin Australia also operates in the loyalty program industry. Airline based loyalty programs have the second highest level of loyalty program engagement amongst Australian consumers at 60%[16], behind supermarkets & grocery stores at 91%[17], and 2 in 3 consumers claim that airline loyalty programs play an important role in their decision making.[18] **For further information, see Sections 2.2, 2.3 and 2.5.**

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13. Based on CY24 revenue from company filings for Qantas Domestic (including QantasLink and Network Aviation), Jetstar (Domestic and International), Virgin Australia Airlines (including Virgin Australia Domestic and International and VARA), and Alliance Aviation. CY23 revenue for Rex has been used given there was no FY24 and 1H FY25 filings for Rex due to the airline entering voluntary administration in July 2024. CY24 domestic airline industry revenue does not account for other smaller and private airlines, including Bonza. Includes international revenue for Virgin Australia and Jetstar as not separately available in accounts.
14. Diio Mi; December 2024. Sydney – Melbourne route ranked #2 globally by number of flights per annum.
15. Bureau of Infrastructure, Transport and Research Economics (**BITRE**); International Airline Activity – Time Series.
16. ALA Annual Loyalty Insights Report August 2024.
17. ALA Annual Loyalty Insights Report August 2024.
18. ALA Annual Loyalty Insights Report August 2024.

Topic	Summary
Who are Virgin Australia's key competitors?	***Airlines*** Virgin Australia, Qantas and Jetstar (part of Qantas Group) are the three largest airlines that service the Australian domestic airline market, and all together accounted for approximately 95% of the domestic RPT capacity market share for CY24.[19] The remaining approximately 5% comprises of other smaller operators, including Rex, which entered voluntary administration in July 2024 and withdrew from major RPT routes. The Australian international airline market is serviced by Virgin Australia, Qantas and Jetstar in addition to a broad range of international airlines, many of which are partner airlines with Virgin Australia or the Qantas Group. There are 64 passenger airlines that operate international RPT passenger services to and from Australia.[20] ***Velocity*** Loyalty programs are widespread in Australia with over 120 programs across 10 industries including supermarkets, airlines, fuel, fashion, entertainment, banking/credit cards, hotels and car hire, among others.[21] Velocity and Qantas Frequent Flyer (**QFF**) are the two major Australian domestic airline-based loyalty programs and together generated approximately $3.0 billion in revenue in 2024.[22] **For further information, see Sections 2.2.6, 2.3.2 and 2.5.2.**

1.3 Key features of Virgin Australia's business model

Topic	Summary
Who are Virgin Australia's target customers?	Virgin Australia focuses on three core customer segments: premium leisure, SMEs and value-conscious corporates. Virgin Australia believes these target segments are an attractive part of the Australian domestic airline market, with the average fare for each customer segment approximately 20-50% above budget leisure customers. **For further information, see Section 3.5.4.**
What is Virgin Australia's customer value proposition?	Virgin Australia has positioned the airline to appeal to a broad part of the market, offering choice to every Australian flyer. This includes a spectrum of fares ranging from business class to lite fares and multi-cabin configuration (Business, Economy X and Economy) aligned to the needs of its target customers. Virgin Australia's customer value proposition focuses on four key areas: • **service** from staff that are passionate and empowered to make a difference, including award-winning cabin crews and contact centres; • **experiences** which our guests love; • Great **value** experiences, including a repositioned business class, 'lite fares' and Economy X offering; and • **recognition & rewards** including a flexible rewards program. **For further information, see Section 3.5.4.**

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19. Diio Mi, based on published ASKs for CY24.
20. Based on scheduled passenger flights in January 2025 sourced from BITRE 2025, International airline activity, Statistical Report, BITRE Canberra, ACT.
21. Australian Loyalty Association, 2024.
22. Based on Qantas financial statements, Virgin Australia Holdings financial statements and management information.

Topic	Summary
How does Virgin Australia generate revenue and what are its key operating costs?	Within its Airlines operating segment, Virgin Australia generates its revenue from: • **passenger ticket revenue:** revenue from passenger ticket sales for domestic and SHI passenger flight services, including expired tickets and credits; • **ancillary revenue:** revenue generated in association with Airlines passenger revenue. It includes revenue from services such as baggage and change fees, fees for additional legroom, seat selection, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi, third-party ancillary sales (including travel insurance, hotels and other partner sales) and commission revenue from interline/codeshare ticket sales; • **charter revenue**: revenue derived from providing dedicated charter flying services to major resources, energy and government clients through VARA; • **freight revenue:** revenue derived from freight (including cargo and animals) on domestic flights; and • **Reimbursement revenue:** from June 2025, revenue to reimburse Virgin Australia from costs incurred by the Airlines segment on behalf of Qatar Airways related to flights operated by Virgin Australia under the wet lease with Qatar Airways. The overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material. Through its Velocity operating segment, the Company generates revenue from an expanding network of approximately 80 commercial partners and 300 eStore and Velocity Rewards Store brands, for the rights to have loyalty points allocated to members of the Velocity Frequent Flyer Program when a member makes a qualifying transaction. Virgin Australia's key costs primarily comprise aircraft fuel, airport fees, employee costs and maintenance and engineering costs. **For further information, see Sections 4.11.1 and 4.11.2.**
What is Virgin Australia's approach to sustainability-related risks and opportunities within its business model?	Virgin Australia's ambition is to be Australia's most loved airline, with sustainability embedded at the core of the business. Virgin Australia has a Sustainability Strategy designed to help direct financial and resourcing investments to be the most efficient and impactful in achieving the airline's sustainability goals. These goals are across the key focus areas of climate change, waste, people, safety and wellbeing, and cybersecurity and privacy. Within climate-change related goals, Virgin Australia actively identifies, assesses and manages climate-related risks and opportunities and incorporates these considerations into its sustainability strategy and business model. **See Sections 3.10, 4.9.2, 5.2.17 – 5.2.20 and 9.12.**

1.4 Financial information

Topic | **Summary**

What is Virgin Australia's pro forma and statutory historical and forecast financial performance?

A selected summary of Virgin Australia's financial information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the discussion of the assumptions and sensitivity analysis, as well as the key risks set out in Section 5.

Summary of Historical and Forecast Financial Information

Pro Forma Historical and Forecast Income Statements

	PF Historical		PF Forecast
A$ millions	FY23	FY24	FY25F
Underlying revenue and income[23]	5,011	5,353	5,804
Underlying EBITDA[24]	722	830	1,059
Underlying EBITDA margin[25]	*14.4%*	*15.5%*	*18.2%*
Underlying EBIT[26]	426	501	644
Underlying EBIT margin[27]	*8.5%*	*9.4%*	*11.1%*
Underlying net profit[28]	223	259	331
Underlying net profit margin[29]	*4.5%*	*4.8%*	*5.7%*

The Pro Forma Financial Information presented in the table above and within this Prospectus shows financial information on an underlying basis, separately identifying significant items that are considered to be transformational or outside of Virgin Australia's normal operating activities, together with foreign exchange revaluation gains and losses on USD denominated aircraft lease liabilities. The key components of significant items are set out below (collectively, **Significant Items**):

- **Restructuring and transformation costs:** restructuring costs incurred on the Transformation Program to deliver various transformation initiatives being pursued by the business which are considered transformational or outside of Virgin Australia's normal operating activities and one-off in nature. Further details of these initiatives are discussed in Section 3.4.

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23. **Underlying revenue and income** represents revenue and income before Significant Items. Management uses underlying revenue and income as a measure to evaluate the operating performance of the business before the impact of Significant Items.
24. **EBITDA** is profit before net finance costs, tax, depreciation and amortisation. EBITDA excludes the cost of leases recognised on-balance sheet in accordance with AASB 16 Leases (for which depreciation and interest expense is incurred) but includes the cost of variable lease costs. Management uses EBITDA to evaluate the operating performance of the business before the impact of depreciation and amortisation, interest and tax charges, which are significantly affected by Virgin Australia's capital structure and historical tax position. **Underlying EBITDA** represents EBITDA before Significant Items. Management uses underlying EBITDA to evaluate the operating performance of the business before the non-cash impact of depreciation and amortisation, interest and tax charges which are significantly affected by Virgin Australia's capital structure and historical tax position, and before Significant Items.
25. **Underlying EBITDA margin (%)** represents underlying EBITDA divided by underlying revenue and income and is expressed as a percentage. Management uses underlying EBITDA margin as a measure to evaluate the profitability of the overall business and its business segments before Significant Items.
26. **EBIT** is equal to profit before net finance costs and tax. Management believes that EBIT is useful to help understand the performance of the business independently of its financing arrangements and the impacts of tax. However, EBIT should not be considered as an alternative to net cash flow from operating activities because it does not reflect actual cash movements or movements in adjusted net working capital. **Underlying EBIT** represents EBIT before Significant Items. Management uses underlying EBIT for the purposes of assessing the performance of Virgin Australia. Management believes that underlying EBIT is useful to help understand the performance of the business and independently of its financing arrangements, impacts of tax, and Significant Items. However, underlying EBIT should not be considered as an alternative to net cash flow from operating activities because it does not reflect actual cash movements or movements in adjusted net working capital.
27. **Underlying EBIT margin (%)** represents underlying EBIT divided by underlying revenue and income and is expressed as a percentage. Management uses underlying EBIT margin as a measure to evaluate the profitability of the overall business and its business segments before Significant Items.
28. **Underlying net profit** before tax represents net profit before tax and Significant Items. Management uses underlying net profit before tax to evaluate the profitability of the business excluding Significant Items.
29. **Underlying net profit margin (%)** represents underlying net profit divided by underlying revenue and income and is expressed as a percentage. Management uses underlying net profit margin as a measure to evaluate the overall profitability of the business excluding Significant Items when taking into account its financing arrangements and impacts of tax.

Topic	Summary
What is Virgin Australia's pro forma and statutory historical and forecast financial performance? *continued*	

- **IT transformation projects:** costs related to Virgin Australia's technology investment program designed to enable Virgin Australia's transformation, focusing on modern commercial technology that supports efficient competition and enhanced customer, member and partner experiences. In addition to building its technology capabilities, Virgin Australia's technology investments have also replaced and enhanced underinvested infrastructure that had not been prioritised by the company pre administration, limiting Virgin Australia's potential. Any IT costs that are transformational in nature and not part of the ordinary recurring IT expenditure of Virgin Australia is classified as a Significant Item. Further details of these projects are discussed in Section 3.4 and 3.9.
- **Impairment of assets and accelerated depreciation:** legacy Fokker 100 aircraft used by VARA are being depreciated on an accelerated basis ahead of their retirement by December 2025.
- **Foreign exchange revaluation on aircraft leases:** realised and unrealised gains and losses on the revaluation of USD denominated aircraft lease liabilities.
- **Other:** predominantly comprises legal costs and other smaller non-recurring expenses.
- **Tax impact of Significant Items:** tax effect of the Significant Items listed above.

Note that there are certain Significant Items reported in the Historical Financial Statements that are the subject of a pro forma adjustment in the Prospectus and therefore are excluded from the list of Significant Items in the Pro Forma Historical Financial Information. These include the expiry of pre administration future flight credits and IPO planning and preparation costs.

Statutory Historical and Forecast Income Statements

	Historical		Forecast
A$ millions	FY23	FY24	FY25F
Revenue and income	5,011	5,634	5,804
EBITDA	549	1,024	780
EBIT	241	683	352
Net profit	129	545	429

Virgin Australia has also undertaken preliminary forecasts on the impact of sustainability-related risks and opportunities on its performance and strategy and continues to pursue opportunities to increase fuel efficiencies and reduce operational costs (see Section 5.2.18 for further details).

For further information, see Sections 4.2.2, 4.3.1, 4.3.3 and 4.2.4.1.

Topic | **Summary**

What are Virgin Australia's key pro forma and statutory historical and forecast operating and financial metrics?

Virgin Australia Key Pro Forma and Statutory Operating and Financial Metrics

A$ millions	FY23	FY24	FY25F
Airlines			
Operating Metrics			
Passengers carried (m)	18.9	19.2	20.8
ASK (m)	30,030	32,374	33,630
Load factor (%)	84.0	83.0	85.5
RASK (cents per ASK)	16.2	15.9	16.5
CASK (cents per ASK)	15.1	14.7	15.0
Financial Metrics			
% Pro forma underlying EBIT margin	7.2%	7.3%	9.2%
% Statutory underlying EBIT margin	7.4%	7.6%	9.4%
Velocity			
Operating Metrics			
Member numbers at period end (m)	11.5	12.3	13.3
Financial Metrics			
% Pro forma underlying EBIT margin	23.4%	28.2%	27.6%
% Statutory underlying EBIT margin	23.4%	28.2%	27.6%

For further information, see Section 4.5.

How does Virgin Australia fund its business operations?

Virgin Australia's principal sources of liquidity are cash flows from operations, cash on balance sheet and borrowings from its banking facilities.

As at 31 December 2024, on a pro forma basis Virgin Australia's liquidity is as follows:

Pro forma as at 31 December 2024	$m
Cash and cash equivalents	1,003[30]
Term deposits at bank	68[31]
Undrawn committed facility	344
Total cash and undrawn facility	**1,415**

This information must be read together with the additional details contained in Section 4.7.5.

For further information, see Section 4.7.5.

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[30] Corresponds to $1,081 million on a statutory basis (see Section 4.7.5).

[31] Corresponds to $68 million on a statutory basis (see Section 4.7.5).

<table>
<tr><th>Topic</th><th>Summary</th></tr>
<tr><td>What is Virgin Australia’s financial indebtedness position?</td><td>
<p>A selected summary of Virgin Australia’s indebtedness is set out below.</p>
<h3>Summary of indebtedness as at 31 December 2024</h3>
<table>
<tr><th>A$ million</th><th>Statutory Historical</th><th>Pro Forma Historical</th></tr>
<tr><td>Total interest-bearing liabilities and lease liabilities</td><td>(2,389)</td><td>(2,389)</td></tr>
<tr><td>Total cash and cash equivalents and term deposits at bank</td><td>1,149</td><td>1,071</td></tr>
<tr><td>Total adjusted net cash/(debt)</td><td>(1,241)</td><td>(1,318)</td></tr>
<tr><td colspan="2">Adjusted net debt/pro forma Underlying FY25F EBITDA</td><td>1.24x</td></tr>
</table>
<p>Following or shortly after Completion of the Offer[32], Virgin Australia will have access to the $500 million New Corporate Facility, of which $156 million will be drawn down and used to repay the QIC Loan of $146 million and fund related borrowing costs of $10 million, with remaining undrawn capacity of $344 million being available to support Virgin Australia’s liquidity and general corporate purposes.</p>
<p>For further information, see Section 4.7.3.</p>
</td></tr>
<tr><td>What is Virgin Australia’s capital allocation framework?</td><td>
<p>Virgin Australia’s Capital Allocation Framework comprises the following three components.</p>

Prioritising the balance sheet by maintaining adjusted net debt with a long term ~1.0–2.0x underlying EBITDA target range and business as usual requirements in operations and maintenance capital expenditure.
Excess cash investment into growth opportunities where the expected ROIC is expected to be greater than Virgin Australia’s WACC through the cycle.
Surplus cash returned to shareholders.

<p>For further information, see Section 4.9.2.</p>
</td></tr>
<tr><td>What is Virgin Australia’s dividend policy?</td><td>
<p>No decision has been made by the Directors as to whether to pay any dividend in relation to FY25F or any future financial period.</p>
<p>The payment of future dividends will be determined through an application of the Capital Allocation Framework.</p>
<p>The payment of dividends by the Company, if any, subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to earnings, net asset position, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, and any other factors that the Directors may consider to be relevant.</p>
<p>For further information, see Section 4.9.1.</p>
</td></tr>
</table>

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[32] See Section 9.6.1 for further details.

1.5 Investment Highlights

Topic	Summary
Australia's second-largest airline group with an iconic brand and an attractive, refreshed customer value proposition	Virgin Australia is Australia's second-largest airline group, with a rich history in the Australian domestic market since its inception in 2000. The business has been reinvigorated through a comprehensive strategy reset, becoming a simpler, resilient and more focused airline with a disciplined approach to value creation. Virgin Australia's positioning as a value carrier is highly relevant to its core customer segments, which appreciate great value for money and choice. In delivering its customer value proposition, Virgin Australia has been recognised for many awards, including: • World's Best Cabin Crew by AirlineRatings.com for 7 years running (2019-2025)[33] • Most Trusted Travel & Tourism Brand in Australia (Roy Morgan 2023-2024)[34] • 3rd Best Hybrid Airline in the World by AirlineRatings.com (2025)[35] • World's Best Regional Airline by AirlineRatings.com (2024-2025)[36] • Top 100 airline by Skytrax (2011-2024)[37] The strength of Virgin Australia's customer value proposition is further evidenced by its Net Promoter Score (**NPS**)[38] which is strong and in line with a full-service carrier. **For further information, see Sections 3.1, 3.3 and 3.5.4.**
Operating in the structurally-attractive Australian aviation market	The Australian domestic airline industry is structurally attractive given Australia's large geographic size, long distances between its major capital cities and the lack of fast and efficient alternative modes of transport between them. This makes Australia's domestic airline market unique compared to many other countries. The routes between Sydney, Melbourne and Brisbane are commonly referred to as the 'Golden Triangle' and are some of the busiest routes in the world. The route between Sydney and Melbourne is the second busiest domestic aviation route globally.[39] From 2000 to 2024, domestic volumes measured in Revenue Passenger Kilometres (**RPKs**), being the number of kilometres travelled by paying airline passengers, grew at a CAGR of 3.2%, outpacing GDP growth (measured by CAGR) of 2.7% over the same period.[40] **For further information, see Sections 2.2.1 and 2.2.2.**

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[33] https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

[34] https://www.roymorgan.com/findings/9752-trusted-brand-awards-2024-key-brand-winners.

[35] https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

[36] https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

[37] https://www.worldairlineawards.com/worlds-top-100-airlines-2024/.

[38] Net Promoter Score (NPS) is based on a monthly market survey of 1,000 Australian travellers per month who have flown domestically within the 12 months, or intend to do so within the next 6 months. Respondents are asked to rate their likelihood to recommend each domestic airline that they have flown with in the prior 12 months.

[39] Diio Mi, December 2024.

[40] Australian Bureau of Statistics. Australian National Accounts: National Income, Expenditure and Product. https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release#data-downloads. 'Gross Domestic Product: Chain Volume Measures' (December 2000 – December 2024).

Topic	Summary
Complementary Velocity loyalty program with strong cash flow generation, low capital intensity and significant room to grow	There are a number of different types of loyalty programs in Australia, each with differing partner and member value propositions. Loyalty program types include airline coalitions (for example, Velocity), supermarket coalitions (for example, Flybuys) and stand-alone schemes (for example, Myer One). Consumers can be members of multiple programs. Airline-based loyalty programs in Australia are sought after by consumers given the perceived value and aspirational nature of travel rewards. In management's opinion, airline loyalty points are the most aspirational loyalty currency for members to be engaged with, compared with other loyalty or customer acquisition channels. Velocity is Virgin Australia's award-winning loyalty program, one of the largest in Australia[41] with approximately 13 million members and a network of approximately 80 commercial partners and over 300 eStore and Velocity Rewards Store brands. Over FY14 to H1FY25, Velocity membership has grown significantly at a CAGR of approximately 11%. Velocity is a high margin, capital-light and cash generative business. The loyalty business model allows Velocity to receive full cash proceeds when Velocity Points are issued,[42] generating upfront margins and investment revenue on total cash received. Velocity further benefits from low trade working capital and capital expenditure requirements. The resilience of this business model enabled Velocity to not go into administration in 2020, in contrast to the Airlines business. Velocity generated a pro forma underlying EBIT margin of 28.2% in FY24.[43] The Airlines and Velocity segments have a synergistic relationship with Velocity driving loyalty to the Airlines, and the Airlines providing attractive benefits and rewards for Velocity members. **For further information, see Sections 2.5 and 3.6.**
VARA has been recognised as the 'World's Best Regional Airline'[44]	VARA is a charter business operating across remote and regional Western Australia, primarily servicing government and major resources and energy clients. VARA provides a stable, defensive earnings profile underpinned by long-tenure customers with a track record of renewals. The business has a typical contract length of 3-5 years and has a relationship of over 10 years with its top two customers by revenue. VARA's growth is expected to be supported by eight new Embraer E2 aircraft with a scheduled delivery starting from October 2025 which will replace VARA's Fokker F100s and is expected to enable capability for Virgin Australia to increase flights in the 100-seat segment, including options for customers to fly direct into the Pilbara from the east coast of Australia. **For further information, see Section 3.1.1.2.**

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[41] Based on number of members.

[42] Only a portion of this cash amount is recognised immediately as revenue. The revenue recognised upfront is the difference between the amount billed to the partner for the Velocity Points issued and the average projected costs of redemptions adjusted for the number of Velocity Points likely to be redeemed (i.e., standalone selling price). The value of the standalone selling price is deferred as a liability on the balance sheet until Velocity Points are redeemed by members.

[43] Corresponds to statutory underlying EBIT margin of 28.2%.

[44] Airline.Ratings.com 'World's Best Airline Awards (2025).

Topic	Summary
Virgin Australia has undergone a significant cost and revenue transformation resulting in substantially improved margins, executed by an experienced leadership team	Through a successful and ongoing transformation program (**Transformation Program**), Virgin Australia has substantially improved its EBIT margin (focused on revenue, cost, and Velocity initiatives). During the administration period, a number of key cost initiatives were undertaken to position Virgin Australia as a stronger and more focused airline, including discontinuing the underperforming Tigerair Australia, dedicated cargo freighter, LHI routes and select underperforming SHI services and simplifying the fleet from seven aircraft types in 2019 to only three aircraft types as at 31 December 2024, exiting and renegotiating over 500 onerous contracts, and resetting the enterprise bargaining agreements (**EBAs**) and Virgin Australia's organisational structure, including reductions in underlying head office full time equivalent employees (**FTEs**). Following administration and Bain Capital's acquisition in November 2020, significant investments were made in Virgin Australia's people, processes and systems to reset the commercial model, underpinned by a strategic repositioning of the business to focus on segments that led the post-COVID recovery, namely premium leisure, SMEs and value-conscious corporates. Initiatives included • reintroducing certain SHI routes to complement Virgin Australia's domestic operations; • optimising pricing through fare unbundling;[45] • driving innovation in ancillary offerings through new product development and digital enhancements; • investing in the brand underpinned by "Virgin Flair" aligned to the new market positioning; • implementing a comprehensive technology investment by replacing and modernising end of life technology systems and significantly improving the technology capability of the business; • improving the user interface and user experience (**UI/UX**) on Virgin Australia's website and mobile app, implementing advanced technologies (including Customer Data Platform and Revenue Optimisation and Dynamic Availability[46]); and • launching the Virgin Australia Business Flyer (**VABF**) program and corporate dealing model.[47] Alongside the improvement in travel demand and favourable trading conditions, the transformation initiatives undertaken as part of the Transformation Program from administration to FY23 (as noted above) contributed to a significant improvement in Virgin Australia's underlying EBIT margin from 2.9% in FY19[48] (prior to Bain Capital ownership) to 8.5% in FY23 on a proforma basis.[49]

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[45] Fare unbundling refers to the separation of services (for example meals, checked baggage and seat selection) with customers able to purchase each service individually.

[46] Core airline inventory management system allocating number of seats to price points based on forecasted demand, with capability to react to market dynamics.

[47] Corporate dealing model refers to a framework used by an airline to manage commercial relationships with corporate customers and travel management companies. It typically includes negotiated fare discounts and other benefits designed to attract and retain business travellers.

[48] FY19 reflects adjustments to EBIT to align with current accounting policies of Virgin Australia, including the adoption of AASB16 Lease.

[49] Corresponds to a statutory loss in FY19 and a statutory EBIT margin of 4.8% and a statutory net profit margin of 2.6% in FY23.

Topic	Summary
Virgin Australia has undergone a significant cost and revenue transformation resulting in substantially improved margins, executed by an experienced leadership team *continued*	The current phase of the Transformation Program commenced in FY24 and focuses on revenue, cost and Velocity initiatives. Over FY24, Virgin Australia achieved more than $250 million of gross transformation benefits[50] which exceeded management's initial target of approximately $215 million and contributed to Virgin Australia's pro forma underlying EBIT margin expansion from 8.5% in FY23 to 9.4% in FY24.[51] Virgin Australia's pro forma underlying EBIT margin is further expected to increase to 11.1% in FY25F.[52] Additionally, Virgin Australia's pro forma underlying net profit margin is expected to be 5.7% for FY25F.[53] Virgin Australia's Transformation Program is embedded throughout the business, embracing a culture of continual innovation and finding better ways to operate, while enhancing the customer experience. The Transformation Program is overseen by Virgin Australia's strategy function, with established teams and processes to manage execution and track delivery of performance against initial targets. Virgin Australia's strategy function is also responsible for continuously building out the pipeline of future transformation initiatives. The Transformation Program has been executed by a leadership team with deep industry expertise. **For further information, see Section 3.4.**
Simplified fleet with family of Boeing 737 aircraft at its core, allowing for optimisation of route network	One of the key transformation initiatives implemented by Virgin Australia since November 2020 was fleet simplification to develop a sustainable cost reduction. The business has simplified its fleet from seven aircraft types in 2019 to only three aircraft types across VA Airlines and VARA,[54] with the Boeing 737 aircraft family now at the core of Virgin Australia's simplified fleet. Virgin Australia plans to further simplify its fleet to two narrowbody aircraft types,[55] with the Boeing 737 and Embraer E2 aircraft families covering domestic, SHI and regional charter requirements across VA Airlines and VARA. Virgin Australia believes this will continue to drive cost savings through increased scale, scheduling flexibility, reduced operational complexity, and minimised costs associated with training, spare parts and maintenance. **For further information, see Section 3.5.2.**
Reset to a conservative balance sheet with financial discipline applied throughout the business	As part of repositioning the business for the future, Virgin Australia has reset its balance sheet to pursue growth without compromising its financial strength. Post-voluntary administration, adjusted net debt was reduced from $4,247 million as at 31 December 2019 to $1,318 million[56] on a pro forma basis as at 31 December 2024, representing an adjusted net debt to pro forma underlying FY25F EBITDA of 1.24x.[57] Virgin Australia's operational decision making is informed by the desire to achieve strong financial returns for shareholders. Virgin Australia is also focused on responsible growth, applying a disciplined financial approach to its capital investment decisions and throughout the business. **For further information, see Section 3.4.4.**

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[50] Gross transformation benefits are stated before the impact of cost escalation, one-off implementation costs, and potential competitive actions on Virgin Australia's operations and their associated impact on Virgin Australia's revenue and contribution to profitability. The net earnings impact from gross transformation benefits are reduced by one-off implementation costs, potential competitor or market-based impacts on Virgin Australia's revenue, and cost escalation, where higher cost escalation incurred can erode benefits to EBIT margin to the extent that those higher costs cannot be passed on in the form of higher prices. For these reasons, transformation benefits are not guaranteed to translate into profit and the extent to which they do so may not be predicted in advance.

[51] Corresponds to a 4.8% statutory EBIT margin in FY23 to 12.1% statutory EBIT margin in FY24, and from a statutory net profit margin of 2.6% in FY23 to a statutory net profit margin of 9.7% in FY24.

[52] Corresponds to a statutory EBIT margin of 6.1%. Forecast Financial Information is set out in Section 4.12.

[53] Corresponds to a statutory net profit margin of 7.4%.

[54] As at 31 December 2024.

[55] Narrow-body aircraft refers to a single-aisle aircraft typically used for short-haul flights.

[56] Corresponds to a statutory adjusted net debt of $1,241 million.

[57] Corresponds to a statutory net debt to underlying FY25F EBITDA of 1.16x.

Topic	Summary
Multiple strategic drivers for further growth, including further transformation initiatives	There are multiple strategic drivers for future growth and upside across Virgin Australia, including key transformation levers as part of Virgin Australia's current Transformation Program. The current phase of the Transformation Program commenced in FY24 with fully planned and costed initiatives to December 2026, focusing on revenue, cost and Velocity initiatives. The Transformation Program is targeted at delivering benefits to enable Virgin Australia to offset the impacts of inflation, support further incremental EBIT margin accretion, and enhance Virgin Australia's competitive position. **Segment Growth** Virgin Australia is focused on growing its Available Seat Kilometres (**ASK**) and passenger numbers in line with Australian GDP and the broader Australian airline market which over the period of 2000 to 2024 delivered an RPK CAGR of approximately 3.2%. Virgin Australia has two primary levers for executing on this growth, being net fleet growth through a combination of selected lease renewals and new fleet deliveries of Boeing 737-8s, Boeing 737-10s and Embraer E2 aircraft and execution on transformation initiatives (described below) to increase both the utilisation and seat density of its existing fleet. **SHI and VARA Growth** Virgin Australia continuously monitors and evaluates the SHI market for new, financially accretive opportunities. Similarly, Virgin Australia is also focused on growth opportunities for VARA in the resources sector in Western Australia, including as Australia's commodity exports grow which are expected to lead to VARA's existing customers (many with long-term relationships with VARA) to continue investing in new and upgraded mines, creating opportunities for VARA to increase market share as a comprehensive service provider with an extensive network. **Benefits and Synergies from Deeper Airline Partnerships** Virgin Australia's partnerships with major international airlines, such as Qatar Airways, United Airlines and Singapore Airlines enable Virgin Australia to drive airline revenue, secure traffic on its domestic network and deepen loyalty to Virgin Australia through the Velocity program. The recent Qatar Airways Group investment and broader partnership will add four new LHI services and provides customers with convenient access to over 170 destinations worldwide on Qatar Airway's network (see Section 3.5.1.4). This enhanced Qatar Airways relationship is expected to generate longer term benefits through enhanced feeder traffic into Virgin Australia's domestic and SHI routes, which unlocks additional revenue for Virgin Australia, while also creating cost synergies through collaboration in procurement. While these arrangements with Qatar Airways are expected to generate longer term benefits, the overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material.

Topic	Summary
Multiple strategic drivers for further growth, including further transformation initiatives *continued*	**Transformation Program** The current phase of the Transformation Program commenced in FY24, and focuses on revenue, cost and Velocity initiatives. Each of the following revenue, cost and Velocity initiatives is fully planned and costed through to December 2026. **Revenue initiatives** that include: • increasing share of high value customers across both cost-conscious corporates and SMEs; • capturing greater willingness to pay from customers; and • upselling ancillary products. **Cost initiatives** that include: • delivering operational excellence including productivity improvement initiatives across operations working groups and extracting optimisations in key areas such as jet fuel usage; • enabling fleet transformation through ongoing simplification of the fleet as well as improved seat densification to drive enhanced fuel efficiency and increase capacity and revenue, while also substantially reducing Cost of Available Seat Kilometre (**CASK**)[58] of the flights that it operates; and • optimising cost of sales, cost to serve and overheads. **Velocity initiatives** that include: • measures to drive deeper loyalty to VA Airlines by reviewing and continually enhancing its program design to remain relevant in the current market and remain economically sustainable for the long term; • growing and more deeply engaging its active member base; and • expanding its partner coalition. **For further information, see Section 3.8.**
Integrated alliance with Qatar Airways, including commercial co-operation agreement, and equity investment by Qatar Airways Group	In March 2025 Qatar Airways Group completed its acquisition of a 25% stake in Virgin Australia. In addition, Virgin Australia established a deeper, integrated alliance with Qatar Airways.[59] Virgin Australia will commence operating one daily flight between each of Sydney, Brisbane, Perth and Melbourne and Doha under a wet lease arrangement with Qatar Airways, with planned commencement dates beginning from June 2025. The wet lease arrangement will enable Virgin Australia to carefully re-enter LHI travel in partnership with a leading global carrier[60] by minimising the complexity and risk to Virgin Australia's core activities, balance sheet and earnings that LHI operations would otherwise entail. Under the wet lease arrangement, Virgin Australia's key sources of potential benefits from the new services are sales-based incentives (commission based remuneration), increased Velocity participation, and additional feeder traffic onto Virgin Australia's domestic and SHI network. Virgin Australia's costs of selling the new services will be recovered through the sales-based incentives and its costs of delivering the new services will be broadly offset by the receipt of a fixed fee from Qatar Airways, other than certain third party costs which are reimbursable by Qatar Airways. The overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material.

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[58] CASK is Cost of Available Seat Kilometre. CASK is a measure of the cost to operate each seat for every kilometre.

[59] On 28 March 2025, the ACCC issued a final determination granting authorisation for the integrated alliance for a period of 5 years, until 23 April 2030.

[60] Qatar Airways was awarded "World's Best Airline" by Skytrax in 2024.

Topic	Summary
Integrated alliance with Qatar Airways, including commercial co-operation agreement, and equity investment by Qatar Airways Group *continued*	The wet lease arrangement will allow Virgin Australia to assess, in future years, the financial viability of a more substantial re-entry to LHI in a manner consistent with its Capital Allocation Framework. The new LHI services and enhanced partnership with Qatar Airways will also provide various other benefits for Virgin Australia and its customers: • partnering with the 'World's Best Airline'[61] to compete in the attractive Australian market; • higher customer value and choice from new services connecting to over 170 destinations worldwide on Qatar Airways' network, including on desirable routes to Europe, the Middle East and Africa; • compelling premium leisure, corporate and SME offering through an enhanced partner network and attractive loyalty benefits; • Velocity Points redemption opportunities on both new LHI services and Qatar Airways' valued LHI routes which is expected to assist in driving member loyalty to Velocity domestically; and • potential to unlock revenue and cost synergies through co-operation on various operational, joint procurement, sales and marketing initiatives. **For further information, see Section 3.5.1.4.**
Partnerships with leading carriers	Virgin Australia has a form of strategic alliance with the following major international airlines: • Qatar Airways (for traffic flows to Europe, the Middle East and Africa); • Singapore Airlines (Asia and the Indian subcontinent); • United Airlines (USA); • Air Canada (Canada); • Air New Zealand (New Zealand); and • ANA (Japan). These strategic partnerships form the foundation of Virgin Australia's airline partnerships portfolio which includes over 50 interline partners, including 10 codeshare partners and 15 airline partners within the Velocity program.[62] Virgin Australia's management views these partnerships as strategically important because they offer frequent and attractive flight offerings into Australia in a 'capital light' manner. In addition to the six named strategic partners, Virgin Australia also has codeshare partnerships with Link Airways, South African Airways, Air Mauritius and Air India; and partnerships through Velocity with Hainan Airlines, Beijing Capital Airlines, South African Airways, Hong Kong Airlines, Virgin Atlantic and Tianjin Airlines, allowing Velocity members to earn Velocity points with these airlines. **For further information, see Section 3.5.1.3.**

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[61] As awarded by Skytrax in 2024.

[62] As at December 2024.

1.6 Key risks

Topic	Summary
Virgin Australia operates in a highly competitive environment	The Australian commercial airline industry is highly competitive, and Virgin Australia competes directly and indirectly against a number of other airlines, as well as against a number of airline and other loyalty programs. In the Australian domestic airline market, Qantas Group is the largest operator (through Qantas and Jetstar) and its relative size, brand strategy, loyalty programs and international position, amongst other factors, may make it more difficult for Virgin Australia to attract, retain or capture segments of the airline markets in which it operates. Virgin Australia also faces competition in the Australian international airline market. There are 64 passenger airlines that operate international RPT passenger services to and from Australia.[63] Velocity also operates in a highly competitive market, with over 120 loyalty programs operating in Australia. Velocity is vulnerable to competition from existing and emerging loyalty programs. Qantas Frequent Flyer has more members and partners than Velocity which gives Qantas Group the ability to attract customers to fly with Qantas or Jetstar and increases the competitive pressure that Virgin Australia faces. If other loyalty programs were to offer more attractive rewards or redemption partners, this may have an adverse impact on the number of members choosing to engage in the earning and redemption of Velocity Points and the renewal of Velocity's partner agreements, which in turn may have an adverse impact on the profitability of the loyalty segment. **For further information, see Section 5.2.1.**
Failure to execute on growth strategy or deliver benefits from Transformation Program	Virgin Australia has developed growth strategies and drivers for its business, including the initiatives of the Transformation Program (as summarised above under the heading "Multiple strategic drivers for further growth, including further transformation initiatives"). There is no guarantee that Virgin Australia will successfully execute on its growth strategy or deliver the anticipated benefits from the Transformation Program. In addition, there is a risk that Virgin Australia's growth initiatives outside of the Transformation Program are ineffective, difficult to implement and/or more costly than expected. Virgin Australia may also be unable to develop and grow additional revenue streams from these growth initiatives, or the development of these initiatives may be slower than expected, or the cost initiatives are insufficient, each of which may cause reputational damage to Virgin Australia, and adversely impact its operating and financial performance, and future growth. **For further information, see Section 5.2.2.**

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[63] Based on scheduled passenger flights in January 2025 sourced from BITRE 2025, International airline activity, Statistical Report, BITRE Canberra, ACT.

Topic	Summary
Failure to meet forecasts and other forward-looking statements	The Forecast Financial Information and other forward-looking statements, opinions and estimates in this Prospectus rely upon various general and specific assumptions, some of which are described in Sections 4.12.1 and 4.12.2. These assumptions are based upon matters which may be inherently volatile and uncertain, and over which Virgin Australia has no or limited control, including as to the costs of fuel, foreign exchange rates, the macro-economic environment, geopolitical circumstances and the actions of competitors (such as the amount of capacity that Virgin Australia's competitors will release into the market). There can be no guarantee that Virgin Australia will achieve its stated objectives or that any forward-looking statement (including the Forecast Financial Information) will eventuate, which could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares. **For further information, see Section 5.2.3.**
Increased jet fuel prices and shortages in jet fuel availability	Jet fuel costs constitute one of the largest operating costs of Virgin Australia. The price for jet fuel is volatile and correlated to the price of crude oil which is influenced by a number of factors including (amongst others) global economic growth, geopolitical events (including war and terrorism or the threat of war), increased demand from emerging countries, reductions in stockpiles or reserves, speculative trading and damage to availability of production facilities (for example, due to natural catastrophes, labour strikes, accidents). Virgin Australia may face higher operating costs if jet fuel price increases as a result of these and other factors, many of which are outside the control of Virgin Australia. **For further information, see Section 5.2.4.**
Fluctuations in currency exchange rates	Virgin Australia is exposed to currency risk on purchases and borrowings that are denominated in a currency other than AUD. Virgin Australia undertakes transactions in a number of foreign currencies (most commonly the USD) for the purchase of items such as jet fuel, aircraft, aircraft lease payments and aircraft maintenance and its operating costs in USD are significantly higher than its revenues in USD. Virgin Australia also has debt denominated in currencies other than AUD (principally USD and a small quantity of Japanese yen), which can impact the value of those liabilities in the AUD and cause volatility in Virgin Australia's financial results. A significant change in the value of the Australian dollar or any currency in which Virgin Australia operates, to the extent Virgin Australia is unable to protect against such changes through hedging or otherwise, could have a material adverse effect on Virgin Australia's financial performance and financial condition, as well as the price or value of the Shares. While Virgin Australia has hedging practices and policies to manage exchange rate fluctuations, there can be no assurance that these hedging practices and policies will be effective. **For further information, see Section 5.2.5.**

Topic	Summary
Impact of economic conditions	Virgin Australia's business operating and financial performance is affected by domestic and global economic conditions. Ticket sales (for business or leisure air travel) and resulting profitability have a strong correlation with gross domestic product, business confidence and consumer discretionary spending. A prolonged deterioration in economic conditions, including a resulting decrease in consumer and business demand, is likely to have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares. In addition, due to the long lead-times associated with purchasing aircraft, changes in economic conditions may result in Virgin Australia having either too much or too little capacity at the time future aircraft orders are delivered. **For further information, see Section 5.2.6.**
Impact of recent increases in tariffs	In April 2025, the United States announced new tariffs on goods originating from outside the United States, with goods imported from specified nations, including China and those in the European Union, taxed at higher rates. These tariffs, ongoing changes to tariffs and the retaliatory tariffs announced by many other countries, including China, have resulted in significant volatility in financial markets and economic uncertainty. If these announced tariffs remain in place, they may negatively impact economic conditions including GDP, business and consumer confidence and consumer discretionary spending which in turn may have an adverse impact on Virgin Australia by reducing demand for Virgin Australia's flights and Velocity's loyalty points. In addition, these tariffs also have the potential to have other impacts (both direct and indirect) on Virgin Australia, including creating volatile fuel prices and exchange rates, as well as increasing the costs or availability of certain products and services. Virgin Australia has also been notified by certain of its suppliers that they will be seeking to pass on increases in costs due to specific tariffs or from the overall increases in costs caused by the implementation of tariffs. There can be no assurance that Virgin Australia will be able to avoid increases in the costs of certain of the products and services it purchases as a result of these tariffs, nor that it will be successful in mitigating the impact of those increases through other measures that it may seek to put in place. **For further information, see Section 5.2.7.**
Failure to attract new and retain existing customers	Virgin Australia focuses on three core customer segments: premium leisure, SMEs and value-conscious corporates. Virgin Australia's ability to attract and retain these customers is impacted by the significant competition for passengers that characterises the airline industry, as well as macroeconomic conditions. The attraction and retention of customers, and the ongoing success and growth of Virgin Australia depends largely on customer experience which is reflected through customer satisfaction and loyalty. Virgin Australia also relies in part upon third parties such as suppliers to provide its services, meaning there is a risk that the quality of its customer service and experience may be adversely impacted by the actions of such third parties (which Virgin Australia may have no, or limited, control over). In addition, customer satisfaction and loyalty may also be impacted by the success of the Velocity loyalty program. The Velocity program plays a key role in attracting and retaining customers for Virgin Australia by incentivising customers to purchase Virgin Australia flights, products or services (or those of its partners) through offering the reward of Velocity points which can in turn be used to purchase flights or other products and services. If the Velocity business is unable to attract and retain members, Virgin Australia's airline business and its ability to execute its growth strategy may be materially adversely impacted. **For further information, see Section 5.2.8.**

Topic	Summary
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, including terrorist incidents, could have a material adverse effect on Virgin Australia's reputation, business, operating and financial performance and financial condition, as well as the price or value of the Shares. **For further information, see Section 5.2.9.**
Grounding of an aircraft type	If aircraft operated by Virgin Australia were subject to mandatory or optional grounding, it is unlikely that Virgin Australia would be able to lease or otherwise obtain the right to use a sufficient number of aircraft to maintain its flight schedule, which would have a material adverse effect on its reputation, business, operating and financial performance and financial condition, as well as the price or value of Shares. This risk is accentuated for Virgin Australia because its strategy involves use of a small number of aircraft types. **For further information, see Section 5.2.10.**
Risks associated with the introduction of new aircraft	Virgin Australia plans to further simplify its fleet in the future, including by consolidating to two narrowbody types with the Boeing 737 family at the core for domestic and SHI travel operated by VA Airlines and Embraer E2 for regional travel operated by VARA. Typically, when introducing a new aircraft model or type into the fleet there are risks associated with service delays or cost overruns. Such delays or cost overruns can be due to aircraft manufacturing or supplier delays, the supply of buyer-furnished equipment and seller-purchased equipment, regulatory approvals, personnel training and licensing, provisioning of spare parts and special tooling, acquisition of ground support equipment, and delays regarding entry into on-going support and maintenance contracts. In the case of the Boeing 737-10 (that Virgin Australia intends to add to its fleet), it is awaiting certification from the United States Federal Aviation Administration (**FAA**) and Boeing is not permitted to deliver any Boeing 737-10s until such certification is given. If there is a delay in receiving this certification, or if certification is not provided at all, it may have an adverse impact on Virgin Australia's capacity levels and ability to execute its growth strategy, and could also impact its costs, which would adversely impact its financial performance. VARA is also awaiting delivery of 8 new Embraer E2 aircraft and is dependent on Embraer's ability to deliver these on time, which remains an inherent risk in accepting new aircraft. There is no guarantee that Embraer will deliver these aircraft on time, and to the extent these aircraft are not delivered on time or there are delays associated with the certification process, VARA's business may be adversely impacted. **For further information, see Section 5.2.11.**
Climate-related physical and transition risks	Virgin Australia is subject to short-term and long-term climate-related physical and transition risks. Physical consequences of climate change cannot be predicted with certainty and may impact Virgin Australia's operations, including through the occurrence and intensity of extreme weather events (including bushfires, storms and floods) that could interrupt flight schedules, supply chains, critical infrastructure and workforce productivity. These climate-related physical risks may also have associated passenger inconvenience and reputational impacts, increase the use of fuel, result in aircraft damage, as well as higher maintenance costs and increased insurance premiums.

Topic	Summary
Climate-related physical and transition risks *continued*	The transition to a lower-carbon economy is expected to entail extensive regulatory, technology and market changes to address mitigation and adaptation requirements related to climate change. Virgin Australia may be materially adversely impacted by increased costs of complying with these new changes, and may face reputational risks associated with how it responds to these requirements, including how it complies with its obligations under the Australian Government Safeguard Mechanism to keep its carbon emissions at or below a baseline limit, and its requirements under the Carbon Offsetting Reduction Scheme for International Aviation (**CORSIA**) to cap its greenhouse gas emissions. **For further information, see Section 5.2.18.**
Retained holdings by BC Hart and Qatar Airways	Immediately after Completion of the Offer, BC Hart will hold 40.0% of the Shares on issue and Qatar Airways Group will hold 23.4% of the Shares on issue and each will also have board appointment rights. Accordingly, as a result of their retained Shareholdings and board appointment rights, BC Hart and Qatar Airways Group may each be in a position to exercise influence in relation to matters requiring shareholder approval, including for example, the election of directors, the outcome of takeover offers or similar transactions involving the acquisition of the Shares and board decisions, including the strategy of Virgin Australia. The interests of BC Hart and Qatar Airways Group in exercising these rights may differ from the interests of Virgin Australia and the interests of shareholders who purchase Shares under the Offer. **For further information, see Section 5.3.6.**
Other risks	Virgin Australia also faces a number of other risks as set out in Section 5 of this Prospectus, including (amongst others) risks arising from: • labour, industrial action or a failure to comply with laws; • a failure to attract and retain qualified employees; • a dependence on information technology systems and changes in technology that may be impacted; • cybersecurity incidents and a failure to safeguard database and customer privacy; • the management of ESG stakeholder and consumer expectations; • reliance on key suppliers; • operational disruptions due to maintenance issues, airport security incidents or other events; • external events including pandemics, natural disasters and weather events; • negative impacts to its brand; • failure to comply with extensive industry regulation to which Virgin Australia is subject as well as the risk that the ACCC or regulators in the jurisdictions of Virgin Australia's international partners do not re-authorise alliances (where such authorisation is required for the maintenance of Virgin Australia's alliance); • a loss of strategic alliances or partnerships, including because of failure to receive regulatory approval where required for such strategic alliances and partnerships; and • a loss of slot allocations at airports that could impact the competitiveness and financial position of Virgin Australia. There are also risks inherent in an investment in the Shares as set out in Section 5.

1.7 Key Offer Statistics

Topic	Summary	
What are the key Offer statistics?	**Offer Metrics**	
	Offer Price ($)	2.90 per Share
	Total proceeds under the Offer ($ millions)	685.0
	Total proceeds from the issue of the New Share under the Offer ($ millions)	0.0
	Total proceeds from the sale of Existing Shares available under the Offer ($ millions)	685.0
	Total number of New Shares available under the Offer	1
	Total number of Existing Shares to be sold under the Offer (millions)	236.2
	Total number of Shares held by the Existing Shareholders on Completion of the Offer (millions)	545.8
	Fully Diluted Issued Capital (Shares on issue at Completion of the Offer and certain Share Rights) (millions)	793.9
	Capitalisation	
	Indicative Market Capitalisation at the Offer Price ($ millions)	2,302.2
	Pro forma adjusted net debt ($ millions)	1,318.3
	Enterprise Value ($ millions)	3,620.5
	For detailed footnotes on the above, refer to notes in Key Offer Statistics on page 7. **For further information, see Section 7.**	
What are the key investment metrics?	Enterprise Value / pro forma underlying FY25F EBITDA	3.4x
	Enterprise Value / pro forma FY25F EBITDA	4.0x
	Offer Price / pro forma underlying FY25F net profit per Share	7.0x
	Offer Price / pro forma FY25F net profit per Share	10.5x
	For detailed footnotes on the above, refer to notes in Key Offer Statistics on page 7. **For further information, see Section 7.**	

1.8 Virgin Australia Directors and Senior Executives

Topic	Summary
Who are the Directors?	Peter Warne – Independent Non-Executive Chairman Dave Emerson – Chief Executive Officer and Managing Director Pippa Downes – Independent Non-Executive Director Melinda Conrad – Independent Non-Executive Director Warwick Negus – Non-Executive Director Ryan Cotton – Non-Executive Director Mike Murphy – Non-Executive Director Charles Lawson – Non-Executive Director Dimitri Courtelis – Non-Executive Director **For further information, see Section 6.1.1.**
Who are the senior executives?	Dave Emerson – Chief Executive Officer and Managing Director Race Strauss – Chief Financial Officer Nick Rohrlach – Chief Executive Officer – Velocity and Group Executive – VARA Alistair Hartley – Chief Strategy & Transformation Officer Libby Minogue – Chief Marketing Officer Stuart Aggs – Chief Risk Officer Christian Bennett – Chief Corporate Affairs and Sustainability Officer Susan Schneider – Chief Legal Officer and Company Secretary Paul Jones – Chief Commercial Officer Lisa Burquest – Chief People Officer Chris Snook – Chief Operations Officer **For further information, see Section 6.2.**

1.9 Significant interests of key people and related party transactions

Topic	Summary
Who are the Existing Shareholders and what will their interest in Virgin Australia be at Completion of the Offer?	Shareholdings of Existing Shareholders on the Original Prospectus Date and immediately following Completion of the Offer are set out in the table below.

	As at the Original Prospectus Date[64]			
Shareholder	Shares (m)[65]	%[66]	Share Rights (m)	%[67]
BC Hart	548.8	70.2%	–	70.2%
Qatar Airways Group	182.9	23.4%	–	23.4%
Management Shareholders and current and former employees[68]	50.2	6.4%	–	6.4%
New investors under the Offer	–	–	–	0.0%
Total	**782.0**	**100.0%**	**–**	**100.0%**

	On Completion[69]			
Shareholder	Shares (m)	%[70]	Share Rights (m)[71]	%[72]
BC Hart	312.6	40.0%	-	39.4%
Qatar Airways Group	182.9	23.4%	-	23.0%
Management Shareholders and current and former employees[73]	50.2	6.4%	11.9	7.8%
New investors under the Offer	236.2	30.2%	-	29.8%
Total	**782.0**	**100.0%**	**11.9**	**100%**

For further information, see Section 7.1.4.

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[64] As at the Original Prospectus Date, there are A Class Shares on issue under the Legacy Incentive Scheme. These will convert into Shares on a one-for-one basis immediately prior to Listing (see Section 6.3.4.2). Accordingly, in the above table, the A Class Shares have been treated as Shares.

[65] This includes A Class Shares on issue as at the Original Prospectus Date.

[66] Percentages based on Shares (Ordinary Shares and A Class Shares).

[67] Percentages based on Fully Diluted Issued Capital as defined Section 7.1 (excluding approximately 11.9 million Share Rights).

[68] Includes former members of management who hold Shares under the Legacy Incentive Schemes.

[69] Shares held at Completion excludes any Shares acquired under the Offer by Existing Shareholders.

[70] Percentages based on Shares (Ordinary Shares and A Class Shares).

[71] The figures in this column do not include Share Rights that may be issued under STI Awards or any Performance Rights that may be issued as LTI Awards.

[72] Percentages based on Fully Diluted Issued Capital as defined Section 7.1

[73] Includes the Share Rights issued under the VA Take-Off Grants to certain Virgin Australia employees and also former members of management who hold Shares under the Legacy Incentive Schemes. This assumes that no eligible employee opts-out of receiving their VA Take-Off Grant. It is expected that the grant of Share Rights under the VA Take-Off Grant will happen shortly after Completion.

Topic **Summary**

What significant benefits and interests are payable to Directors and other persons connected with Virgin Australia or the Offer and what significant interests do they hold?

The existing shareholdings of the Directors and their associated entities on the Original Prospectus Date and immediately following Completion of the Offer are set out in the table below.

As at the Original Prospectus Date:

Director	A Class Shares	Ordinary Shares	Share Rights	Performance rights	Shareholding %[74]
Peter Warne	–	–	–	–	–
Dave Emerson	4,130,890	–	–	–	0.5%
Pippa Downes	–	–	–	–	–
Melinda Conrad	–	–	–	–	–
Ryan Cotton	–	–	–	–	–
Michael Murphy	–	–	–	–	–
Charles Lawson	–	–	–	–	–
Warwick Negus	–	–	–	–	–
Dimitri Courtelis	–	–	–	–	–

Immediately following Completion:

Director	Ordinary Shares	Ordinary Shares held under the Legacy Incentive Schemes	Share Rights	Performance rights	Shareholding %[75]
Peter Warne	100,000	–	–	–	0.0%
Dave Emerson	–	4,130,890	2,157,471[76]	300,360[77]	0.8%[78]
Pippa Downes	35,000	–	–	–	0.0%
Melinda Conrad	35,000	–	–	–	0.0%
Ryan Cotton	–	–	–	–	–
Michael Murphy	–	–	–	–	–
Charles Lawson	–	–	–	–	–
Warwick Negus	70,000	–	–	–	0.0%
Dimitri Courtelis	10,000	–	–	–	0.0%

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[74] Percentages based on Fully Diluted Issued Capital as defined Section 7.1.

[75] Percentages based on Fully Diluted Issued Capital as defined Section 7.1.

[76] This figure assumes Dave Emerson will receive the maximum number of Share Rights he could be issued under this STI Award as described in Section 6.3.4.4, at a deemed issue price per Share Right of the Offer Price. The actual number of Share Rights Dave will receive will only be known at the end of the STI Award's performance year and may be less than the maximum.

[77] This is the number of unvested Performance Rights which will be issued to Dave Emerson under his LTI Award as described in Section 6.3.4.5. The actual number of unvested Performance Rights which will vest for Dave will depend on whether and the extent to which, the performance conditions attaching to those Performance Rights will be satisfied.

[78] Assumes Dave Emerson receives (i) the maximum number of Share Rights he could be issued under this STI Award as described in Section 6.3.4.4, at a deemed issue price per Share Right of the Offer Price. The actual number of Share Rights Dave will receive will only be known at the end of the STI Award's performance year and may be less than the maximum; and (ii) all of Dave's performance rights will vest, which will depend on whether and the extent to which, the performance conditions attaching to those Performance Rights will be satisfied.

Topic	Summary
What significant benefits and interests are payable to Directors and other persons connected with Virgin Australia or the Offer and what significant interests do they hold? *continued*	1. The tables above include all securities of Virgin Australia in which Directors have a "relevant interest" for the purposes of the Corporations Act (but also include convertible securities of Virgin Australia which those directors or their associated entities hold). 2. The tables take into consideration Peter Warne, Warwick Negus, Pippa Downes, Melinda Conrad and Dimitri Courtelis' commitments to apply for up to $ 290,000, $203,000, $101,500, $101,500 and $29,000 worth of Shares respectively directly or through their associated entities but do not take into account any other Shares the Directors (and their associated entities) may acquire under the Offer. The Directors (and their associated entities) are entitled to apply for Shares under the Offer and Peter, Warwick, Pippa, Melinda and Dimitri may apply for Shares in excess of or below their commitments. Final shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to the ASX following Listing. 3. The Shares recorded in the above table entitled "Immediately following Completion" (other than any Shares acquired under the Offer) will be subject to voluntary escrow arrangements as outlined in Section 7.9 and Section 9.7. 4. Dave Emerson has been provided with a Limited Recourse Loan by VAA in connection with his Shares under the terms of the Legacy Incentive Schemes. Refer to Section 6.3.4.2 for further details. 5. Ryan Cotton, Michael Murphy and Charlie Lawson were nominated to the Board by BC Hart. Dimitri Courtelis was nominated to the Board by Qatar Airways Group. Refer to Section 6.4.7.10 for a summary of the relationship deeds under which BC Hart and Qatar Airways Group are entitled to appoint Directors. Refer also to Section 7.1.4 for further details about BC Hart's and Qatar Airways Group's interests in Shares. 6. Warwick Negus was nominated to the Board by Virgin group. An entity within the wider Virgin group is an investor in BC Hart and on Completion will have an indirect interest in 2.0% of Fully Diluted Issued Capital (this does not take into account any other Shares that Virgin Group may acquire under the Offer). In addition to his fixed remuneration, Dave holds 4,130,890 A Class Shares as at the Original Prospectus Date, which were issued under the Legacy Incentive Schemes and will also receive one-off transaction bonuses of $1,350,366 in cash and up to $4,130,890 (that will be automatically applied to repaying Dave's Limited Recourse Loan), all in connection with the IPO. See Section 6.3.4.2 for further details. Dave will also receive an offer of an STI Award, LTI Award and One Off Equity Grant with an aggregate value of up to $7,127,716 under the Virgin Australia Incentive Scheme. See Section 6.3.4 for further details. With effect from Completion, Peter Warne will receive a base fee, being $535,000 per annum as the Non-Executive Chairman. All Non-Executive Directors other than Michael Murphy, Charles Lawson and Ryan Cotton will receive a base fee of $191,000 per annum. Michael Murphy, Charles Lawson and Ryan Cotton will not be paid any fees for acting as a Director of Virgin Australia. An additional fee of $45,000 is payable to each chair of a Board committee, and $22,500 is payable to each member of a Board committee. Prior to their appointment as Directors, Pippa Downes and Peter Warne were paid fees in consideration for the services they provided in connection with the preparation of the Offer. In aggregate, up until the Original Prospectus Date, Pippa was paid $550,430 and Peter was paid $1,189,613. Relatedly, Virgin Australia has reimbursed Virgin Group and its associates a total of approximately $269,500 in consideration for Warwick Negus' services as Virgin Group and its associates' nominee Director up until the Original Prospectus Date. All Directors and executive leadership team members, which includes key management personnel Race Strauss and Nick Rohrlach receive travel benefits as outlined in Section 6.3.2.2. Advisers and other service providers are entitled to fees for service, as outlined in Section 6.3.5. BC Hart and other entities associated with Bain Capital are party to an advisory services agreement pursuant to which advisory services have been provided to Virgin Australia. The fees and expenses paid, reimbursed and incurred by the Company in connection with this advisory services agreement are outlined in Section 6.4.7.10. **For further information, see Section 6.3.2.3, 6.3.3.1 and 6.3.4.**

<table>
<tr><th>Topic</th><th>Summary</th></tr>
<tr><td>Will there be a controlling interest in the Company at Completion?</td><td>Based on the final size of the Shareholding retained by BC Hart, it may be in a position to exercise influence in relation to matters requiring approval of Virgin Australia Shareholders, including the election of directors of Virgin Australia, and to influence the outcome of any takeover offer for the Shares or similar transaction involving the acquisition of the Shares.
For further information, see Section 7.1.5.</td></tr>
<tr><td>Related party arrangements and promoter interests</td><td>Other than as disclosed in Section 6 (and noted below), Virgin Australia will not from Completion be party to any agreements with related parties (as defined in Chapter 2E of the Corporations Act):
Advisory services agreement with Bain Capital – while this arrangement will terminate on Completion, fees (including a termination fee) have been paid by the Company to Bain Capital under this agreement
BC Hart Relationship Deed
Qatar Airways Group Relationship Deed
Virgin Group and its associates’ right to a nominee director under the Trade Mark Licence Agreements
Refer to Section 6.4.7.10 for detailed summary of related party transactions.
For further information, see Section 6.4.7.10.</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</td><td>The following Existing Shareholders (Escrowed Shareholders) are subject to voluntary escrow arrangements.
<table>
<tr><th>Escrowed Shareholder</th><th>Number of Escrowed Shares[1]</th><th>Escrow Period</th></tr>
<tr><td>BC Hart</td><td>312.6 million</td><td>The period from Listing until 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the financial year ending 30 June 2026, subject to the exception outlined below.
BC Hart may dispose of 25% of the Escrowed Shares, 4:15pm (Sydney time) on any trading day:
after the date on which the Company releases to the ASX its financial results for the half year ending 31 December 2025 (“H1FY26 Results”); and
provided the volume-weighted average price of Shares for any 10 consecutive trading days following release of the 1HFY26 Results exceeds the Offer Price by at least 20%.</td></tr>
</table></td></tr>
</table>

Topic	Summary
Will any Shares be subject to restrictions on disposal following Completion of the Offer? *continued*	

Escrowed Shareholder	Number of Escrowed Shares[1]	Escrow Period
Management Shareholders and current and former employees who are or were members of Executive Leadership Team (Escrowed ELT Legacy Planholders)	44.3 million[2]	The period from Listing until:[3] • in respect of one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2025; • in respect of another one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2026; and • in respect of the final one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date on which the Company releases to the ASX its financial results for the financial year ending 30 June 2027.
Management Shareholders and current and former employees who are or were members of GLT (Escrowed GLT Legacy Planholders)[2]	5.9 million[2]	The period from Listing until:[3] • in respect of one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date the Company releases to the ASX its financial results for the financial year ended 30 June 2025; and • in respect of another one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2025; and • in respect of the final one-third of the Escrowed Shares, 4:15pm (Sydney time) on the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2026.

Notes:

1. Excludes any Shares that may be acquired under the Offer by these Escrowed Shareholders as such Shares will not be subject to voluntary escrow.
2. Shares held by Escrowed ELT Legacy Planholders and Escrowed GLT Legacy Planholders (together, the **Escrowed Legacy Planholders**) under the Legacy Incentive Schemes are held through an employee share trust on behalf of these Escrowed Shareholders.
3. Escrowed Shares held by Escrowed Legacy Planholders are also subject to forfeiture in accordance with the terms of the Legacy Incentive Schemes. See Section 6.3.4.2.

Qatar Airways Group has informed Virgin Australia that its shareholding in the Company is strategically significant to it and that it has no current intention to reduce its shareholding, although it is not restricted from doing so. In that regard, Qatar Airways Group will not be subject to any escrow arrangements with respect to its holding of Shares.

For further information, see Section 9.7.

1.10 Overview of the Offer

Topic	Summary
Who are the issuers of the Prospectus?	The issuers of this Prospectus are Virgin Australia Holdings Limited (ABN 54 100 686 226) and Virgin Australia SaleCo Ltd (ACN 687 595 366).
What is the Offer?	The Offer is an initial public offering of 1 Share to be issued by the Company and the sale of approximately 236.2 million existing Shares by SaleCo. The size of the Offer is expected to be approximately $685.0 million. **For further information, see Important Notices and Section 7.**
Who is SaleCo?	SaleCo is a special purpose vehicle established to enable the Selling Shareholder to sell part or all of their investment in Virgin Australia under the Offer. **For further information, see Section 9.4.**
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	Upon Completion of the Offer, certain Shareholders will be subject to voluntary escrow arrangements in respect of Shares they hold at Completion (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price). These escrow arrangements will prevent those Shareholders from disposing of their Escrowed Shares during the Escrow Period (subject to relevant exceptions). **For further information, see Section 7.9.**
What is the purpose of the Offer?	The Offer is being conducted to provide: • a liquid market for Shares and an opportunity for others to invest in Virgin Australia; • Virgin Australia with access to the capital markets to improve capital management flexibility; and • Existing Shareholders with an opportunity to realise, in whole or in part as the case may be, their investment in Virgin Australia. **For further information, see Section 7.1.2.**
What are the proposed sources and uses of funds from the Offer?	The Offer comprises: • the issue of 1 New Share by Virgin Australia to raise proceeds of $2.90; and • the sale of 236.2 million existing Shares by SaleCo to raise approximately $685.0 million that will be paid by SaleCo to the Selling Shareholder (BC Hart, an entity controlled by funds managed by Bain Capital). Accordingly, Virgin Australia is not raising any proceeds from the Offer[79] and Virgin Australia's future business operations will be funded from free cash flow from operations, existing cash reserves, undrawn facilities and potential new debt facilities (within the parameters of the Capital Allocation Framework set out in Section 4.9.2) if required. Costs associated with the Offer are expected to be approximately $77.8 million and will be funded by Virgin Australia from cash on its balance sheet. **For further information, see Section 7.1.3.**

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[79] Other than $2.90 from the issue of one New Share.

Topic	Summary
Where will the Shares be listed?	The Company will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "VGN". Completion is conditional on the ASX approving that application. If approval is not given within three months after such Application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable, in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. **For further information, see Section 7.10.**
How is the Offer structured?	The Offer comprises: • the **Retail Offer**, which consists of: – the **Broker Firm Offer**, which is open to Australian residents who have received a firm allocation of Shares from their Broker; and – the **Priority Offer**, which is open to selected Investors in eligible jurisdictions who have received a Priority Offer invitation; and • the **Institutional Offer**, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions (other than the United States) made under this Prospectus and to Institutional Investors in the United States under the US Institutional Offering Memorandum. **For further information, see Section 7.1.1.**
Is the Offer underwritten?	Yes, the Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. **For further information, see Section 9.5.3.**
Who are the Joint Lead Managers to the Offer?	Goldman Sachs, UBS and Barrenjoey.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by the Company in agreement with the Joint Lead Managers. The allocation of Shares to participants under the Institutional Offer will be determined by the Company in agreement with the Joint Lead Managers. For Broker Firm Offer participants, the relevant Broker will decide how it allocates Shares among its retail clients, and it (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from their Broker receive the relevant Shares. The Company will determine the allocation of Shares to participants in the Priority Offer in its absolute discretion. **For further information, see Section 7.2.**
Are they any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. **For further information, see Section 7.2.**
What are the tax implications of investing in Shares?	A summary of the certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.14. It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances. **For further information, see Section 9.14.**

Topic	Summary
When will I receive confirmation that my Application has been successful?	Confirmations of successful Applications in the form of holding statements and allotment confirmation notices are expected to be mailed on or around 27 June 2025. **For further information, see Timetable on page 6.**
What is the minimum and maximum Application size under the Offer?	**Institutional Offer** There is no minimum or maximum application size under the Institutional Offer. **Broker Firm Offer** Applications under the Broker Firm Offer must be for a minimum of $2,000 worth of Shares. There is no maximum application size under the Broker Firm Offer. **Priority Offer** Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares. There is no maximum application size under the Priority Offer. **For further information, see Section 7.2.**
How can I apply?	**Institutional Offer** The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer. **Broker Firm Offer** Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Broker Firm Offer Application Form or download a copy at www.VirginAustraliaIPO.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date for the Retail Offer (5:00pm (Sydney time) on 19 June 2025) or any earlier closing date as determined by your Broker. **Priority Offer** Applicants under the Priority Offer should follow the instructions outlined in their personalised invitation to complete and lodge their Application. **For further information, see Section 7.2.**
Can the Offer be withdrawn?	The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants. If the Offer does not proceed, Application Payments will be refunded. No interest will be paid on any Applications refunded as a result of the withdrawal of the Offer. **For further information, see Section 7.2.**
Where can I find more information about this Prospectus or the Offer?	Enquiries in relation to this Prospectus may be directed to the Virgin Australia IPO Information line on 1300 273 158 (within Australia) +61 3 9415 4264 (outside of Australia) Monday to Friday, 8:30am to 5:00pm (Sydney time), excluding public holidays. Enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.
When can I sell my shares on the ASX?	It is expected that trading of the Shares on ASX will commence on 24 June 2025 initially on a conditional and deferred settlement basis. Normal settlement trading is expected to commence on or about 26 June 2025. Holding statements are expected to be dispatched on 27 June 2025. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.

02

Industry Overview

2.1 Overview

Virgin Australia operates within the following industries across the following segments:

- the Australian domestic airline industry that provides domestic RPT services within Australia and charter services within Australia;
- the Australian international airline industry where SHI and LHI RPT services are provided to and from Australia; and
- the Australian loyalty programs industry with respect to Velocity.

2.2 Australian domestic airline industry

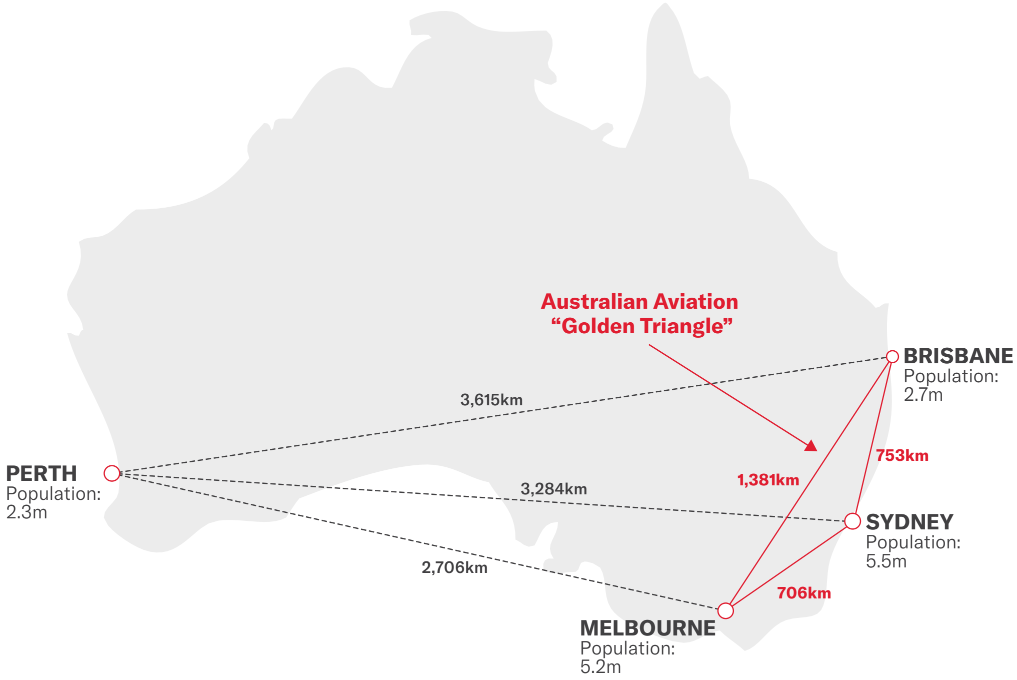
In CY24, the Australian domestic airline industry, including domestic and regional RPT and charter services, generated approximately $19.6 billion[1] of revenue based on the combined revenue across the operators at the time including Virgin Australia, Qantas, Jetstar, Regional Express Holdings (**Rex**) and Alliance Airlines.

2.2.1 Australian domestic airline RPT industry overview

The Australian domestic airline RPT industry is structurally attractive and unique compared to many other countries, given Australia's large geographic size, the long distances between its major capital cities and the lack of fast and efficient alternative transport options between them. For example, Australia does not have a high-speed rail offering between major cities which differentiates it from countries where viable and efficient rail transport offers a viable alternative to airline travel.

Greater Sydney, Greater Melbourne, South-East Queensland (including Brisbane and Gold Coast) and Perth are the four most densely populated areas in Australia, collectively representing approximately 61% of the national population.[2] The routes between Sydney, Melbourne and Brisbane are commonly referred to as the "Golden Triangle," and rank among the busiest routes in the world.[3]

Figure 1: The Golden Triangle[4]



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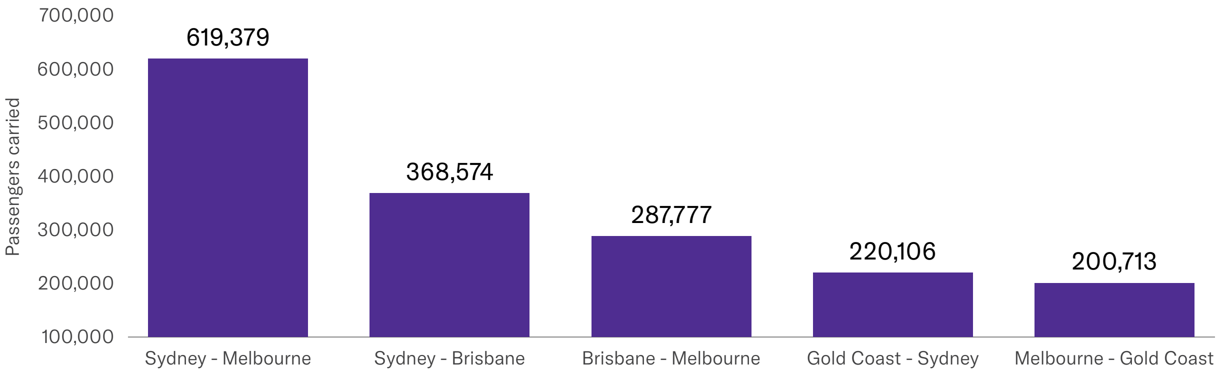
1. Based on CY24 revenue from company filings for Qantas Domestic (including QantasLink and Network Aviation), Jetstar (Domestic and International), Virgin Australia (including Virgin Domestic and International and VARA), and Alliance Airlines. CY23 revenue for Rex has been used given there was no FY24 and 1H FY25 filings for Rex due to the airline entering voluntary administration in July 2024. CY24 domestic airline industry revenue does not account for other smaller and private airlines, including Bonza. Includes international revenue for Virgin Australia and Jetstar as not separately available in accounts.
2. Populations based on Australian Bureau of Statistics data as at 30 June 2023.
3. Refer to Figure 5.
4. Distances based on Bureau of Infrastructure and Transport Research Economics, Populations based on Australian Bureau of Statistics. City population and national population data as at 30 June 2023.

In addition to the major capital cities, the domestic airline industry also includes routes connecting passengers into and between regional towns across Australia. In CY24, 21%[5] of all domestic passenger movements were through regional airports. These routes are primarily serviced by Virgin Australia, Qantas, Jetstar, Rex and Alliance Airlines.

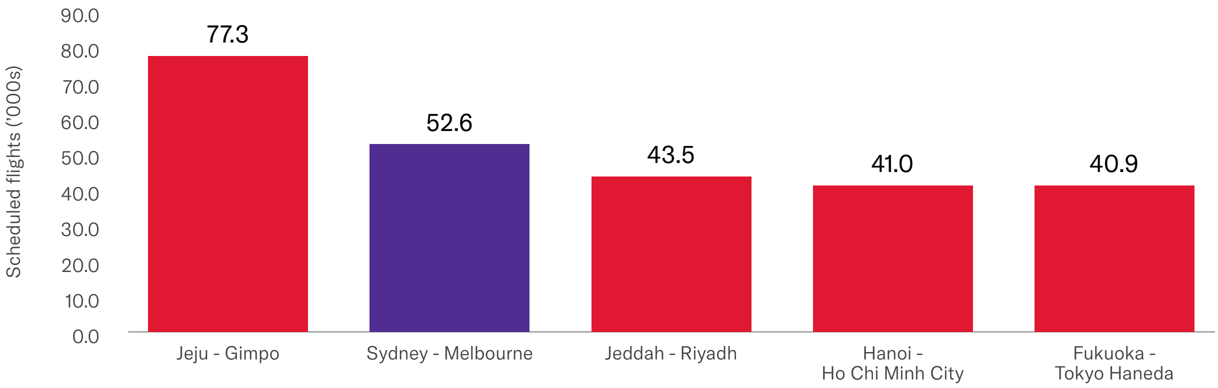
Australia's busiest domestic airline RPT routes are on the east coast including the Sydney to Melbourne route which is the busiest route in Australia, followed by the Sydney to Brisbane and the Brisbane to Melbourne routes as shown in Figure 2 below.

Figure 2: Top 5 busiest routes in Australia, by passengers carried, month of December 2024[6]



The Sydney to Melbourne route is the second busiest domestic aviation route globally by number of scheduled flights, as illustrated in Figure 3 below.

Figure 3: Busiest domestic aviation routes globally, by number of scheduled flights CY24[7]



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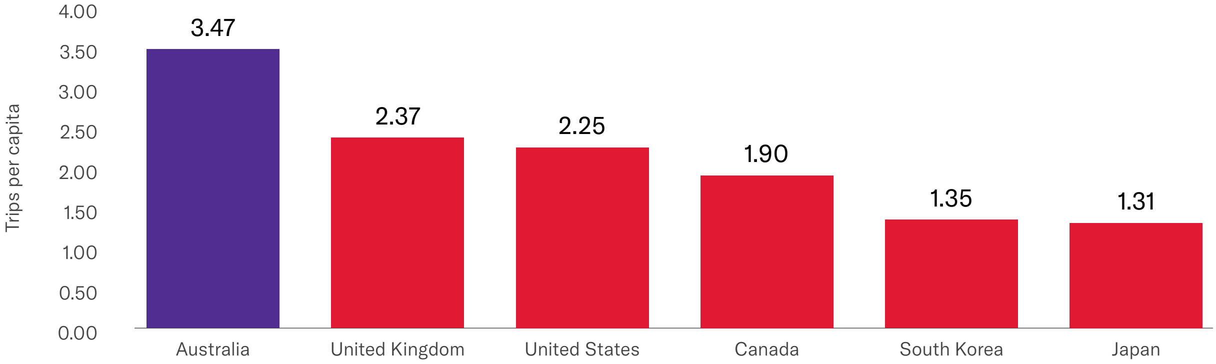
5. Australian Government, Department of Infrastructure, Transport, Regional Development, Communications and the Arts; Domestic Aviation Activity Report 2024. Based on total passenger movements which comprise the sum of passenger arrivals and departures at each airport. Regional airports defined as per the Australian Bureau of Statistics (**ABS**) and not based in major urban areas.
6. Australian Competition and Consumer Commission (**ACCC**), 'Domestic airline competition in Australia' (February 2025).
7. Diio Mi; December 2024.

In CY25, it is forecast that Australians will take an average of 3.47 domestic and international trips per capita, compared to 2.37 trips per capita in the UK and 2.25 trips per capita in the United States (see Figure 4).

Figure 4: Forecast trips per capita 2025 (passengers originating from respective country)[8]

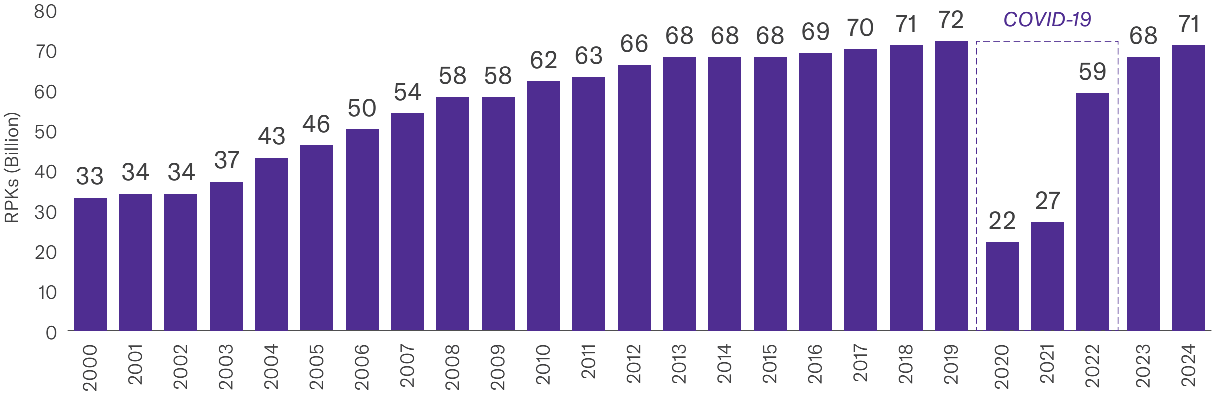


2.2.2 Growth in the Australian domestic airline RPT industry

In 2024, the Australian domestic airline RPT industry served 59.3 million passengers[9] on RPT flights. Annual passenger volumes are typically correlated to with GDP growth, population growth, urbanisation, discretionary spending, business and consumer confidence and relative exchange rates which influence domestic aviation demand (for example, a weaker Australian dollar against other currencies typically makes domestic travel more attractive compared to overseas travel). From 2000 to 2024, domestic volumes measured in Revenue Passenger Kilometres (**RPKs**), being the number of kilometres travelled by paying airline passengers, grew at a CAGR of 3.2%,[10]outpacing GDP growth (measured by CAGR) of 2.7%[11] over the same period.

The COVID-19 pandemic significantly impacted the Australian domestic airline RPT industry through the enforced government lockdowns and travel restrictions, with RPKs reduced by approximately 69% from 2019 to 2020. Since the gradual lifting of both domestic travel restrictions in 2021 and international travel restrictions in 2022, Australian domestic RPK volumes have recovered with 2024 volumes reaching approximately 99% of 2019 volumes (see Figure 5).

Figure 5: Australian Domestic RPK 2000-2024, RPT services[12]



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8. Airbus Global Market Forecast report 2023-2042. Data source: Sabre, IHS, Airbus.
9. Bureau of Infrastructure and Transport Research Economics. Regular Public Transport services. https://www.bitre.gov.au/publications/ongoing/domestic_airline_activity-time_series 'Domestic Totals & Top Routes July 2014 – December 2024'.
10. Bureau of Infrastructure and Transport Research Economics. Regular Public Transport services. https://www.bitre.gov.au/publications/ongoing/domestic_airline_activity-time_series 'Domestic Totals & Top Routes July 2014 – December 2024'.
11. Australian Bureau of Statistics. Australian National Accounts: National Income, Expenditure and Product. https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release#data-downloads. 'Gross Domestic Product: Chain Volume Measures' (December 2000 – December 2024).
12. Bureau of Infrastructure and Transport Research Economics. Regular Public Transport services. https://www.bitre.gov.au/publications/ongoing/domestic_airline_activity-time_series 'Domestic Totals & Top Routes July 2014 – November 2024'.

2.2.3 History of the Australian domestic airline RPT industry

From 1952 to 1990, Australia's domestic airline RPT industry was heavily regulated under the 'Two Airlines' policy with fare setting, aircraft imports, capacity on routes and route entry regulated by the Federal Government. This was designed to support a stable environment for two major operators, government-owned Trans Australia Airlines (later Australian Airlines, which merged with Qantas in 1992) and privately owned Ansett Australia, without the threat of new entrants.

Qantas, founded in 1920 and Australian government owned since 1947, has remained Australia's longest operating airline. It was privatised through an initial public offering in 1995. From its foundation in 1935 until its administration in 2001, Ansett Australia was the key domestic competitor to Australian Airlines and then Qantas after the 1992 merger.

Following the deregulation of the US airline industry from the 1970s, Australia deregulated its airline industry in 1990 and the Two Airlines' policy was abolished, facilitating the entry of multiple new operators into the domestic market and leading to growth in both capacity and competition.[13]

Since deregulation, the Australian domestic airline landscape has experienced significant change. A number of new airlines have entered the market since 1990, with some experiencing success whilst others have exited. Ansett Australia became the second largest airline in Australia before collapsing in 2001. Tiger Airways and Bonza (amongst other domestic airlines) entered and exited this market as a result of their inability to achieve the scale, network presence and competitive advantage required to become and remain economically profitable.

Virgin Blue (predecessor to Virgin Australia), entered the domestic aviation market in 2000 as a low-cost carrier. This was followed by carriers Alliance Airlines and Rex (established through the merger of air carriers Hazelton Airlines and Kendell Airlines[14]) in 2002, which targeted the charter services market through servicing regional routes in Australia.

In response to the increased competition created by Virgin Blue's presence in the Australian domestic aviation market, Qantas established Jetstar (a subsidiary of Qantas Group) in 2004. Jetstar was positioned as a low-cost carrier and as a direct competitor to Virgin Blue. The competitive landscape within the Australian domestic aviation market was further heightened by the introduction of Tiger Airways as another low-cost carrier.

In 2011, Virgin Blue rebranded to Virgin Australia and concurrently repositioned itself as a premium carrier, more closely competing with Qantas. In 2013, Virgin Australia also acquired 60% of Tiger Airways (and in 2015 the remaining 40%) as part of its strategy to maintain presence in the low-cost carrier segment of the market with the renamed Tigerair Australia to compete directly with Jetstar.[15] In 2013, Virgin Australia entered the charter services market through the acquisition of 100% of Skywest Airlines Limited (**Skywest**), with Skywest rebranded as VARA.[16]

Following an extended capacity and price war between Virgin Australia and Qantas, both airlines' financial performance deteriorated, which had a significant impact on Virgin Australia due to its larger debt load. To fund this price war, Virgin Australia incurred additional debt and in April 2020, triggered by COVID-19, this contributed to Virgin Australia's entry into voluntary administration.

While in voluntary administration, Virgin Australia underwent a comprehensive reset of the operating model and cost base which included discontinuing Tigerair Australia. Emerging from voluntary administration in November 2020, Virgin Australia was repositioned as a value carrier focused on SME, value conscious corporates and premium leisure passengers (see Section 3.2 for further information on Virgin Australia's history).

Following the easing of restrictions associated with the management of the COVID-19 pandemic, two airlines, Rex and Bonza, entered voluntary administration. Rex faced challenges in expanding beyond its core regional services model into the 'Golden Triangle' routes. Bonza, which began services in 2023, also failed to establish itself in the Australian domestic airline RPT industry.

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[13] Australian Competition and Consumer Commission ("ACCC"), 'Domestic airline competition in Australia' (February 2025).

[14] https://www.rex.com.au/AboutRex/OurCompany/History.aspx

[15] Australian Competition and Consumer Commission ("ACCC"), 'Domestic airline competition in Australia' (February 2025).

[16] Australian Competition and Consumer Commission ("ACCC"), 'Virgin Australia Holdings Limited – proposed acquisition of Skywest Airlines (Australia) Pty Ltd' (January 2013).

2.2.4 Australian domestic airline RPT industry passenger segments

The Australian domestic airline RPT industry can be broadly characterised by a range of passenger segments including:

- **Budget leisure passengers** – consumer passengers (including individuals, families and groups) who travel primarily for personal leisure purposes such as holidays, visiting family and friends and attending leisure activities. These passengers are typically price sensitive, willing to forego premium services and amenities and prefer carriers offering the cheapest airfare;
- **Premium leisure passengers** – consumer passengers (including individuals, families and groups) who travel primarily for personal leisure purposes such as holidays and visiting family and friends but are willing to pay higher airfare prices to prioritise comfort, flexible fares, convenience, lounge access, access to premium food and beverage onboard and baggage allowances;
- **Small & Medium Enterprises (SMEs)** – business passengers from SMEs who typically have more flexible policies than corporates who impose 'Best Fare of the Day'[17] (**BFOD**) policies, but who have more limited or more price sensitive travel budgets than large corporates passengers. They prioritise lower airfare prices, but are willing to pay more for services and offerings they value (for example, flexible fares, convenience and baggage allowances) and loyalty programs that reward both business owners and their travelling staff;
- **Value conscious corporates and government** – business passengers from corporates' and government whose policies require staff to purchase the BFOD whilst retaining key inclusions for business travel such as flexibility and loyalty program earn and redeem/burn opportunities; and
- **Large corporates** – business passengers from corporates that are less sensitive to travel budgets and prioritise premium offerings including convenience, flexible fares, lounge access, loyalty programs, baggage allowances, comfort and complementary food and beverage services.

Airlines operating in the Australian domestic airline RPT industry typically target the passenger segments listed above, although there is some substitutability between these passenger segments.

2.2.5 Airline business models in the Australian domestic airline RPT industry

The Australian domestic airline RPT industry encompasses a diverse range of business models, and broadly encompasses the following: full-service carriers, value carriers, and low-cost carriers:

- **Full-service carriers** provide a comprehensive passenger service with a number of different classes (for example, Business, Premium Economy and Economy) with complementary services. Full-service carriers often have strong network breadth coupled with frequent flyer loyalty programs and extensive lounge networks. These airlines prioritise high-value customers (for example, premium leisure customers, large corporates and government) willing to pay for all-inclusive fares and to access an integrated global alliance offering.
- **Value carriers** – provide core passenger services with optionality for additional services. Value carriers typically offer limited classes (for example, Business and Economy) and focus on offering passenger services at lower prices but with the option to purchase ancillary services. Value carriers also have a select lounge network and partnerships with select airlines. Value carriers tend to have a cost base closer to a low-cost carrier while offering more premium offerings that customers are prepared to pay for.
- **Low-cost carriers** – target the lowest airfares in a region by offering a basic unbundled product, targeting customers who are focused on lowest price. Low-cost carriers typically maintain high load factors with full economy passenger configurations, single fleet families and short turnaround times between flights. Low-cost carriers primarily target budget leisure passengers and some value conscious corporates, loyalty programs are generally limited to discount clubs with annual membership fees rather than points-based loyalty programs.

Within the Australian domestic airline RPT industry, Qantas is a full-service carrier that tends to target the large corporates and premium leisure passengers who value premium offerings, while Jetstar is a low-cost carrier that tends to target budget leisure passengers who are seeking the cheapest airfares. Virgin Australia is a value carrier that aims to capture the widest selection of passengers, but targeting premium leisure, SMEs and value conscious corporate passengers, who tend to be price conscious but prepared to pay more for additional products and services they value.

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[17] BFOD usually refers to the lowest fare available on the day the travel is booked on a regular scheduled service (not a charter flight), that suits the practical needs of the corporate passenger and maximises overall value for money for the total cost of the trip.

An overview of the common features of the different business models is set out in Table 1.[18]

Table 1: Overview of Airline business models

	Low-Cost Carriers	Value Carriers	Full-Service Carriers
Network and alliances	Primarily regional and domestically focused network with SHI network Limited partnerships	Domestic and SHI network Partnerships with global airlines providing virtual international network	Regional, domestic, SHI and LHI network Global alliance membership and multiple global partners
Target customer segments	Budget leisure Price sensitive SMEs and value conscious corporates	Premium leisure SMEs and value-conscious corporates and government	Premium leisure and unique origin and destination passengers Large corporates and government
Fare pricing	Cheapest fare pricing No inclusions in base fare Focus on ancillary revenue	Value fares positioned below a full-service carrier with choice between basic and fully bundled offerings Focus on ancillary revenue	Premium pricing, typically fully bundled
Fleet and utilisation	Single aircraft type where possible to minimise cost base High utilisation and short turnaround times between flights	Single aircraft type where possible to minimise cost base Higher utilisation versus full service carrier	Complex and diverse fleet to cater to network Utilisation and turnarounds deprioritised to network connectivity and schedule
Operational stability	Production schedule de-emphasises on-time-performance High degree of flexibility across seasons More vulnerable to disruption due to dispersed point-to-point offering	Carefully managed buffers to match on-time-performance of full-service carriers Ability to be flexible and participate in seasonal 'peak' flying	Significant operational buffers to maintain on-time-performance Low seasonal variations
Lounges	Basic airport facilities only	Lounge offering at select airports	Broad lounge offering in all airports
Loyalty proposition	Discount clubs with annual membership fee instead of a points-based loyalty program Limited integration with other airlines	Loyalty offering focused on value relationships supported by broad redemption availability Easier to earn status compared to full service carriers Ability to redeem with international airline partners	Large loyalty offering with a heavy focus on driving premium customer revenue and engagement High margin financial services portfolio High spend to achieve elite tiers Privileges spread over alliance members' network

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[18] This table is provided for illustrative purposes only and does not necessarily reflect the breakdown of FCSc, LCCs and Value Carriers within the Australian domestic airline RPT industry. All comments with respect to Qantas and Jetstar are based on management's views as at the Original Prospectus Date.

2.2.6 Australian domestic airline RPT industry competitive landscape

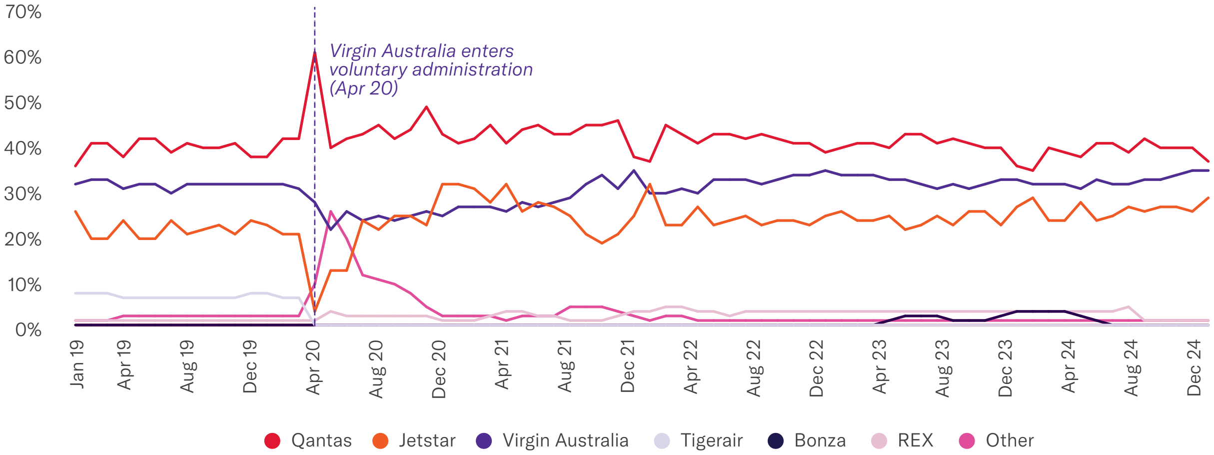
The three largest airlines that serving Australian domestic airline RPT industry are Virgin Australia, Qantas and Jetstar (where Qantas and Jetstar are part of the Qantas Group) and together these airlines accounted for approximately 95% of the domestic RPT capacity market share for CY24.[19] The remaining 5% comprised of other smaller operators, including Rex. Further details of these airlines are set out below:

- **Qantas:** part of the Qantas Group, Qantas is the largest operator in the Australian domestic airline RPT industry, partly due to its established history and presence as Australia's flag carrier, operating an extensive domestic flight network transporting passengers and freight. It is Australia's only full-service domestic carrier with a fleet of 263 aircraft[20] targeting premium leisure and large corporate and government customers. Qantas also operates QantasLink as its regional airline. Qantas' domestic RPT capacity market share was 38% for CY24.[21]
- **Virgin Australia:** Virgin Australia is the second largest operator in the Australian domestic airline RPT industry, having transitioned from a full-service carrier to a value carrier in 2020 targeting premium leisure, SMEs and value conscious corporates. Virgin Australia operates a simplified domestic and SHI fleet structure with three aircraft family types and a total of 104 aircraft.[22] Virgin Australia's average domestic RPT capacity market share was 32% in CY24.[23]
- **Jetstar:** Jetstar operates as the low-cost carrier arm of Qantas Group, primarily targeting budget leisure customers. Jetstar has a fleet of 94 aircraft[24]. Jetstar's domestic RPT capacity market share was 25% for CY24.[25]
- **Rex Airlines:** Rex Airlines primarily services regional domestic routes covering leisure and business travel for regional routes, charter services and cargo. Rex's domestic RPT capacity market share was 2% for CY24.[26] In July 2024, Rex entered voluntary administration and withdrew from RPT routes between major cities.

In addition, carriers in the Australian domestic RPT market have also recently included:

- **Bonza (ceased operations):** Bonza operated as a low-cost carrier that previously served predominantly underserved domestic and regional routes in Australia. Bonza entered the market in January 2023 before entering voluntary administration in April 2024 and being liquidated in July 2024.
- **Tigerair Australia (ceased operations):** A subsidiary of Virgin Australia, Tigerair Australia was operated as a low-cost carrier in the domestic market until ceasing operations in March 2020.

Figure 6: Australian domestic RPT capacity market share across all domestic routes, January 2019 to December 2024[27]



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19. Diio Mi, based on published ASKs for CY24.
20. Qantas 1H25 report, as at 31 December 2024. Includes 127 Qantas aircraft, 125 QantasLink aircraft and 11 Qantas Freight aircraft.
21. Diio Mi, based on published ASKs for CY24.
22. Virgin Australia management information as at December 2024. Includes 94 x B737 (VA), 3 x F100 (VARA) and 7 x A320 (VARA).
23. Diio Mi, based on published ASKs for CY24.
24. Qantas 1H25 report, as at 31 December 2024. Includes Jetstar Asia.
25. Diio Mi, based on published ASKs for CY24.
26. Diio Mi, based on published ASKs for CY24.
27. Diio Mi, based on published ASKs for January 2019 to December 2024.

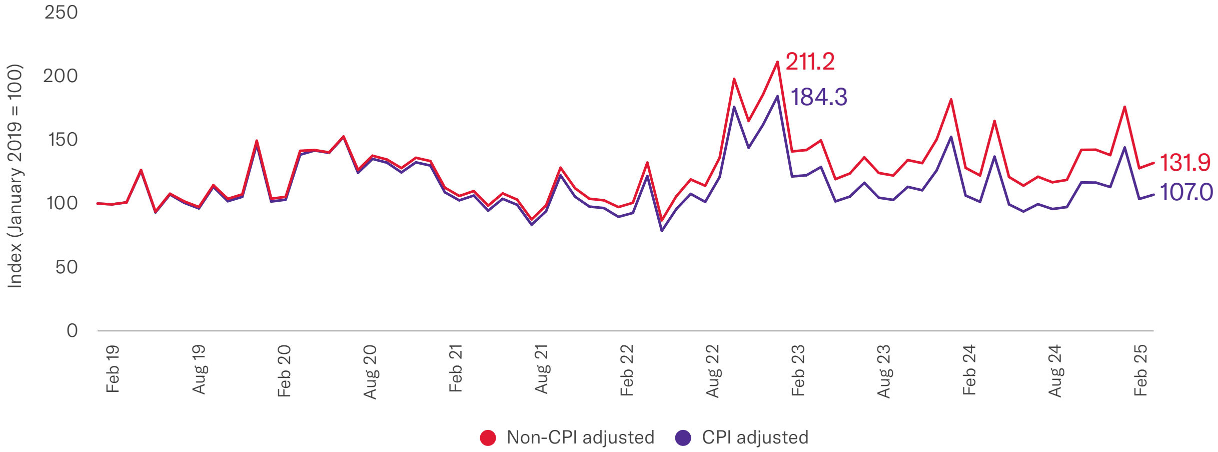
2.2.7 Australian domestic airline RPT fares

Australian domestic airline RPT fares are influenced by various factors including passenger demand for RPT services, available capacity in the market, fare type tiering, taxes, other charges (for example, airport fees and fuel surcharges) and operational costs (including the impact of inflation). The primary drivers of Australian domestic airline RPT fare prices are passenger demand and available capacity.

In December 2022, fares reached historical highs due to supply and demand imbalances post the COVID-19 pandemic and elevated jet fuel prices arising from the Russia-Ukraine conflict. As of February 2025, on a CPI[28] adjusted basis, fares were 7.0% above January 2019 levels (Figure 7) and when including the impact of inflation (on a non-CPI adjusted basis), fares were 31.9% above January 2019 base levels (Figure 7).

Additionally, Australian domestic airline RPT fare prices are sensitive to seasonality, typically peaking from October to December reflecting increased demand during holidays, major events exclusive to Melbourne and Sydney and increased corporate travel during this period. Corporate travellers generally require greater flexibility and have a higher willingness to pay higher fares.

Figure 7: Australian Domestic Air Fare Index – Best Discount (CPI & Non-CPI Adjusted) – January 2019 to February 2025[29]



2.2.8 Australian domestic charter industry

Charter services refer to contracted air services primarily where a commercial or government customer hires a whole aircraft (or a block of seats) for their specific needs. For charter services, customers specify the routes, times and capacity required and these services are not generally open to the public. The Australian domestic charter industry predominantly comprises services provided to resources and energy companies, and government entities for the transport of their employees to and from work sites.

Airline transport services required by these customers range from RPT services, open charter (the purchase of a block of seats on an RPT service), closed charter (dedicated charter services involving the use of the whole aircraft), or a combination of these, depending on the customer's specific operational requirements.

Given the specialised requirements of these customers', airlines operating in the Australian domestic charter industry use a variety of aircraft and business models. This includes use of wet leasing (whereby the lessor provides both the aircraft and crew), dry leasing (whereby the lessor provides the aircraft, and the lessee (in this case the charter airline) provides the crew to operate the aircraft) as well as the use of an airline's own aircraft.

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28. CPI refers to the Consumer Price Index. It measures the percentage change in the price of a 'basket' of goods and services, including thousands of items that Australians typically purchase, sorted into 87 categories and 11 groups. For more information, visit the Reserve Bank of Australia's website https://www.rba.gov.au/education/resources/digital-interactives/inflation-explorer/#:~:text=The%20Consumer%20Price%20Index%20(CPI,87%20categories%20and%2011%20groups.

29. Bureau of Infrastructure, Transport and Research Economics; Domestic Air Fares Index.

The resources and energy industry in Australia relies heavily on chartered air travel for the transport of fly-in-fly-out (**FIFO**) workers to and from worksites in remote or regional locations predominantly in Western Australian and Queensland (including the Pilbara, Goldfields, Mt Isa, Galilee Basin and Surat Basin airports) which are often not regularly serviced by standard carriers.

The largest participants in the Australian domestic charter market are:

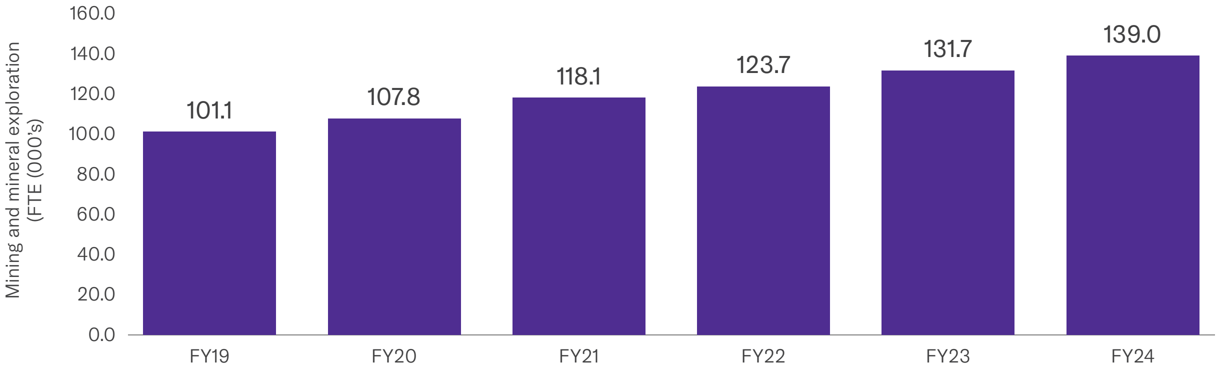
- **VARA (owned by Virgin Australia)** – a leading charter services provider operating across remote and regional Western Australia with a fleet of Fokker 100 and Airbus A320 aircraft (to be replaced by Embraer E2s with scheduled deliveries starting in October 2025 and additional wet leased Boeing 737 aircraft from VA Airlines) primarily serving the resources and energy sectors that require FIFO services.
- **Network Aviation (owned by Qantas Group)** – a provider of charter services with a fleet of Airbus A320, Airbus A319 and Fokker 100 aircraft, serving the resources industry operating regular airline services within Western Australia for FIFO workers and corporate charters.
- **Alliance Airline**s – a leading FIFO, wet lease and charter services operator using a fleet of Fokker F100, F70, F50 and Embraer E1 aircraft. Alliance Airlines has a national footprint with crew and engineering bases in nearly every Australian capital city and several regional ports.
- **National Jet Express** – a provider of FIFO charter services using a fleet of Q400 and Embraer E1 aircraft, serving the resources industry and providing private charter services to business, tourism and leisure clients.

The Australian domestic charter market also includes numerous smaller, regionally specialised participants in addition to the participants above.

Demand for Australian domestic charter services is driven primarily by activity levels in the Australian resources and energy sector, which in turn drives the level of new projects, expansion, capital expenditure and the need to transport skilled labor to and from resources and energy sites due to labour shortages in remote and regional areas where these sites are located.

The majority of Australian resources activity occurs in Western Australia[30] and over FY19 to FY24, total mining and mining exploration related employment in Western Australia increased at a CAGR of +6.6% (see Figure 8). This growth was driven by an increase in both Western Australian mining investment (FY19 to FY24 CAGR of 13.8%[31]) and mining expenditure (FY19 to FY24 CAGR of 12.4%[32]).

Figure 8: Western Australian mining and mineral exploration full-time equivalents (FTEs) by financial year[33]



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[30] Western Australia accounts for 59% of Australia's Mining Economic Impact in FY23 as per the Government of Western Australia's Department of Energy, Mines, Industry Regulation and Safety 2023-24 Economic Indicators.

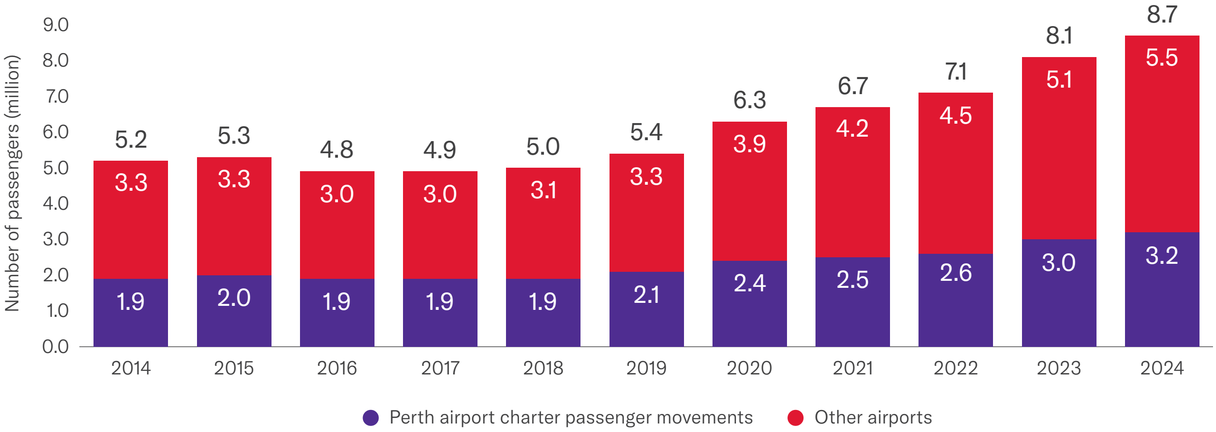
[31] Government of Western Australia's Department of Energy, Mines, Industry Regulation and Safety 2023-24 Economic Indicators, Mining Investment.

[32] Government of Western Australia's Department of Energy, Mines, Industry Regulation and Safety 2023-24 Economic Indicators, Mining Expenditure.

[33] Government of Western Australia's Department of Energy, Mines, Industry Regulation and Safety 2023-24 Economic Indicators, Mining Employment FY.

Growth in Western Australian FTEs across the mining sector has increased demand for charter services. Within Perth airport, a key departure and arrival airport for FIFO workers travelling to regional Western Australian resources and energy sites, overall charter passengers arriving and departing increased by 5.4% CAGR over the CY14 to CY24 period (see Figure 9).

Figure 9: Domestic airports – charter passengers[34]



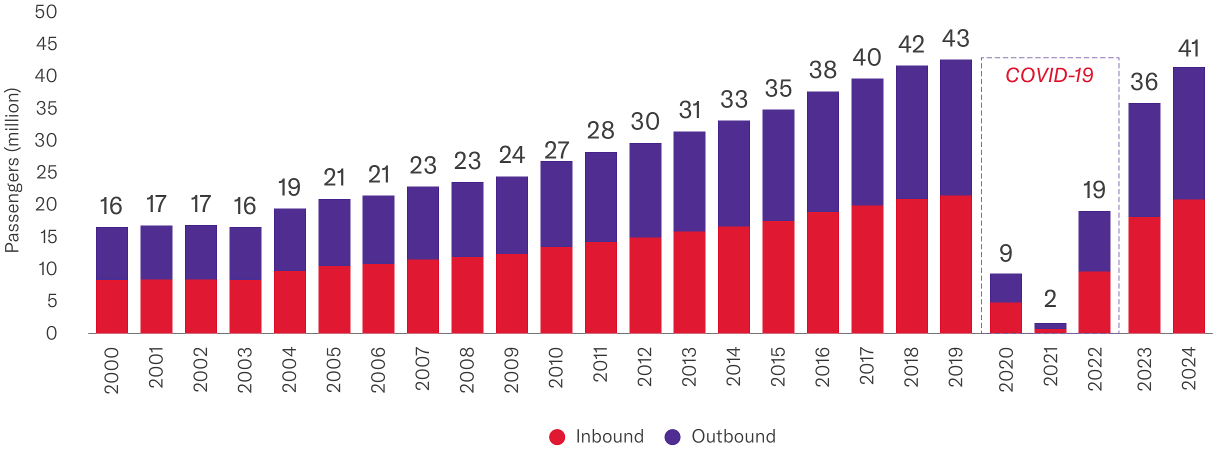
2.3 Australian international airline market

2.3.1 Overview of the Australian international airline market

Australia's geographic characteristics as an island continent and considerable distances to other major continents, make it heavily reliant on airline travel for both inbound and outbound international travel. International travel into and out of Australia is primarily driven by holiday travel, visiting friends and family, business travel and international students travelling for education.[35]

In 2024, there were 41.4 million international airline passengers departing from or arriving in Australia, representing a CAGR of 3.9% between 2000 and 2024 (Figure 10).[36] Inbound and outbound international airline passenger travel was significantly impacted during the COVID-19 pandemic due to border restrictions implemented by the Australian government between March 2020 and April 2022[37] followed by a gradual recovery in capacity across 2023.

Figure 10: International airline passengers 2000-2024[38]



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34. Bureau of Infrastructure, Transport and Research Economics; Domestic aviation activity publication. Note: Charter passenger numbers are the sum of arrivals and departures at each airport.
35. Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia 2023-24 financial year.
36. Bureau of Infrastructure, Transport and Research Economics; International Airline Activity - Time Series.
37. Parliament of Australia – Senate Select Committee on COVID-19, Final Report Appendix 2 (Timeline of key decisions and milestones).
38. Bureau of Infrastructure, Transport and Research Economics; International Airline Activity - Time Series.

The Australian international airline market and inbound travel is interlinked with the domestic airline market given the flow-on impact of international arrivals and departures using connecting domestic flights. Approximately 5% of the total Australian domestic airline RPT industry consists of passengers travelling as part of an international journey.[39] Passengers visit Australia from a number of countries, as set out in Figure 11 below:

Figure 11: Inbound visitors (based on month ended 31 December 2019 and 31 December 2024)[40]

Country of Residence	Dec 19	% total	Dec 24	% total	Dec 24 as percentage of Dec 19
New Zealand	143,530	20%	133,600	21%	93%
UK	118,530	17%	103,730	16%	88%
USA	99,900	14%	95,060	15%	95%
China	111,800	16%	70,570	11%	63%
India	44,640	6%	52,740	8%	118%
Singapore	56,300	8%	46,110	7%	82%
Japan	52,030	7%	40,070	6%	77%
South Korea	31,260	4%	38,130	6%	122%
Germany	29,380	4%	26,430	4%	90%
Indonesia	25,680	4%	26,100	4%	102%

International outbound travel from Australia benefits from its proximity to Asia-Pacific, destinations that offer relatively affordable and attractive travel options. Key outbound countries and regions include New Zealand, Indonesia, Japan and the USA, as outlined in Figure 12 below.

Figure 12: Outbound traveller destinations (based on month ended 31 December 2019 and 31 December 2024)[41]

Destination country	Dec 19	% total	Dec 24	% total	Dec 24 as percentage of Dec 19
New Zealand	123,540	24%	118,130	20%	96%
Indonesia	99,680	20%	117,160	20%	118%
Japan	35,410	7%	62,570	11%	177%
USA	69,780	14%	52,650	9%	75%
India	34,630	7%	48,870	8%	141%
Thailand	32,280	6%	43,850	8%	136%
China	34,960	7%	37,510	6%	107%
UK	33,950	7%	34,630	6%	102%
Fiji	27,100	5%	32,010	6%	118%
Vietnam	19,600	4%	31,630	5%	161%

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[39] IATA Direct Data Solutions Market Estimate Data 2019 – 2025.

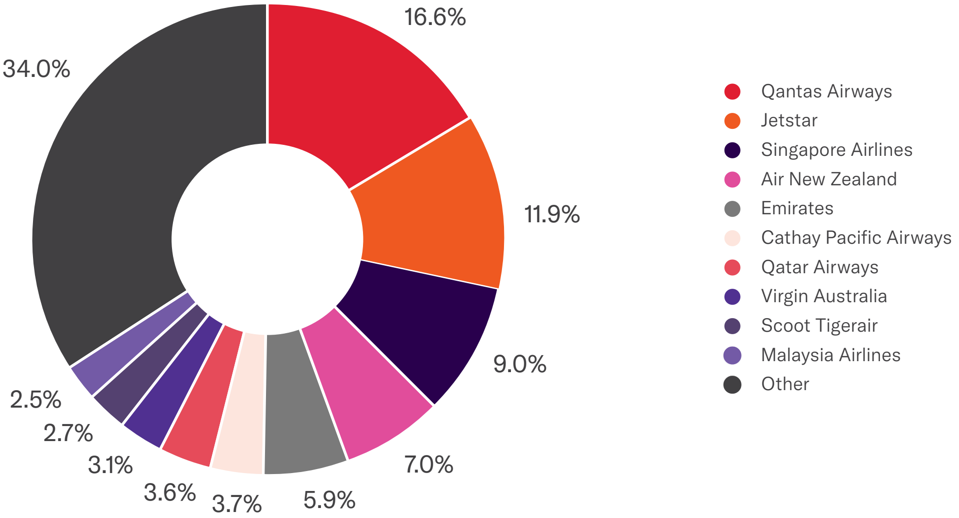
[40] Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia December 2024. Note: Top ten source countries based on month ending December 2024. China excludes SARs and Taiwan.

[41] Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia December 2024. Note: Top ten destination countries based on month ending December 2024. China excludes SARs and Taiwan.

2.3.2 Australian international airline industry competitive landscape

There are 63 passenger airlines operating international RPT passenger services to and from Australia.[42] These include Australian airlines such as Virgin Australia, Qantas and Jetstar as well as international airlines, such as Qatar Airways, United Airlines and Singapore Airlines. The major airlines operating in the Australian international airline industry are shown in Figure 13 below.

Figure 13: International passengers by major airlines – year ended December 2024[43]



All three of Australia's largest airlines offer inbound and outbound international travel routes. Qantas operates as a full-service international carrier, offering SHI and LHI services. Virgin Australia's SHI offering focuses on select routes that utilise its narrow body Boeing 737 fleet. Virgin Australia also offers its own limited LHI service through a wet lease arrangement with Qatar Airways (see Section 3.5.1.4 for more information). Jetstar offers both SHI and LHI travel to 13 overseas destinations.[44]

In addition to pursuing codeshare, interline and frequent flyer program relationships with other airlines, many international airlines participate in a global alliance. Global alliances are branded groupings of airlines with shared customer value propositions related to service standards and benefits for premium customers. Within global alliances, member airlines maintain reciprocal interline and frequent flyer program arrangements (including earning and using points) providing an extended international network. Global alliances also offer aligned entitlements to premium customers, ensuring that premium customers of one airline receives the same benefits when flying on any alliance member airline. Global alliances are further strengthened by enhanced codeshare relationships, co-located or shared airport facilities including lounges, and shared digital infrastructure to enhance connectivity between alliance members and customers.

As at 31 March 2025, there are three main global alliances:

- **Oneworld**[45] – a global alliance with 15 member airlines including Qantas, Alaska Airlines, American Airlines, British Airways, Cathay Pacific, Fiji Airways, Finnair, Iberia, Japan Airlines, Malaysia Airlines, Oman Air, Qatar Airways, Royal Air Maroc, Royal Jordanian and Sri Lankan Airlines.
- **Star Alliance**[46] – the world's largest airline alliance with 25 member airlines including Aegean Air, Air Canada, Air China, Air India, Air New Zealand, ANA, Asiana Airlines, Austrian, Avianca, Brussels Airlines, CopaAirlines, Croatia Airlines, EgyptAir, Ethiopian, Eva Air, Lot Polish Airlines, Lufthansa, Shenzen Airlines, Singapore Airlines, South African Airways, Swiss, TAP Air Portugal, Thai Airways, Turkish Airlines and United Airlines.
- **SkyTeam**[47] – a global alliance including Aerolineas Argentinas, Aeromexico, Air Europa, Air France, China Airlines, China Eastern, Delta Air Lines, Garuda Indonesia, Kenya Airways, KLM, Korean Air, Middle East Airlines, SAS, Saudia, Tarom, Vietnam Airlines, Virgin Atlantic and XiamenAir.

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[42] Based on scheduled passenger flights in January 2025 sourced from BITRE 2025, International airline activity, Statistical Report, BITRE Canberra, ACT.

[43] Australian government Department of Infrastructure, Transport, Regional Development, Communications and the Arts – International Airline Activity December 2024.

[44] https://www.jetstar.com/au/en/about-us/jetstar-group/jetstar-airways.

[45] https://www.oneworld.com/members.

[46] https://www.staralliance.com/en/members.

[47] https://www.skyteam.com/en/about/our-members.

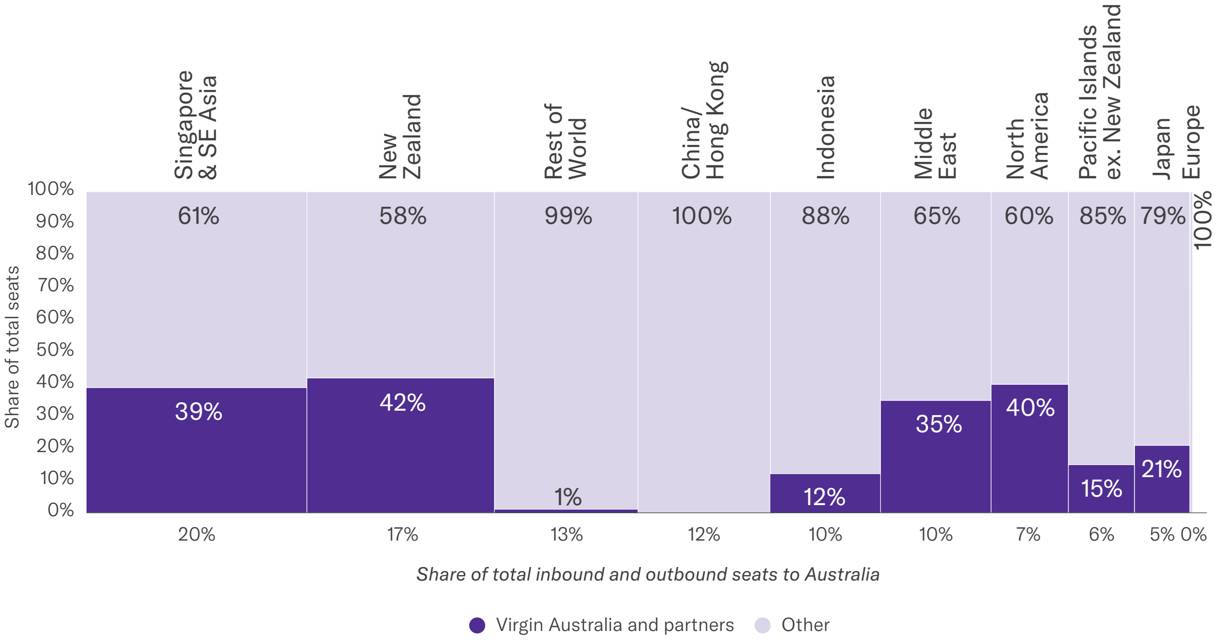
Virgin Australia is not currently part of a global alliance and has strategically opted to enter into bilateral partnerships with select airlines that Virgin Australia considers to be aligned with its brand and customer value proposition. This approach enables Virgin Australia to offer a 'capital light', competitive LHI network for its customers. Virgin Australia assesses the economic attractiveness of registering with the global alliances on an ongoing basis and will consider joining if it believes it is an attractive strategic and financially accretive decision (refer to Section 3.5.1.3 for further details on Virgin Australia's approach to partnerships).

Global alliances and airline partnerships provide Australian airlines with a passenger feed for connecting flights to and from partner airlines and benefit passengers by offering greater choice in destinations and schedules with more connecting flight options.

Figure 14 shows the share of seats that Virgin Australia and its partners have for international flights inbound and outbound from Australia. In CY24, Virgin Australia and its partners represented 24% of overall international inbound and outbound seat share from Australia.[48]

Further information on Virgin Australia's international codeshare and loyalty partnerships is outlined in Section 3.5.1.3 and 3.5.1.4 of this Prospectus.

Figure 14: Seat share for international flights inbound and outbound of Australia[49]



2.3.3 SHI market

SHI routes from Australia generally align with popular tourist destinations for Australians including Bali (Indonesia), Queenstown (New Zealand), Fiji, Vanuatu and Samoa. Refer to Section 3.5.1.2 for Virgin Australia's SHI routes.

SHI routes hold strategic importance for Australian airlines given their attractive growth trajectory, which historically (before COVID-19) had grown at approximately 2.5x the rate of the domestic market.[50] SHI routes also assist with asset utilisation and provide marginal cost opportunities for 'back of the clock' flying.[51]

These routes are complementary to the domestic business of airlines in Australia. SHI passengers often overlap with an airline's domestic customer base, and the provision of a network to these destinations delivers value to existing customers and loyalty members (including the ability to earn and redeem loyalty points). Additionally, these routes provide opportunities for alliance partners to expand their network in the region, and generate connecting revenue from other overseas destinations.

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[48] Diio Mi; December 2024.

[49] Diio Mi; December 2024.

[50] Bureau of Infrastructure and Transport Research Economics. Based on 5 year passenger number CAGR from 2014-2019.

[51] Back of the clock flying in aviation refers to flying a route that involves departing late at night and arriving early the next morning.

2.4 Airport infrastructure and slot allocations

Australia currently has seven major international airports,[52] located in Adelaide, Brisbane, Cairns, Darwin, Melbourne, Perth and Sydney. While not categorised as a major international airport, Gold Coast airport is one of Australia's busiest and maintains an ongoing border agency presence to conduct customer, immigration and biosecurity clearances.[53]

The construction of Western Sydney International (Nancy-Bird Walton) Airport is underway by the Australian Government, with the airport expected to be open by the end of 2026.[54] The new airport will increase the number of available slots in the Sydney basin for domestic and international RPT aviation and cargo. Sydney Airport is expected to face greater competition[55] when Western Sydney International opens, though this impact may be limited as most passenger airlines are expected to prefer to use an inner city gateway.[56]

Airport slot coordination is a means of managing airport capacity and involves the allocation of constrained or limited airport capacity to airlines and other aircraft operators to ensure a viable airport and air transport operation. An airport slot is a permission given by a coordinator to an aircraft to depart or land at an airport at a given time and date.[57] Slots are an essential right for airlines providing air passenger services.

The slot allocation schemes at slot-constrained Australian airports enable existing airlines to retain their slots from season to season based on usage, providing some investment certainty[58] (known as the '80/20' rule).

Further information on the regulation of airport slots in Australia can be found in Section 9.9.3.2 of this Prospectus.

2.5 Australian loyalty programs

2.5.1 Overview of Australian loyalty programs

Customer loyalty programs are structured marketing programs that provide incentives to customers to encourage and reward loyal buying behaviour. Loyalty programs are widespread in Australia with over 120 programs across 10 industries including supermarkets, airlines, fuel, fashion, entertainment, banking/credit cards, hotels and car hire, among others.[59]

Australians demonstrate high engagement with loyalty programs with 9 in 10 consumers members of at least one program and on average are members of 5.4 programs.[60] A well designed and effectively managed loyalty program supports brand advocacy and influences purchasing decisions.[61]

Loyalty programs take various forms, each with differing partner and member value propositions. These include airline coalitions, such as Velocity or Qantas Frequent Flyer, supermarket coalitions such as Flybuys and Everyday Rewards, and stand-alone schemes which are owned and operated by a single partner such as those by banks (for example, CommBank Awards) or retailers (for example, Myer One). Stand-alone schemes can offer points or functions as price based programs where the primary reward is a discount of future purchases after reaching a minimum engagement threshold.

Loyalty programs offer an attractive marketing strategy for businesses seeking to increase sales and utilise data they collect to deliver a more personalised experience for customers.

For members, these programs provide opportunities to earn valued rewards including exclusive benefits and gifts.[62] The greater the perceived value, the more incentivised customers become to concentrate spending with loyalty partners. Approximately 70% of loyalty program members shop more frequently with brands whose loyalty programs that they like.[63]

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[52] Department of Infrastructure, Transport, Regional Development, Communications and the Arts. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/international-aviation/international-airports.

[53] Airservices Australia Aeronautical information publication Australia 23 March 2023.

[54] https://www.westernsydneyairport.gov.au/.

[55] Productivity Commission Inquiry into the Economic Regulation of Airports. ACCC submission in response to the Issues Paper' (September 2018) p 17'.

[56] Peter Harris: Review of the Sydney Airport Demand Management Scheme. Pg. 14.

[57] ACCC 'Airline competition in Australia' (Report 11: March 2023).

[58] ACCC 'Airline competition in Australia' (Report 11: March 2023), p 28.

[59] Australian Loyalty Association, 2024.

[60] ALA Annual Loyalty Insights Report August 2024.

[61] ALA Annual Loyalty Insights Report August 2024.

[62] Loyalty & Reward Co, 'Australian Loyalty Schemes: A Loyalty & Reward Co report for the ACCC' (June 2019).'

[63] ALA Annual Loyalty Insights Report August 2024.

For partners, loyalty programs can improve customer acquisition and retention, create cross-selling and up-selling opportunities, help increase the frequency and average size of member purchases, reduce marketing and services costs, and differentiate the partner's brand from competitors.

Management believes that there are four key drivers of potential growth in the Australian loyalty market:

1. organic market growth driven by population expanding and CPI growth;
2. growth from potential shifts in business marketing spend toward loyalty programs, driven by increasing member engagement, greater leveraging of data and digital channels and partnership expansion;
3. businesses reducing the use of potentially ineffective products and services discounting as a marketing method resulting in greater opportunity for investment in loyalty; and
4. adjacent market opportunities in underpenetrated sectors, predominantly in the retail and financial services sectors, as well as transactions involving SMEs.

2.5.2 Airline-based loyalty programs

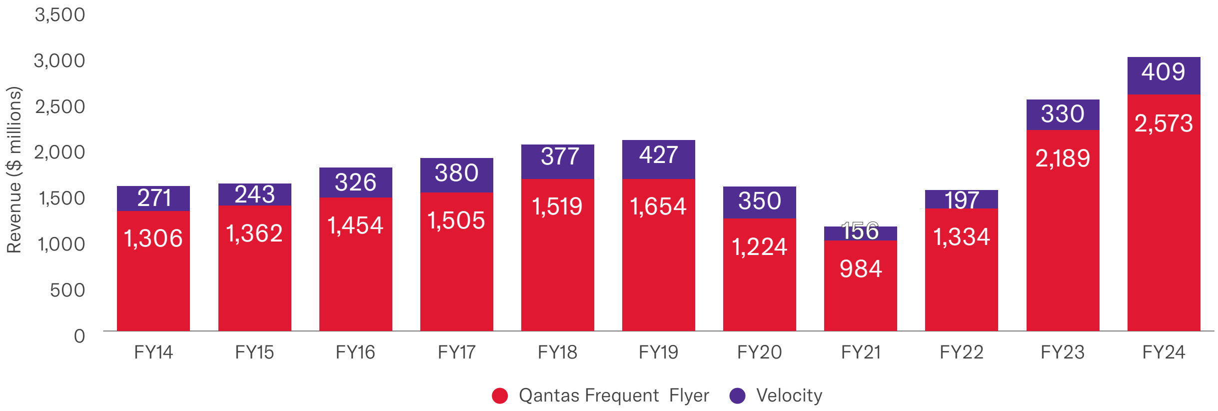
Airline-based loyalty programs maintain the second highest level of loyalty program engagement amongst Australian consumers at 60%[64], behind supermarkets and grocery stores at 91%[65], and 2 in 3 consumers claim that airline loyalty programs play an important role in their decision making.[66]

Members of airline-based loyalty programs can earn points and status benefits such as priority check in, bonus points and lounge access by flying with the major airline partner, and can redeem points for reward seats. Airline-based loyalty programs also partner with a range of businesses in other industries including accommodation, travel, financial services, supermarkets, car rental and other retail industries.

Airline-based loyalty programs in Australia are sought after by consumers given the perceived value and aspirational nature of travel rewards. In Management's opinion, airline loyalty points represent the most aspirational loyalty currency for members, compared with other loyalty or customer acquisition channels. Airline-based loyalty programs benefit from a virtuous cycle, with higher engagement attracting more members, which in turn attracts and benefits partners, expanding the breadth of partnerships. Members are then offered more earn and redemption opportunities, increasing engagement and billings, and enhancing the program's appeal to prospective members.

Velocity and Qantas Frequent Flyer represent the two major Australian domestic airline-based loyalty programs and together generated approximately $3.0 billion in revenue in FY24 (see Figure 15). In addition to the two major Australia domestic airline-based loyalty programs, Australian consumers can also join members of other international airline loyalty programs, some of which maintain alliances or partnerships with Velocity and Qantas Frequent Flyer.

Figure 15: Estimated Australian airline-based loyalty market revenue (A$ million)[67]



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[64] ALA Annual Loyalty Insights Report August 2024.

[65] ALA Annual Loyalty Insights Report August 2024.

[66] ALA Annual Loyalty Insights Report August 2024.

[67] Qantas Frequent Flyer revenue from Qantas financial statements. Velocity revenue from Virgin Australia Holdings financial statements and management information. Velocity revenue from FY14 to FY18 includes consolidation eliminations for inter segment revenues with the airlines segments. For FY19 to FY24 Velocity revenues are presented excluding consolidation eliminations for inter segment revenues with the airlines segments, consistent with the segment reporting currently adopted by Virgin Australia Holdings in its financial statements.

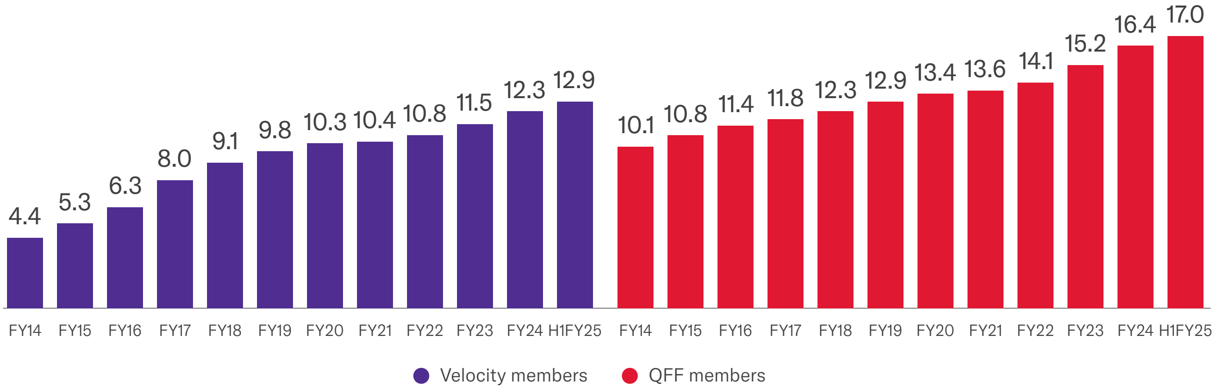
Growth in the domestic airline loyalty market over the 2014 to 2024 period has broadly been driven by:

- growth in the membership numbers across airline loyalty programs (see Figure 16);
- attraction of new partners from diverse sectors onto airline loyalty programs; and
- increasing allocation of partner marketing budgets being spent in airline loyalty programs.

Airline-based loyalty programs in Australia have proven to be resilient during economic downturns, with Velocity and Qantas Frequent Flyer revenue and earnings being materially less impacted than broader airline performance during COVID-19. Member numbers continued to grow throughout this period (see Figure 16).

Members of Australian airline-based loyalty programs have also grown, with QFF members growing at a 5.1% CAGR over FY14 to H1FY25 and Velocity members growing at a CAGR of 10.8% over the same period (see Figure 16).

Figure 16: Velocity and QFF membership (million members)[68]



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[68] Qantas Annual Reports FY14-FY24 and H1FY25. Virgin Australia Annual Reports and Virgin Australia management information.

03

Company Overview

3.1 Introduction

Established in 2000, Virgin Australia is Australia's second largest airline group, providing domestic and international travel services to millions of customers each year and supported by its award-winning loyalty program, Velocity. Virgin Australia services all key segments of the Australian domestic airline RPT market, including leisure, corporate and government, regional and charter travellers, and air freight customers. Since 2020, Virgin Australia has targeted the premium leisure, small and medium enterprises (**SMEs**) and value-conscious corporate customer segments.

Virgin Australia operates a comprehensive domestic network with 64 routes complemented by 12 targeted SHI routes[1] aligned to key overseas tourist destinations for Australians. From June 2025, Virgin Australia will also provide a limited LHI service through a wet lease arrangement with Qatar Airways. This arrangement will provide customers with access to four new LHI services to Doha, Qatar,[2] which, combined with its existing comprehensive codeshare and frequent flyer partnership with Qatar Airways, will provide access to a total of ten services from Australia to Doha and onward connections to more than 95 destinations across Europe, Africa and the Middle East. Customers also have access to a broader long-haul offering through Virgin Australia's comprehensive partnerships with leading international airline partners, including United Airlines, Singapore Airlines and ANA amongst others. Virgin Australia carried approximately 20 million passengers on its network in CY24[3] and has approximately 8,000 staff.[4]

Virgin Australia reports across two operating segments:

1. Airlines – comprising:
   - VA Airlines, which primarily operates domestic RPT services (through VAA) and SHI RPT services that will be supported by the limited LHI service arrangement with wet leased aircraft from Qatar Airways outlined above (through entities controlled by VAIH), alongside its broader international airline partner network[5]; and
   - VARA, which primarily operates a charter business in regional Western Australia that services major resources, energy and government clients with FIFO services; and
2. Velocity – one of Australia's largest loyalty programs by number of members, with approximately 13 million members and approximately 80 commercial partners,[6] including some of the world's leading airlines.

3.1.1 Airlines

The Airlines segment contributed 93% of Virgin Australia's underlying revenue[7] and 77% of underlying EBIT in FY24.[8]

Further information on the Airlines segment is included in Section 3.5.

3.1.1.1 VA Airlines

Through its fleet of 94 Boeing 737 aircraft,[9] VA Airlines provides both Australian domestic and SHI services. Virgin Australia's domestic offering targets premium leisure, SMEs and value-conscious corporate segments. Virgin Australia had on average a 32% domestic RPT capacity market share in CY24.[10] The quality of VA Airlines' service has been consistently recognised, with VA Airlines winning the World's Best Cabin Crew award for seven consecutive years (2019 to 2025).[11]

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[1] As of 31 December 2024. Excludes Cairns-Haneda route which ceased in February 2025.

[2] Sydney to Doha, Brisbane to Doha and Perth to Doha services commencing from June 2025 with Melbourne to Doha service from December 2025.

[3] Includes passengers carried on both domestic and SHI (but excludes VARA). VAA did not operate LHI services in FY24.

[4] As at 31 December 2024.

[5] Section 9.3.1 provides an explanation of the structural separation of Virgin Australia's international RPT business from its domestic RPT business.

[6] As at 31 December 2024. Virgin Australia metrics referenced in this Section are as at 31 December 2024, unless stated otherwise.

[7] Based on the statutory historical financial income statement on an underlying basis. Excludes inter-segment revenue to provide a more accurate representation of segment contribution to group revenue.

[8] Refer to Section 4.2.4.1 for definition of underlying EBIT. Excludes inter-segment EBIT to provide a more accurate representation of segment contribution to group EBIT.

[9] As at 31 December 2024.

[10] Diio Mi. As measured by published ASK in CY24. Virgin Australia's capacity market share increased to 33% for H2CY24 following the voluntary administration of Rex Airlines. Refer to Section 2.2.6 for additional information regarding the competitive landscape.

[11] AirlineRatings.com; https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

VA Airlines' domestic network is complemented by a targeted SHI network. As of December 2024, Virgin Australia operated a total of 76 routes across its domestic and SHI business.[12]

Virgin Australia also collaborates with international airline partners including Qatar Airways, United Airlines, Singapore Airlines and Air New Zealand amongst others, to provide limited SHI and comprehensive long-haul reach to support its existing route network. Virgin Australia also provides domestic cargo services on its domestic RPT network.

3.1.1.2 VARA

VARA operates a fleet of ten aircraft[13] predominantly on charter services across remote and regional Western Australia primarily serving major resources, energy and government clients who require FIFO services. VARA is a leading charter operator in Western Australia and was named World's Best Regional Airline in both 2024 and 2025 by AirlineRatings.[14]

VARA delivers contracted flights operating 52 weeks per year, that is underpinned by long-tenure customers with a track record of contract renewals. VARA has a typical average contract length of three to five years and has maintained relationships spanning over ten years with its top two customers by revenue. VARA's key customers include Rio Tinto, BHP, Chevron and Bechtel.

VA Airlines and VARA benefit from a reciprocal, inter-company wet lease arrangement that enables both parties to access and utilise each other's aircraft. This cross-utilisation arrangement facilitates the optimal utilisation of assets and resources across both VA Airlines and VARA, generating operational synergies and providing both parties the flexibility to respond quickly to schedule changes and new demand opportunities.

3.1.2 Velocity

Velocity is Virgin Australia's award-winning loyalty program[15] with approximately 13 million members,[16] making it one of Australia's largest loyalty programs. Velocity rewards and recognises frequent flyers for their loyalty to and travel with Virgin Australia and enables Virgin Australia to engage with customers, through valuable Velocity Points, across multiple touchpoints beyond Virgin Australia services.

The majority of Virgin Australia's corporate, SME and direct revenue is generated from Velocity members, who typically spend more and fly more frequently with Virgin Australia than non-member guests. Members can qualify for various status levels that provide them with benefits to enhance their travel experience with Virgin Australia and other partners.

Velocity provides members with the opportunity to redeem Velocity Points for a variety of rewards, including air travel and flight upgrades, other travel rewards such as hotel stays, travel experiences and car hire, and a wide range of consumer items through the Velocity Rewards Store or through Myer.

Velocity has a network of approximately 80 commercial partners and over 300 eStore and Velocity Rewards Store brands in categories across retail, financial services and travel.[17] Velocity provides partners with high impact[18] loyalty marketing to help identify, attract, acquire and grow customer relationships.

Velocity is a high margin, capital light and cash generative business.

Velocity contributed 7% of Virgin Australia's underlying revenue[19] and 23% of underlying EBIT in FY24.[20]

Further information on Velocity is included in Section 3.6.

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[12] Excludes Cairns-Haneda route which ceased in February 2025.

[13] 7x Airbus A320 aircraft and 3x Fokker F100 aircraft as at 31 December 2024. Virgin Australia has plans to transition to Embraer E2 and Boeing 737 family aircraft by December 2026.

[14] AirlineRatings.com; https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

[15] Velocity was recognised for the Best Redemption Ability for eight consecutive years by the Freddie Awards (2013 to 2020 inclusive).

[16] As at 31 December 2024.

[17] As at 31 December 2024.

[18] High impact marketing refers to marketing efforts that impact a business' bottom line, driving revenue, leads and brand awareness in a cost efficient and effective manner.

[19] Excludes inter-segment revenue to provide a more accurate representation of segment contribution to group revenue.

[20] Based on the statutory historical financial income statement on an underlying basis. Excludes inter-segment EBIT to provide a more accurate representation of segment contribution to group EBIT.

3.2 History

Virgin Australia was co-founded in 2000 by Brett Godfrey and Rob Sherrard, with start-up capital provided by Sir Richard Branson, as the domestic low-cost carrier, Virgin Blue. Over the next two decades, Virgin Australia introduced SHI operations and then LHI operations, serving destinations across multiple continents. The airline business was further supported by its growing frequent flyer program, Velocity, which was launched in 2005.

In 2011, Virgin Blue rebranded to Virgin Australia and concurrently repositioned itself as a premium carrier, more closely competing with Qantas. In 2013, Virgin Australia also acquired 60% of Tiger Airways (and in 2015 the remaining 40%) as part of its strategy to maintain presence in the low-cost carrier segment of the market with the renamed Tigerair Australia to compete directly with Jetstar.[21] In 2013, Virgin Australia entered the charter services market through the acquisition of 100% of Skywest Airlines Limited (**Skywest**), with Skywest rebranded as VARA. [22]

Following an extended capacity and price war between Virgin Australia and Qantas, both airlines' financial performance deteriorated, which had a significant impact on Virgin Australia due to its larger debt load. To fund this price war, Virgin Australia also incurred additional debt and in April 2020, triggered by COVID-19, this contributed to Virgin Australia's entry into voluntary administration. Virgin Australia was delisted from the ASX on 17 November 2020.

During administration, Virgin Australia underwent a comprehensive reset of the operating model and cost base which included discontinuing Tigerair Australia, dedicated cargo freighter operations, LHI services[23] and select underperforming SHI routes, and simplifying the fleet.[24]

Virgin Australia was subsequently acquired by Bain Capital in November 2020. Under Bain Capital's ownership in the period following administration, further business simplification measures were taken, including resetting the commercial model with a renewed customer value proposition and reintroducing select SHI routes to complement Virgin Australia's domestic operations. See Sections 3.4 and 3.8 for further detail on Virgin Australia's transformation.

Throughout its history and multiple transformations, Virgin Australia has remained a significant participant in the Australian aviation industry. While the business has undergone significant change, Virgin Australia still strives to meet its ambition of being Australia's most loved airline, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety.

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[21] Australian Competition and Consumer Commission ("ACCC"), 'Domestic airline competition in Australia' (February 2025).

[22] Australian Competition and Consumer Commission ("ACCC"), 'Virgin Australia Holdings Limited – proposed acquisition of Skywest Airlines (Australia) Pty Ltd' (January 2013).

[23] Including routes to Los Angeles which were discontinued during administration and routes to Hong Kong which were discontinued shortly prior to administration.

[24] See Section 3.5.2 for further detail on Virgin Australia's fleet.

Figure 17 below illustrates the key milestones of Virgin Australia's history since its inception in 2000.

Figure 17: Virgin Australia History

2000

- Founded by Brett Godfrey and Rob Sherrard with start-up capital from Sir Richard Branson
- Low-cost carrier with two B737, serving one route (BNE-SYD)

2005

- Launched frequent flyer program
- Companion credit card partner with NAB

2009

- Launched international long-haul operations
- Serving destinations in the U.S., Thailand, South Africa

2011

- Rebranded to Virgin Australia
- Transforming to a full-service carrier

2012

- Acquired Skywest Airlines, expanding into charter and regional routes
- Rebranded to Virgin Australia Regional Airlines

2014

- Sold 35% stake to Affinity Equity Partners

2015

- Acquired budget carrier Tigerair Australia
- Goal to expand Virgin Australia's low-cost carrier offerings

2019

- Repurchased 35% Velocity stake from Affinity Equity Partners

2020

- Entered voluntary administration (April 2020) following COVID-19
- Purchased by Bain Capital
- Announced simplification retiring Tigerair Australia brand and exiting long haul international RPT services

2024

- Announced sale of 25% stake to Qatar Airways Group and 'Integrated Alliance' to deepen strategic cooperation between the airlines

Today

- Virgin Australia back in the game competitively, performing well financially with significant transformation (revenue, cost and Velocity) still in the pipeline to be delivered
- Dave Emerson appointed as CEO (March 2025) to lead the business through its next phase of transformation and growth
- Completed sale of 25% stake to Qatar Airways Group (March 2025)

3.3 Strategy Reset

Following voluntary administration in 2020, Virgin Australia reset its corporate strategy, with a stated ambition to be the most loved airline in Australia, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety. To achieve this vision, Virgin Australia established four key strategic pillars that are underpinned by Virgin Australia's 'flair' – its people, as set out in Figure 18 below.

Figure 18: Virgin Australia's Four Strategic Pillars

A simple, focused business

Experiences our guests love

Operational excellence

Exceptional financial performance

Underpinned by Virgin Australia flair – Our people

3.3.1 A Simple, Focused Business

Key to this strategic pillar is operating a simplified fleet with the Boeing 737 fleet family at the core, with plans for VARA to operate a new fleet of Embraer E2s to primarily serve VARA customers.[25] This drives significant cost efficiencies while also providing customers with a more consistent experience every time they fly with Virgin Australia.

In addition to a simplified fleet, Virgin Australia also has a targeted network focused on core domestic, charter and select SHI routes, complemented by strategic LHI partnerships (see Section 3.5.1). Virgin Australia seeks to profitably serve its target customers on the routes that matter most to them.

In delivering this model, Virgin Australia targets fleet utilisation, load factor and productivity above full-service carriers, and targets a cost base closer to a low-cost carrier with decisions to increase the cost base only where customers are prepared to pay for value and choice.

3.3.2 Experiences Our Guests Love

Since founding in 2000, Virgin Australia has always had customers at its core. Under this strategic pillar, following administration Virgin Australia developed a renewed customer proposition designed to best serve its target customers, being premium leisure, SMEs and value-conscious corporates, including delivering the award-winning Velocity loyalty program and achieving a Net Promoter Score (**NPS**)[26] in line with a full-service carrier. Virgin Australia's commitment to customer service has been recognised with Virgin Australia winning World's Best Cabin Crew for the past seven years.[27] Additional detail regarding Virgin Australia's customer value proposition, which is focused on creating uplifting experiences for all customers, is set out in Section 3.5.4.

3.3.3 Operational Excellence

This strategic pillar encompasses having a strong, uncompromising safety culture, as well as maintaining On Time Performance (**OTP**)[28], completion rates[29] and disruption management at least in line with other Australian carriers. As at 31 March 2025, Virgin Australia has achieved this objective as illustrated in Figure 19 and Figure 20.

This strategic pillar also incorporates Virgin Australia's sustainability agenda, which includes its commitment to target Net Zero by 2050. Additional information regarding Virgin Australia's sustainability initiatives can be found in Section 3.10.

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[25] Embraer E2s on order with the first aircraft entering service from late 2025. These will replace VARA's current Fokker 100 aircraft.

[26] Based on a monthly market survey commissioned by Virgin Australia and conducted by a third party of 1,000 Australian travellers who have flown domestically within the past 12 months, or intend to do so within the next 6 months. Respondents are asked to rate their likelihood to recommend each domestic airline that they have flown with in the prior 12 months.

[27] AirlineRatings.com; https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

[28] Measured as domestic flights that departed on time as a percentage of all departures operated on any domestic sector. A flight departure is considered on time if it departed the gate within 15 minutes after the scheduled departure time shown in the airline's schedule.

[29] Measured as domestic flights that were not cancelled as a percentage of all services scheduled on any domestic sector. A flight is considered cancelled if it is removed from service within 7 days of scheduled departure.

Figure 19: Domestic RPT on-time performance (departures)[30]

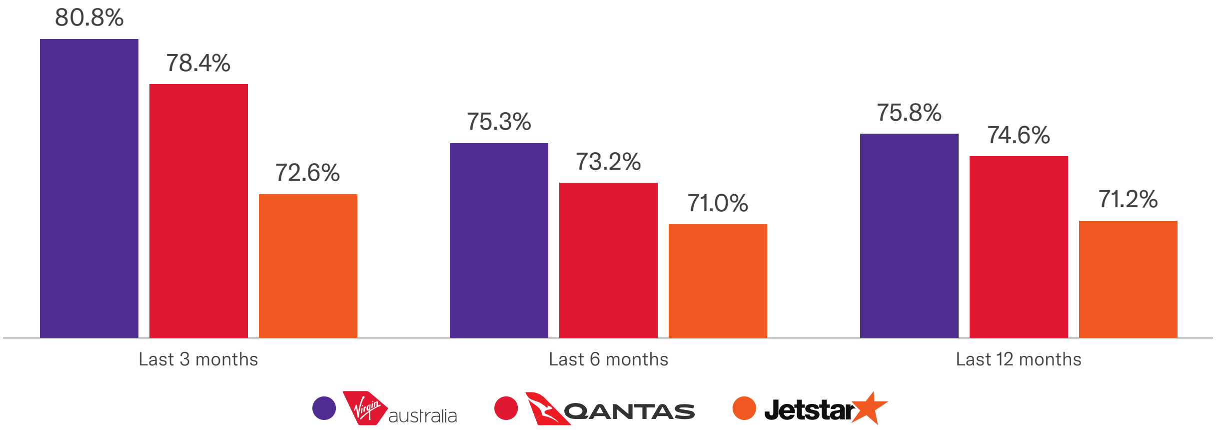
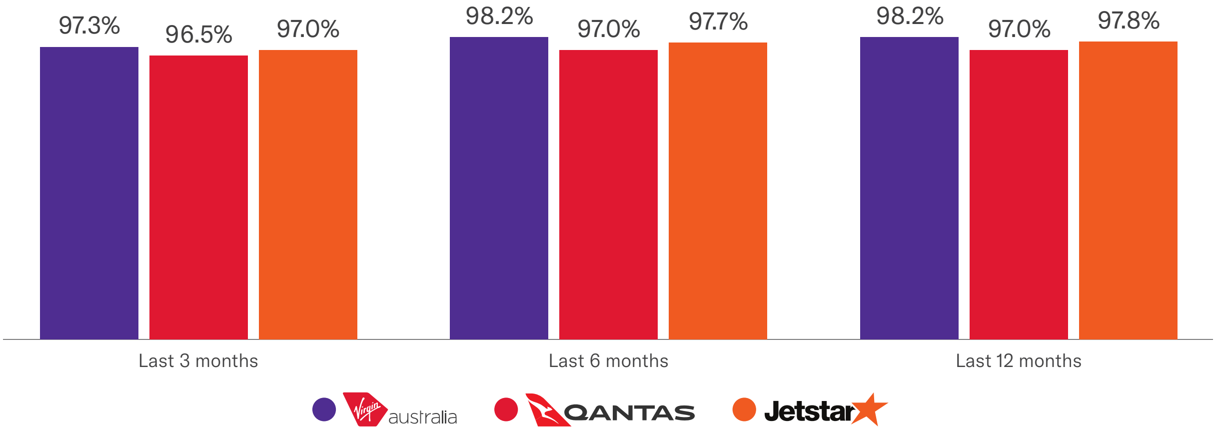


Figure 20: Domestic RPT completion rate[31]



3.3.4 Exceptional Financial Performance

Virgin Australia's operational decision making is informed by the desire to deliver strong financial returns for shareholders. To achieve this, Virgin Australia targets: (a) a Revenue per Available Seat Kilometre (**RASK**)[32] that is reflective of its optimisation of capacity, schedule, service, product (including ancillaries) and pricing; and (b) sustainable EBIT margin growth with a balance between service levels and cost, supported by ongoing transformation initiatives.

Virgin Australia is also focused on responsible growth, applying a disciplined financial approach to its capital investment decisions throughout the business. See Section 4.9.2 for details of Virgin Australia's Capital Allocation Framework.

For further details regarding Virgin Australia's Transformation Program, EBIT margin evolution, and ongoing growth initiatives, see Sections 3.4 and 3.8.

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[30] Based on data from the Australian Government's Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Bureau of Infrastructure and Transport Research Economics, Statistical Report, Aviation – Domestic airline on time performance March 2025, https://www.bitre.gov.au/publications/ongoing/airline_on_time_monthly (**OTP March Report**). The stated last 3 months, last 6 months and last 12 months in each case, are from 31 March 2025, calculated as a weighted average based on number of flights.

[31] Based on data from the OTP March Report. Last 3 months, last 6 months and last 12 months in each case, from 31 March 2025, calculated as a weighted average based on number of flights. Virgin Australia's domestic completion rate for the last 3 months to 31 March 2025 increases to 98.8% if calculated based on routes to and from non-Queensland based destinations only, to adjust for the interruption caused by the impact of Tropical Cyclone Alfred which resulted in severe weather and flooding during March 2025 in Queensland. Applying the same adjustment, Qantas and Jetstar had domestic completion rates of 97.1% and 98.2% respectively over the same period.

[32] RASK is used to compare revenue between airlines.

3.3.5 Virgin Australia Flair

Virgin Australia's strategic pillars are underpinned by Virgin Australia's 'flair' and culture, as delivered by its team. Virgin Australia's culture inspires people to bring 'flair' to the job every day, alongside authenticity and a passion for each other, the business and Virgin Australia's customers. The Virgin Australia flair creates a differentiated and engaging experience for customers. See Section 3.7 for further detail on Virgin Australia's people and culture.

3.4 Transformation Program

Since entering into voluntary administration in April 2020, Virgin Australia has undertaken the extensive Transformation Program to support improvement in operational and financial performance. The Transformation Program commenced during administration and focused initially on a reset of the cost base and was followed by a commercial model reset following the completion of Bain Capital's acquisition in November 2020.

The Transformation Program has enabled Virgin Australia to re-emerge from administration as a simpler, focused and stable business with a sustainable cost base, and a clear strategy underpinned by disciplined financial management. Virgin Australia continues to embark on its transformation journey with the initiatives of the current Transformation Program building on Virgin Australia's durable foundation, supporting a revitalised customer value proposition.

The impact of the Transformation Program to date has been significant, as evidenced by the improvement in Virgin Australia's underlying EBIT margin. Management expects to undertake additional transformation initiatives over the coming years which, if successfully implemented, will deliver further margin improvements.

Virgin Australia's Transformation Program is embedded throughout the business, embracing a culture of continual innovation and finding better ways to operate, while enhancing the customer experience. The Transformation Program is overseen by Virgin Australia's strategy function, with established teams and processes to manage execution and track delivery of performance against initial targets. Virgin Australia's strategy function is also responsible for continuously building out the pipeline of future transformation initiatives.

3.4.1 Administration Period Cost Reset

During the administration period (April 2020 to November 2020), several key cost initiatives were implemented to position Virgin Australia as a stronger and more focused airline. These cost initiatives included:

- discontinuing the historically underperforming low-cost carrier Tigerair Australia, dedicated cargo freighter operations,[33] LHI services (including routes to Hong Kong[34] and Los Angeles from each of Sydney, Melbourne and Brisbane) and certain underperforming SHI routes;
- simplifying Virgin Australia's aircraft fleet from seven aircraft types in 2019 to three aircraft types across VA Airlines and VARA as at 31 December 2024, exiting turbo prop (ATR), regional jet (E170) and wide-body[35] (A330 and B777) aircraft, with the Boeing 737 aircraft family now at the core of Virgin Australia's simplified fleet. This has provided a number of operational benefits including network flexibility, reduced maintenance and aircraft order costs, and more efficient pilot and cabin crew training;
- exiting and renegotiating over 500 onerous contracts delivering savings worth over $290 million[36] including aircraft leasing arrangements; and
- renegotiating the enterprise bargaining agreements (**EBAs**) and Virgin Australia's organisational structure, including reductions in underlying head office FTEs.

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[33] Virgin Australia currently conducts domestic freight operations which leverages cargo capacity on existing RPT services. This is distinguished from Virgin Australia's discontinued cargo freighter operations which utilised dedicated freight-only aircraft.

[34] Routes to Hong Kong were discontinued shortly prior to administration.

[35] Wide-body aircraft refers to a twin-aisle aircraft typically used for long-haul international flights.

[36] Represents contract value based on CY20. Includes VARA contracts.

3.4.2 Post-Administration Transformation

Following administration, Virgin Australia made significant investments in people, processes and systems to reset the commercial model, underpinned by a strategic repositioning of the business to focus on market-segments that led the post-COVID recovery, namely premium leisure, SMEs and value-conscious corporates. These initiatives were undertaken following Bain Capital's acquisition in November 2020 through to the end of FY23, and included:

- re-introducing certain SHI routes to complement Virgin Australia's domestic operations, alongside a continued focus on network optimisation to best match capacity to demand;
- optimising pricing through fare unbundling[37] as well as a fare class and pricing ladder realignment[38] to support Virgin Australia's target markets, and implementing a tiered approach to fare families (Lite, Choice and Flex) to capture different customer preferences and price points;
- driving innovation in ancillary offerings through new product development and digital enhancements, including additional seating options (Economy X, extra legroom rows) along with improved ancillary purchasing options, resulting in increased per-passenger ancillary revenue growth;
- investing in the brand underpinned by "Virgin Flair" aligned to the new market positioning;
- implementing a comprehensive technology investment program to replace and modernise end of life systems, significantly improving the technology capabilities of the business;
- improving the UI/UX on Virgin Australia's website (Virgin Australia's direct booking channel) and mobile app;
- implementing advanced technologies including Customer Data Platform and Revenue Optimisation and Dynamic Availability;[39] and
- launching VABF, a loyalty program for SMEs that rewards them for flying and everyday business spending. Key benefits include access to discounts, earning Velocity points on travel and business services, tier-based perks like lounge access and bonus points, and simplified travel management through a central booking portal and/or trade partners (see Section 3.6.4.2 for more information).

Alongside the improvement in travel demand and favourable trading conditions, the transformation initiatives undertaken as part of the Transformation Program from administration to FY23 contributed to a significant improvement in Virgin Australia's pro forma underlying EBIT margin from 2.9% in FY19[40] (prior to Bain Capital ownership) to 8.5% in FY23.[41]

3.4.3 Current Transformation Program Initiatives

The current phase of the Transformation Program commenced in FY24 and focuses on revenue, cost and Velocity initiatives as summarised below:

- **Revenue initiatives** – increasing Virgin Australia's share of high value customers across corporate, government and SME; capturing customers' willingness to pay by offering more options to meet customer preferences; and improving offering of ancillary products to drive increased ancillary revenue;[42]
- **Cost initiatives** – intended to build on and leverage the cost reset undertaken during administration and in the Transformation Program to date. Focused on delivering operational excellence with a number of productivity improvement initiatives; enabling fleet transformation through ongoing simplification of the fleet as well as improved seat densification; and optimising cost of sales, cost to serve and overheads; and
- **Velocity** – initiatives to drive deeper loyalty to VA Airlines with program enhancements and new products; grow active members and deepen engagement through data personalisation / analytics; and expand the partner network by extending partnership reach (including financial services) and strengthening Velocity's core travel proposition.

See Section 3.8 for further detail on specific transformation initiatives and Virgin Australia's broader growth strategy.

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[37] Fare unbundling refers to the separation of services (for example meals, checked baggage and seat selection) with customers able to purchase each service individually.

[38] Ladder realignment refers to the adjustment of fare structures and fare levels.

[39] Core airline inventory management system allocating number of seats to price points based on forecast demand, with capability to react to market dynamics.

[40] FY19 reflects adjustments to EBIT to align with current accounting policies of Virgin Australia, including the adoption of AASB16 Leases.

[41] Corresponds to a statutory loss in FY19 and a statutory EBIT margin of 4.8% and a statutory net profit margin of 2.6% in FY23.

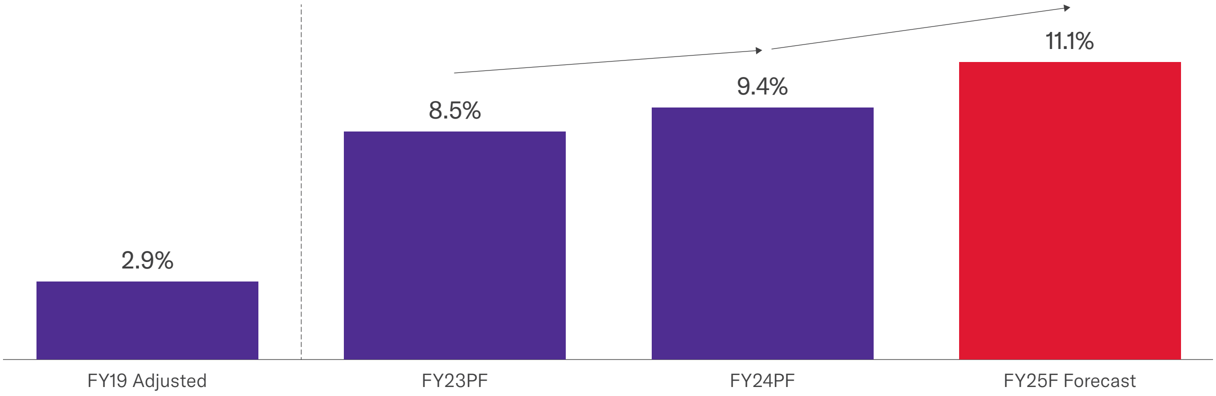
[42] Ancillary revenue refers to revenue generated in association with airline passenger revenue. It includes revenue from services such as baggage and change fees, fees for additional legroom, seat allocation, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi internet access and third party ancillary sales (including travel insurance, hotels, parking and other partner sales).

3.4.3.1 Realised and targeted benefits of Transformation Program

Over FY24, Virgin Australia achieved more than $250 million of gross transformation benefits[43] which exceeded management's initial target of approximately $215 million and contributed to Virgin Australia's pro forma underlying EBIT margin expansion from 8.5% in FY23 to 9.4% in FY24.[44] Virgin Australia's pro forma underlying EBIT margin is further expected to increase to 11.1% in FY25F.[45] Similarly, this is expected to increase pro forma underlying net profit to achieve a 5.7% margin for FY25F.[46]

Alongside Virgin Australia's other strategic drivers for growth (see Section 3.8), the current phase of the Transformation Program is targeted at delivering benefits to enable Virgin Australia to offset the impacts of inflation, support further incremental EBIT margin accretion, and enhance Virgin Australia's competitive position.

Figure 21: Virgin Australia pro forma underlying EBIT Margin Evolution[47]



Initiatives for the current phase of the Transformation Program are fully planned and costed to December 2026 with individually identified targets, specific measures to be implemented and KPIs that are tracked by management. In FY25F, the Transformation Program is expected to deliver more than $400 million of gross transformation benefits,[48] with a further approximately $400 million of gross transformation benefits expected in FY26 and a further approximately $150 million of gross transformation benefits expected in the six months to December 2026. Of the approximately $950 million total gross transformation benefits expected over FY25, FY26 and the six months to December 2026, approximately 50% is expected from revenue initiatives, 45% is expected from cost initiatives and 5% from Velocity initiatives. Transformation initiatives beyond this period are currently in the planning phase.

Over the longer term, Virgin Australia intends to continuously develop its transformation initiatives pipeline and execute upon these initiatives as a means to offset cost inflation impacts on profitability.

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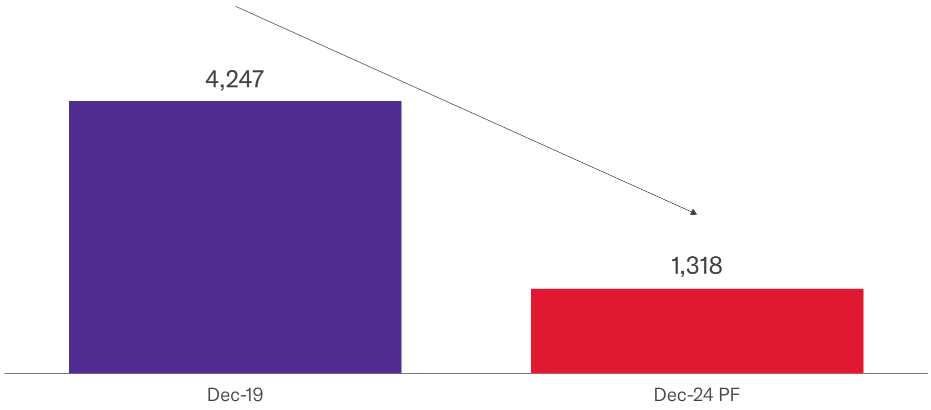
43. Gross transformation benefits are stated before the impact of cost escalation, one-off implementation costs, and potential competitive actions on Virgin Australia's operations and their associated impact on Virgin Australia's revenue and contribution to profitability. The net earnings impact from gross transformation benefits are reduced by one-off implementation costs, potential competitor or market-based impacts on Virgin Australia's revenue, and cost escalation, where higher cost escalation incurred can erode benefits to EBIT margin to the extent that those higher costs cannot be passed on in the form of higher prices. For these reasons, transformation benefits are not guaranteed to translate into profit and the extent to which they do so may not be predicted in advance.
44. Corresponds to a 4.8% statutory EBIT margin in FY23 to 12.1% statutory EBIT margin in FY24, and from a statutory net profit margin of 2.6% in FY23 to a statutory net profit margin of 9.7% in FY24.
45. Statutory EBIT margin of 6.1% for FY25F.
46. Forecast Financial Information is set out in Section 4.12.
47. FY19 reflects adjustments to EBIT to align with current accounting policies of Virgin Australia, including the adoption of AASB16 Leases. Corresponding statutory underlying EBIT margins are 1.5% for FY19, 8.8% for FY23, 9.7% for FY24 and 11.3% for FY25F and corresponding statutory net profit margins are (5.4%) for FY19, 2.6% for FY23, 9.7% for FY24 and 7.4% for FY25F.
48. Refer to footnote 40 in Section 3.4.3.1 for further detail on the definition of gross transformation benefits.

3.4.4 Balance Sheet Reset for Growth

As part of repositioning Virgin Australia for the future, Virgin Australia also reset its balance sheet to pursue growth without compromising its financial strength. Post voluntary administration, adjusted net debt[49] reduced from $4,247 million as at 31 December 2019 to $1,318 million[50] as at 31 December 2024 on a pro forma basis, or from 5.47x adjusted net debt / CY19 EBITDA to 1.24x[51] adjusted net debt / pro forma underlying FY25F EBITDA,[52] respectively. Debt is principally secured against aircraft assets as well as the assets of Velocity. In accordance with Virgin Australia's Capital Allocation Framework, Virgin Australia targets to maintain adjusted net debt / underlying EBITDA within a range of 1.0x to 2.0x. Refer to Section 4.7 for further information regarding Virgin Australia's balance sheet and to Section 4.9.2 for an overview of Virgin Australia's Capital Allocation Framework.

Figure 22: Virgin Australia adjusted net debt reduction ($m)[53]

Adjusted net debt / EBITDA	5.47x EBITDA (CY19)	1.24x pro forma underlying EBITDA (FY25F)



3.5 Airline

3.5.1 Route Network

Virgin Australia operates an RPT route network focused on the needs of Virgin Australia's core target customers, being premium leisure, SMEs and value-conscious corporates. This is complemented by a comprehensive charter network primarily serving major resources, energy and government clients who require FIFO services. Virgin Australia operates 76 RPT routes, connecting customers to over 38 destinations throughout Australia and Asia-Pacific with approximately 2,900 flights per week.[54] Virgin Australia's targeted SHI routes are aligned to key overseas tourist destinations for Australians. Virgin Australia also has a portfolio of leading global airline partners who provide comprehensive long-haul options for Virgin Australia's customers. As part of a broader partnership with Qatar Airways, Virgin Australia will commence four new LHI services from June 2025 from Sydney, Brisbane, Perth and (from December 2025) Melbourne to Doha under a wet lease arrangement with Qatar Airways.[55]

Virgin Australia actively manages its route network to maximise earnings and appropriately balance network breadth and service frequency to satisfy customer demand. The network is also influenced by operational considerations, including ensuring a reliable and cost-efficient operation, with a focus on maximising asset utilisation and employee productivity.

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[49] Includes capitalised leases. Refer to Section 4.7.3 for definition of net debt.

[50] Corresponds to statutory adjusted net debt of $1,241 million. Refer to Section 4.7.3 for a reconciliation of statutory adjusted net debt.

[51] Corresponds to statutory adjusted net debt / statutory underlying FY25F EBITDA of 1.16x.

[52] Underlying EBITDA represents EBITDA before Significant Items. Management uses underlying EBITDA to evaluate the operating performance of the business before the non-cash impact of depreciation and amortisation, interest and tax charges which are significantly affected by Virgin Australia's capital structure and historical tax position, and before Significant Items.

[53] Corresponds to statutory adjusted net debt of $1,241 million at 31 December 2024 and to statutory adjusted net debt / statutory underlying FY25F EBITDA of 1.16x. Refer to Section 4.7.3 for a reconciliation of statutory adjusted net debt.

[54] For CY24. Flight numbers vary week to week depending on demand and available capacity. Excludes Cairns-Haneda route which was ceased in February 2025. Excludes four new LHI services from Sydney, Brisbane, Perth and Melbourne to Doha planned for 2025 as part of Virgin Australia's partnership with Qatar Airways. See Section 3.5.1.4 for further information on these LHI services.

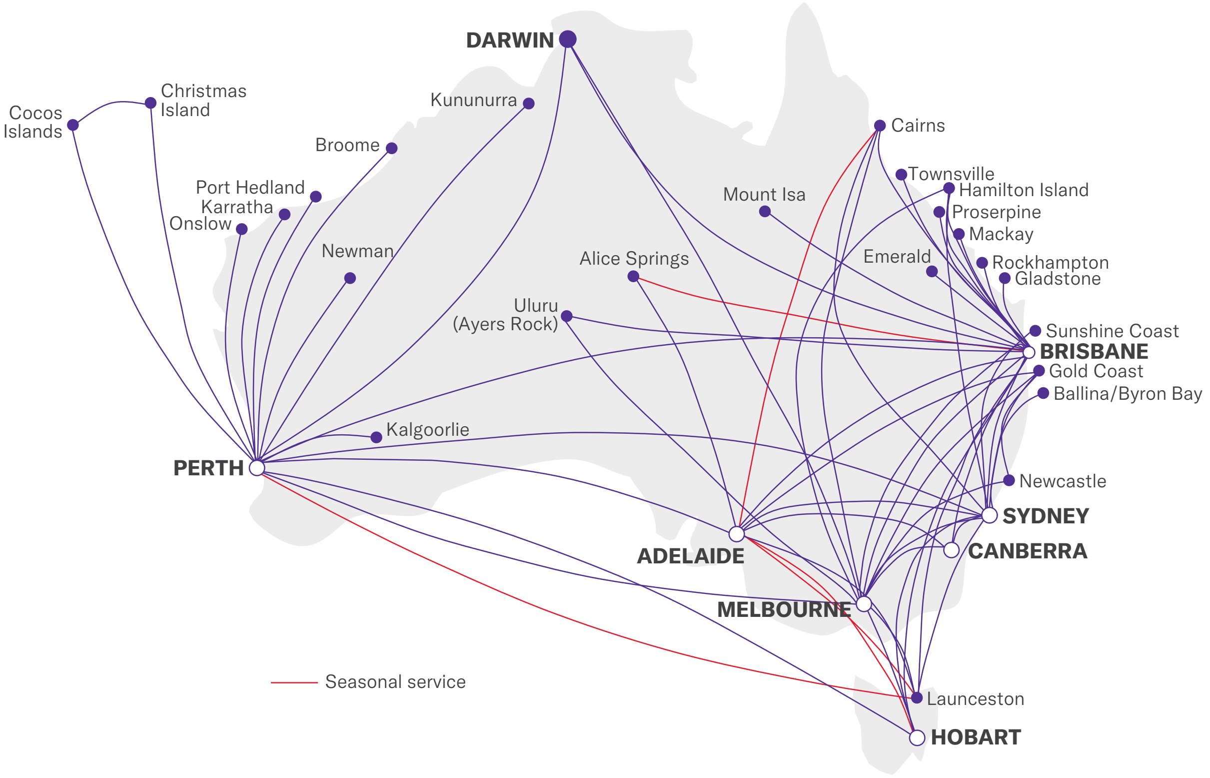
[55] Refer to Section 3.5.1.4 for further information on LHI services operated by Virgin Australia in partnership with Qatar Airways.

3.5.1.1 Domestic RPT network

The Australian domestic airline RPT industry is structurally attractive and unique compared to many other countries, given Australia's large geographic size, the vast distances between its major capital cities and the lack of fast and efficient alternative modes of transport between them. Additional information regarding the Australian domestic airline market can be found in Section 2.2.1.

As of 31 December 2024, Virgin Australia operated 64 routes across its domestic RPT network of 33 destinations. Virgin Australia had an average domestic RPT capacity market share of 32% in CY24.[56] Of these 64 RPT routes, approximately 67% are connected to the Golden Triangle of Melbourne, Sydney and Brisbane, and approximately 22% are connected to Queensland leisure focused locations – Cairns, Gold Coast, Hamilton Island, Maroochydore and Proserpine.[57] Collectively, these RPT routes account for approximately 72% of Virgin Australia's domestic RPT routes serviced.[58] Virgin Australia carried approximately 19 million customers on its domestic RPT network in CY24.[59]

Figure 23: Domestic RPT Route Network[60]



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56. Diio Mi. As measured by published ASKs. Virgin Australia's capacity market share increased to 33% for H2CY24 following the voluntary administration of Rex Airlines. Refer to Section 2.2.6 for additional information regarding the competitive landscape.
57. Percentages are calculated based on number of Virgin Australia routes, based on both route origin and destination.
58. Routes that connect a Queensland leisure origin (destination) with a Golden Triangle destination (origin) are only counted once.
59. Excludes VARA.
60. Incorporates all published services as at December 2024.

3.5.1.2 SHI network

Virgin Australia's domestic offering is complemented by targeted SHI services on 12 routes across five overseas popular holiday destinations for Australians including Fiji (Nadi), Indonesia (Denpasar), Samoa (Apia), Vanuatu (Port Vila) and New Zealand (Queenstown).[61] Virgin Australia carried 1.3 million customers on its SHI network in CY24.

While Virgin Australia primarily focuses on domestic operations, it strategically evaluates and considers select SHI routes, provided they align with its core customer preferences, and they can be serviced in a sustainable and profitable manner. For example, Virgin Australia has deliberately chosen not to currently extend its services in New Zealand beyond Queenstown. Routes to other New Zealand cities (Auckland, Wellington and Christchurch) have historically been loss-making for Virgin Australia and are now instead serviced through a codeshare agreement with Air New Zealand.

As noted in Section 3.5.2, Virgin Australia has orders for Boeing 737-8s and Boeing 737-10s,[62] which have extended flight duration capability and fuel efficiency compared to the previous generation Boeing 737 fleet. This has the potential to unlock opportunities to service new routes and expand penetration in the SHI market, subject to those routes being value accretive to the business.

For a description of the structure of Virgin Australia's international airline business, please see Section 9.3.1.

Figure 24: SHI Route Network[63]

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[61] As at December 2024. Excludes Cairns-Haneda route which was ceased in February 2025.

[62] As at December 2024.

[63] Incorporates all published services as at December 2024. Excludes Cairns-Haneda route which was ceased in February 2025.

3.5.1.3 International Interline, Codeshare and Loyalty Partnerships

Virgin Australia's international interline, codeshare and loyalty partnerships with leading international carriers allows Virgin Australia to:

- serve its customers flying internationally by providing access to a comprehensive network of LHI routes through Virgin Australia sales channels including VABF and corporate dealing;
- provide Velocity Members in Australia with a compelling accrual, redemption and recognition proposition on partner airlines global networks, including reciprocal benefits such as partner lounge access;
- secure feeder traffic on Virgin Australia's domestic network by providing domestic connections to or from international services operated by partners, including on a single booking;
- access demand from international points of sale, by allowing Virgin Australia flights to be sold in conjunction with partner operated international flights in global points of sale that would otherwise not be accessible to Virgin Australia;
- leverage the loyalty of membership bases of partner airlines' frequent flyer programs in markets that Velocity does not participate; and
- drive airline revenue and Velocity member engagement.

Virgin Australia operates a 'capital light' LHI network through its strategic alliances and codeshare partnerships with major airlines. Through these interline, codeshare agreements and reciprocal loyalty or frequent flyer arrangements with major airlines, Virgin Australia is able to provide customers with access to over 650 destinations globally. Alliances typically include agreements for various forms of commercial cooperation, subject to applicable laws, such as allowing journeys, including flights of another airline, to be sold on a single ticket, facilitating the seamless connection of passengers and baggage between flights, codeshare agreements (which enable each carrier to place its IATA airline designator code on flights operated by the other carrier) and frequent flyer program participation. Frequent flyer program agreements include the ability for members of one airline's program to earn or redeem points (or miles) when flying on another airline, and also include the reciprocal recognition and provision of premium services (such as lounge entry and priority boarding) to tiered members.

Virgin Australia maintains forms of strategic alliances with the following major international airlines: Qatar Airways (for traffic flows to Europe, the Middle East and Africa), Singapore Airlines (Asia and the Indian subcontinent), United Airlines (USA), Air Canada (Canada), Air New Zealand (New Zealand) and ANA (Japan). These strategic partnerships form the foundation of Virgin Australia's airline partnerships portfolio which encompasses over 50 interline partners, including 10 codeshare partners and 15 airline partners within the Velocity program.[64] Virgin Australia's Management views these partnerships as strategically important because they offer frequent and attractive flight offerings into Australia. For example, in the month of February 2025, Virgin Australia's partners United Airlines and Air Canada operated 232 flights between Australia and continental North America, where Qantas and partner American Airlines operated 199.[65]

In October 2024, Virgin Australia announced it would further enhance its partnership network by entering into an integrated alliance with Qatar Airways, including a commercial co-operation agreement. Qatar Airways Group also agreed to acquire a 25% stake in Virgin Australia in 2024 with that transaction completing in March 2025. Qatar Airways flies to over 170 destinations across six continents (of which more than 95 are to destinations in Europe, Africa and the Middle East) and has been recognised as the 'World's Best Airline' by Skytrax an unprecedented eight times, including in 2024 (see Section 3.5.1.4).

In addition to the six named strategic partners, Virgin Australia maintains codeshare partnerships with Link Airways, South African Airways, Air Mauritius and Air India, and partnerships through Velocity with Hainan Airlines, Beijing Capital Airlines, South African Airways, Hong Kong Airlines, Virgin Atlantic and Tianjin Airlines, allowing Velocity members to earn Velocity Points with these airlines.

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[64] As at December 2024.

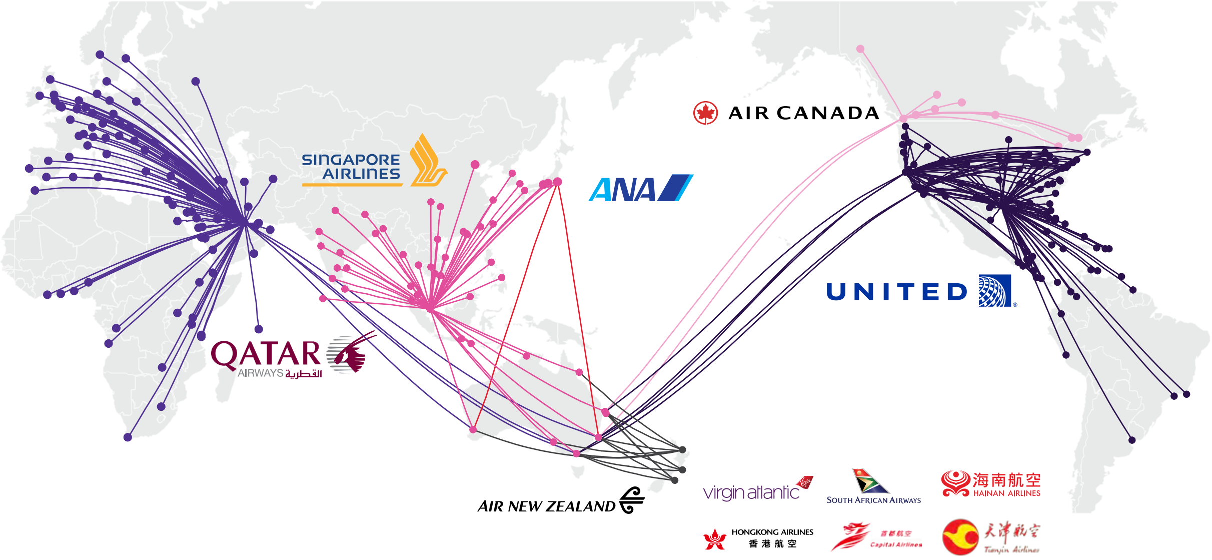
[65] Diio Mi industry schedule data.

Some elements of Virgin Australia's strategic alliances with its airline partners require ongoing authorisation from the ACCC. In some circumstances, authorisation may also be required from the relevant regulator in the home country of the strategic alliance partner. Currently, Virgin Australia's arrangements with international partner airlines rely on ACCC authorisation to the following extent:

- Virgin Australia's integrated alliance with Qatar Airways was subject to ACCC authorisation which was received in final form on 28 March 2025 and will run until April 2030. This alliance does not require authorisation from a competition authority in any other jurisdiction.
- Virgin Australia's limited codeshare and marketing alliance with Air New Zealand for Australia-originating travel between Australia and New Zealand (excluding Queenstown) is subject to ACCC authorisation and authorisation by the New Zealand Ministry of Transport with current approvals extending until June 2029.
- General authorisation enabling Virgin Australia's codeshare pricing strategy with international airline partners who do not operate on overlapping routes is subject to ACCC authorisation with authorisation not required in any other jurisdiction. Current ACCC approvals extend until September 2027.

Virgin Australia's other alliances are on an arm's length basis.

Figure 25: International Airline Partnerships and Partnership Routes



3.5.1.4 Long-Haul International Operations

Virgin Australia will commence operating one daily flight between each of Sydney, Brisbane, Perth and Melbourne and Doha under a wet lease arrangement with Qatar Airways, with planned commencement dates beginning from June 2025. The wet lease arrangement will enable Virgin Australia to carefully re-enter LHI travel in partnership with a leading global carrier[66] by minimising the complexity and risk to Virgin Australia's core activities, balance sheet and earnings that LHI operations would otherwise entail.

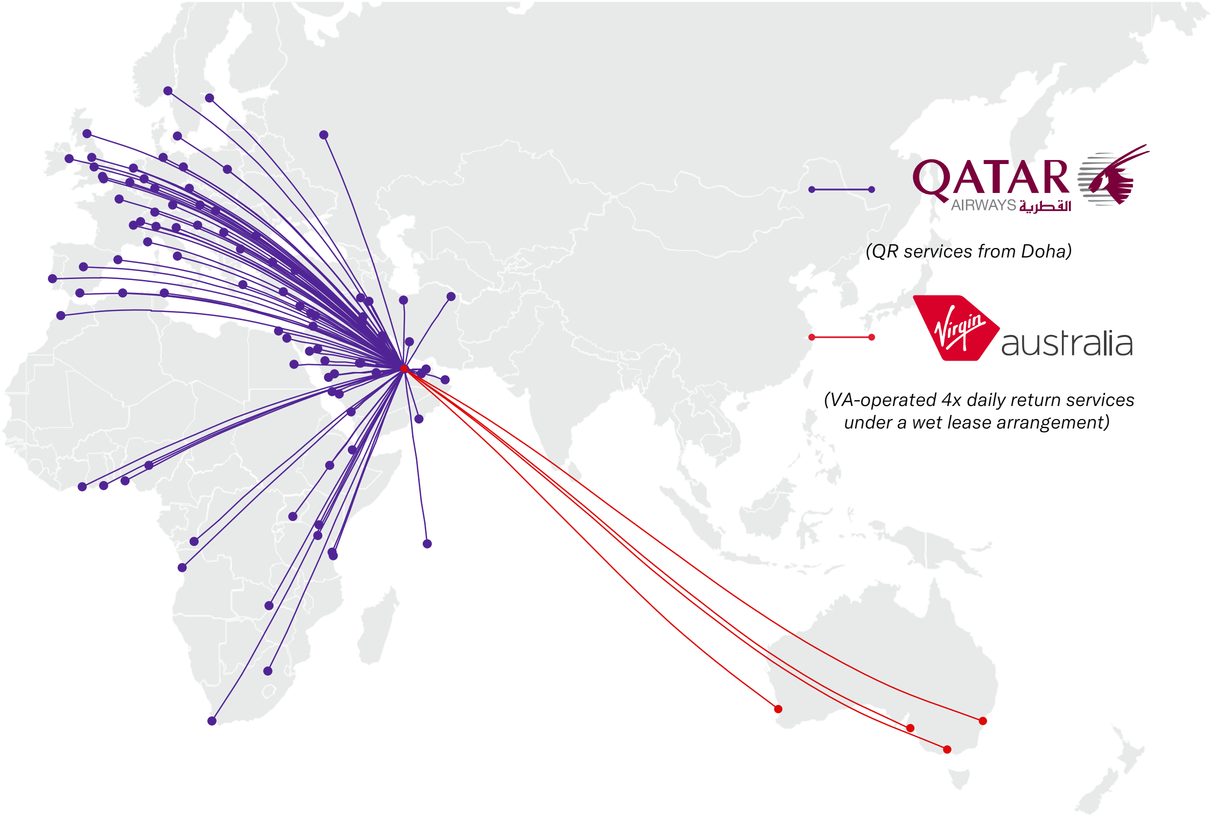
Under the wet lease arrangement, Virgin Australia's key sources of potential benefits from the new services are sales-based incentives (commission based remuneration), increased Velocity participation, and additional feeder traffic onto Virgin Australia's domestic and SHI network. Virgin Australia's costs of selling the new services will be recovered through the sales-based incentives and its costs of delivering the new services will be broadly offset by the receipt of a fixed fee from Qatar Airways, other than certain third party costs which are reimbursable by Qatar Airways. Overall, the impact of the wet lease arrangement to Virgin Australia's EBIT is not expected to be material.

The wet lease arrangement will allow Virgin Australia to assess, in future years, the financial viability of a more substantial re-entry to LHI in a manner consistent with its Capital Allocation Framework.

The new LHI services and enhanced partnership with Qatar Airways will also deliver various other benefits for Virgin Australia and its customers, including:

- partnering with the 'World's Best Airline'[67] to compete in the attractive Australian market;
- higher customer value and choice from new services connecting to over 170 destinations worldwide on Qatar Airways' network, including on desirable routes to Europe, the Middle East and Africa;
- compelling premium leisure, corporate and SME offering through an enhanced partner network and attractive loyalty benefits;
- Velocity Points redemption opportunities on both the new LHI services and Qatar Airways' valued LHI routes which is expected to assist in driving member loyalty to Velocity domestically; and
- potential to unlock revenue and cost synergies through co-operation on various operational, sales, joint procurement and marketing initiatives.

Figure 26: LHI Services



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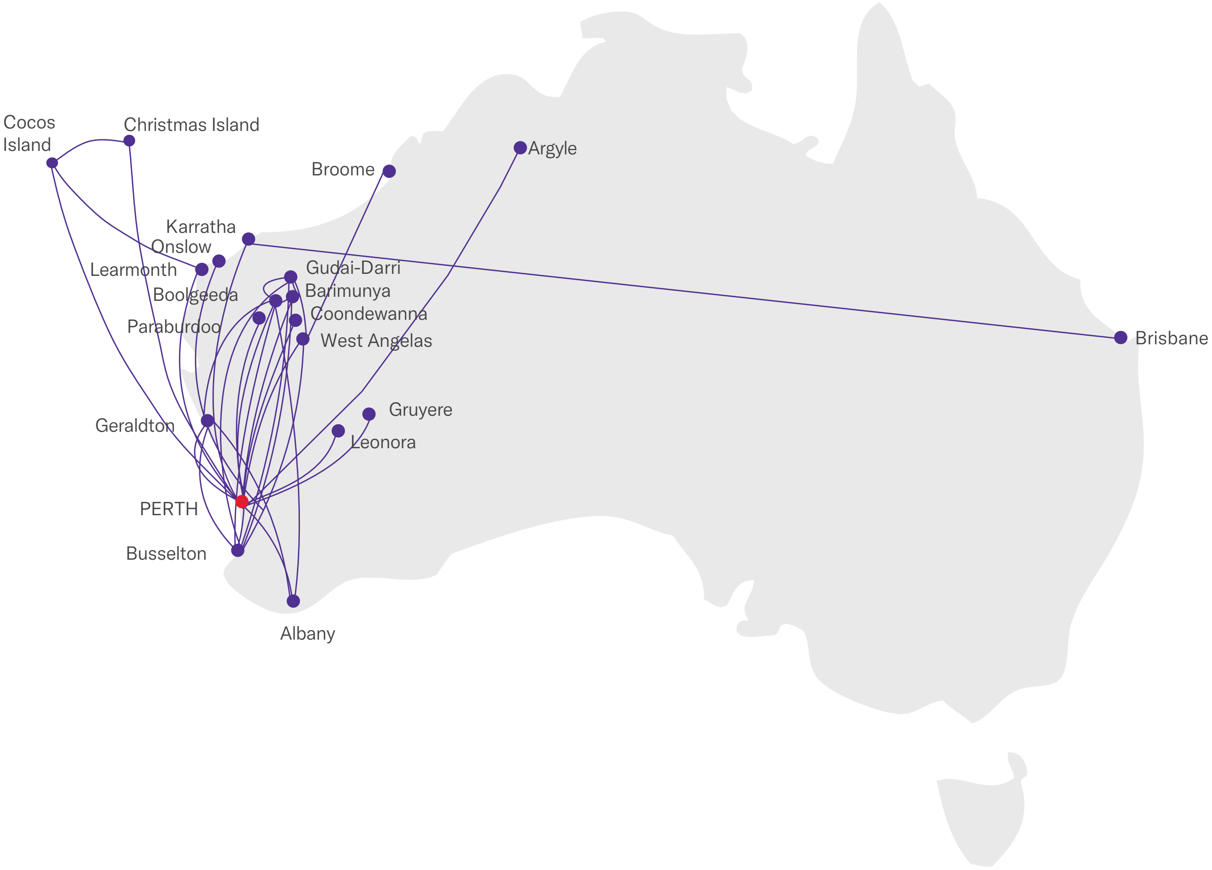
[66] Qatar Airways was awarded "World's Best Airline" by Skytrax in 2024.

[67] As awarded by Skytrax in 2024.

3.5.1.5 Charter network

Virgin Australia's charter services operated by VARA predominantly operate across remote and regional Western Australia, with services on 33 routes across 19 destinations. The charter network predominantly serves major resources, energy and government clients who require FIFO services under contract. VARA's current service network is largely designed around clients' specific requirements. See Section 3.1.1.2 for further detail on VARA.

Figure 27: Charter Route Network



3.5.1.6 Scheduling

Virgin Australia's services are scheduled to maximise their appeal to customers by balancing network breadth, service frequence and operational considerations. Virgin Australia also considers the profitability of various flying opportunities and maintains flexibility to vary its route network throughout the year.

Virgin Australia primarily operates a point-to-point network. This has the benefit of a customer centric route network that is built around demand trends and is optimised for customer convenience.

3.5.1.7 Lounge Network

As part of its comprehensive service offering, Virgin Australia provides customers access to several lounges both domestically and internationally. This includes premium domestic lounges that Virgin Australia operates at major Australian airports, namely Adelaide, Brisbane, Canberra, Gold Coast, Melbourne, Perth (Terminal 1) and Sydney, and lounges provided under lounge agreements with international airlines at international airports. Access to Virgin Australia operated lounges is provided to business class guests, Velocity Platinum and Gold members, and lounge members, offering complementary amenities, such as:

- a hosted food bar (including barista coffee and bar service);
- shower facilities at select Virgin Australia lounge locations; and
- high-speed internet access and printing.

Virgin Australia also operates an exclusive network of Beyond lounges in Brisbane, Melbourne, and Sydney. These invitation-only lounges are designed to enhance acquisition and retention of key corporate and SME partners. Beyond lounges feature an uplifted experience with premium amenities including private meeting zones and board rooms, as well as à la carte dining.

Virgin Australia also has an extensive reciprocal international lounge offering for eligible guests operated by certain partner airlines, including United Airlines, Qatar Airways and Singapore Airlines.[68]

3.5.2 Fleet Overview

One of the key transformation initiatives implemented by Virgin Australia, which commenced during voluntary administration, was a fleet simplification program. This has been central to achieving sustainable cost reduction in the operation of Virgin Australia's fleet. As illustrated below, Virgin Australia has simplified its fleet from seven aircraft types in 2019 to three narrow-bodied aircraft types, which has improved fuel efficiency and reduced operational complexity. As at December 2024 Virgin Australia operated a total of 104 aircraft across VA Airlines and VARA.

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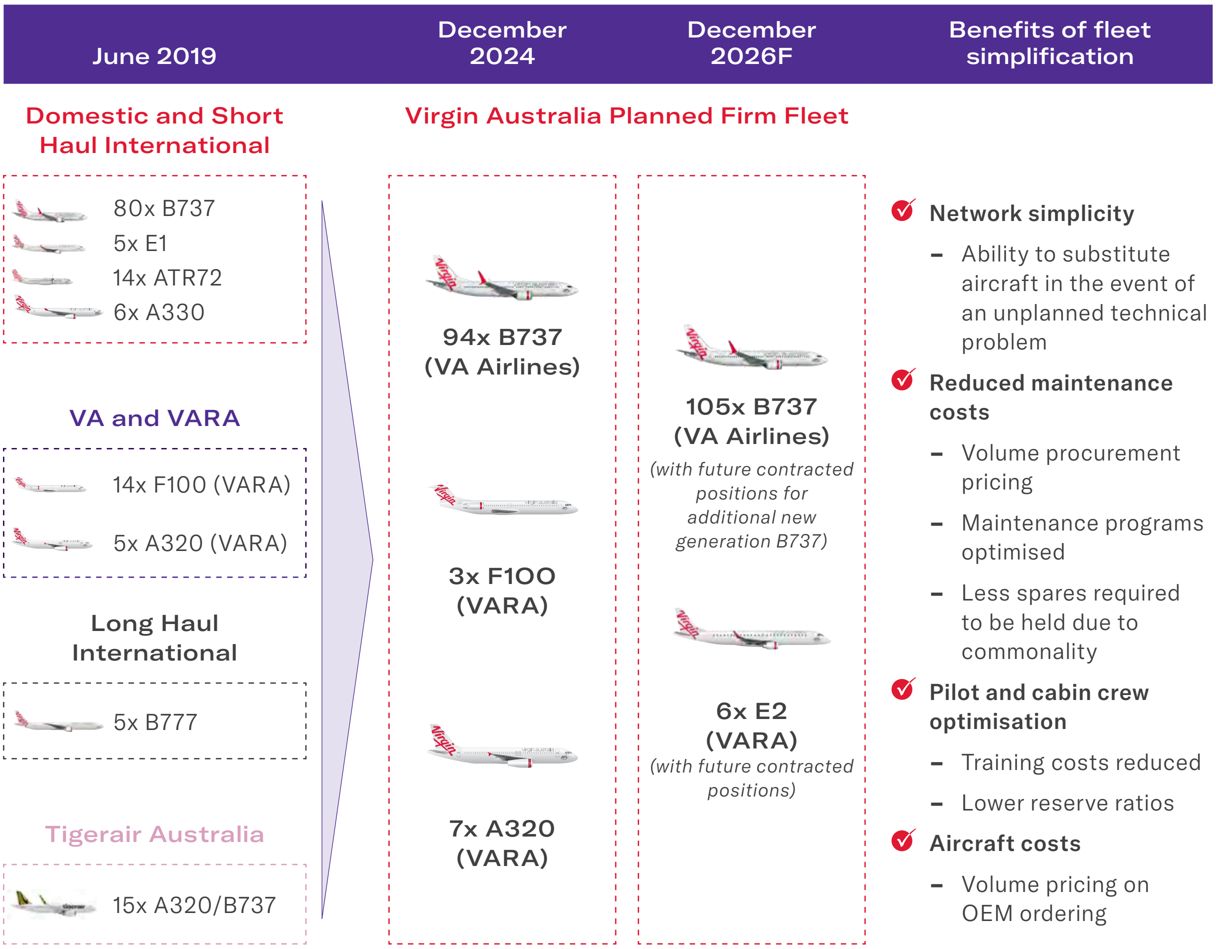
[68] Access to Virgin Australia's international partner networks lounges is subject to eligibility criteria.

Figure 28: Fleet Strategy Anchored in Simplification[69]


Consolidation of fleet down to two narrowbody variants

June 2019	December 2024	December 2026F	Benefits of fleet simplification
Domestic and Short Haul International 80x B737 5x E1 14x ATR72 6x A330 **VA and VARA** 14x F100 (VARA) 5x A320 (VARA) **Long Haul International** 5x B777 **Tigerair Australia** 15x A320/B737	**Virgin Australia Planned Firm Fleet** 94x B737 (VA Airlines) 3x F100 (VARA) 7x A320 (VARA)	105x B737 (VA Airlines) *(with future contracted positions for additional new generation B737)* 6x E2 (VARA) *(with future contracted positions)*	✓ **Network simplicity** – Ability to substitute aircraft in the event of an unplanned technical problem ✓ **Reduced maintenance costs** – Volume procurement pricing – Maintenance programs optimised – Less spares required to be held due to commonality ✓ **Pilot and cabin crew optimisation** – Training costs reduced – Lower reserve ratios ✓ **Aircraft costs** – Volume pricing on OEM ordering

As shown in Figure 28 above, Virgin Australia plans to further simplify its fleet in the future, consolidating to two narrowbody aircraft types, with the Boeing 737 and Embraer E2 aircraft families covering domestic, SHI and regional charter requirements across VA Airlines and VARA. For VARA charter operations, Virgin Australia has plans to transition current Fokker F100 and Airbus A320 aircraft to Embraer E2 and Boeing 737 family aircraft by December 2026. It is intended that all Embraer aircraft will be held on the VARA air operator's certificate (**AOC**) and all Boeing 737 aircraft will be held on the VA Airlines AOC[70] to maximise scale efficiencies and deployment flexibility across the networks, increasing synergies between VA Airlines and VARA, including releasing charter aircraft to support RPT services on weekends and non-charter days, and opening up new growth opportunities.

Virgin Australia believes that operating a simplified fleet will continue to drive cost savings through increased scale, scheduling flexibility, reduced operational complexity and minimised costs associated with training, spare parts and maintenance. While these benefits are substantial, Virgin Australia recognises the potential risks associated with reliance on a smaller variety of aircraft types (see Section 5.2.10 for further information).

Virgin Australia's short-term fleet strategy focuses on ensuring supply remains in balance with demand which is expected to grow broadly in line with GDP. Over the longer term, once Virgin Australia has completed its fleet simplification, Virgin Australia Management will determine the optimal fleet strategy, however, it is currently envisioned that the total number of aircraft in Virgin Australia's fleet will grow by approximately 2-3% annually, in line with the longer-term trend in Australian domestic RPK growth (see Section 2.2.2).

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69. In respect of this diagram, it is noted that (1) at June 2019 – Embraer E1s and 6x ATR72s were non-operational and one A330 was predominantly utilised on LHI (2) For December 2024 and December 2026, in addition to the aircraft that operated under VA Airlines and VARA Air Operating Certificates, third party wet leases are also utilised to support the network, and from December 2024 to December 2026, reliance on third party wet leases is planned to reduce; (3) December 2026F fleet strategy is based on management's current plan and is subject to change; and (4) December 2026F – in addition to aircraft listed, a further 10x Boeing 737-10s are contracted for delivery post December 2026 and a further 2x Embraer E2 aircraft for VARA is contracted for delivery post December 2026.

70. VA Airlines AOC are held by VAA and Virgin Australia International Airlines Pty Ltd.

Virgin Australia's airline capital strategy is primarily a function of fleet age. In determining the appropriate target fleet age, Virgin Australia seeks to ensure a balance between additional capital expenditure on new aircraft and improved operating economics. Based on various factors, including aircraft type, aircraft price, fuel rates and utilisation, Virgin Australia Management considers the optimal retirement and replacement age of its Boeing-737 fleet family to be approximately 22-26 years. Virgin Australia's VA Airlines network currently has an average mainline fleet age of approximately 12.1 years.[71]

Of the 104 aircraft that Virgin Australia currently operates,[72] 71 are under operating lease arrangements, 30 aircraft are owned by Virgin Australia and are subject to secured aircraft financing facilities, and 3 are owned and unencumbered.

As part of its fleet transition, as of 31 December 2024, Virgin Australia has made commitments to lease a further three Boeing 737-8s (also referred to as Boeing 737 MAX-8s) and two Boeing 737-800s. The Boeing 737-800s leases commenced in January and February 2025 and the Boeing 737-8s leases are scheduled to commence in early FY26. Virgin Australia also has an order for 15 Boeing 737-8s and 10 Boeing 737-10s (also referred to as Boeing 737 MAX-10s), with the Boeing 737-8s scheduled to be delivered from FY26 through to FY27. Of these aircraft, 6 have been committed as operating leases, reducing the total upfront cash funding requirement. The Boeing 737-10s are expected to be delivered from late 2027, with Virgin Australia maintaining flexibility to either lease, or own and finance, these aircraft. Virgin Australia has made commitments to lease 4 Embraer E2 aircraft, three of which are scheduled to commence in H1FY26 and one in H2FY26. In addition, Virgin Australia has an order for four Embraer E2 aircraft which are scheduled for delivery in FY27. The Embraer E2 aircraft are to replace the Fokker F100s flying for VARA's charter operations and are expected to support future growth. Given the significant capital requirements associated with owning aircraft, the decision to lease or own future aircraft will be driven by Virgin Australia's funding requirements, Capital Allocation Framework and operational considerations (see Section 4.9 for further detail).

As the new aircraft are delivered, Virgin Australia will manage the total number of aircraft in its fleet to balance capacity increases with passenger demand while also managing its fleet age to optimise a balance between service delivery and operating economics. Virgin Australia has the flexibility to return existing aircraft for which leases are expiring or otherwise retain these aircraft in its fleet.

Figure 29: Virgin Australia Narrowbody Fleet Plan[73]

		Narrowbody fleet profile				
AOC	**Aircraft**	**December 2024A**	**June 2025F**	**December 2025F**	**June 2026F**	**December 2026F**
VA Airlines[74]	737-800	77	78	76	73	70
	737-700	9	9	9	9	9
	737-8	8	8	14	20	26
VARA	F100	3	1	1	0	0
	A320	7	5	4	0	0
	E2	0	0	3	4	6
Total (ex. wet lease)		**104**	**101**	**107**	**106**	**111**
Wet lease lines[75]		12	11	9	8	6
Total (incl. wet lease)		**116**	**112**	**116**	**114**	**117**

Virgin Australia is undertaking further fleet initiatives to maximise the efficiency of its overall fleet, including implementing a seat densification program which will increase and standardise seat count across its Boeing 737-800 and 737-8 fleet to 182, providing a capital light means of increasing capacity in Virgin Australia's fleet. See Section 3.8.3.2 for further detail regarding Virgin Australia's seat densification program.

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[71] As at 31 December 2024. Excluding VARA's F100s and A320 aircraft.

[72] As at 31 December 2024.

[73] Forecast fleet plan as at May 2025. Forecasts subject to change. Reflects operational and spare aircraft only. Does not reflect specific contractual positions or wide body aircraft for the wet lease arrangement with Qatar Airways.

[74] VA Airlines AOC are held by VAA and Virgin Australia International Airlines Pty Ltd.

[75] Wet lease lines include Fokker F70, Fokker F100, Embraer E1 and Saab 340 aircraft.

Investment in Boeing's next generation aircraft is improving operating, financial and environmental performance given their enhanced fuel efficiency and relatively lower CO_2 emissions, with fuel usage and emissions lower by more than 19% per journey.[76]

There are risks associated with introducing new aircraft, and delivery schedules for ordered aircraft have in part and may again be delayed given production issues. See Sections 5.2.11 and 5.2.21 for further information of these risks.

3.5.3 Revenue Model

The Airlines segment generates four primary revenue streams, namely:

- Passenger ticket revenue;
- Ancillary revenue;
- Charter revenue; and
- Freight revenue.

Refer to Section 4.11.1 for an overview of the key factors affecting the revenue of the Airlines segment.

3.5.3.1 Passenger Ticket Revenue

Airlines passenger revenue comprises revenue from passenger ticket sales for domestic and SHI passenger flight services. It is primarily driven by two key factors – price per seat and available capacity sold.

Price per seat is influenced by multiple factors including demand for airline travel, available seats in the market, distance and fare type/tiering, taxes and other charges (for example safety and security charges). Virgin Australia's revenue management team uses a combination of third-party software products to forecast and manage expected demand for every flight, and to allocate seats to each price point to optimise revenue. The software used to forecast demand at the flight level is provided by Sabre and is based on historical patterns and seasonality. Forecast data is continuously enhanced by the revenue management team who make adjustments to account for external factors. These external factors include demand for specific events, competitor pricing behaviours and market capacity changes.

Available capacity sold is similarly affected by multiple factors including demand for airline travel, fleet size and active planes, number of active routes and competitive dynamics.

Virgin Australia also earns commission revenue from codeshare ticket sales on flights operated by partner carriers.

3.5.3.2 Ancillary Revenue

Ancillary revenue refers to revenue generated in association with airline passenger revenue. It includes revenue from services such as baggage and change fees, fees for additional legroom, seat selection, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi and third-party ancillary sales (including travel insurance, hotels, parking and other partner sales).

3.5.3.3 Charter Revenue

Charter revenue is derived from providing dedicated charter flying services to major resources, energy and government clients through VARA. It is driven by the number of trips flown (which is determined by customer activity) and pricing structure per trip flown. Given VARA's wet lease arrangement with VA Airlines, while VARA contracts directly with charter customers, services may be performed using VA Airlines aircraft.

3.5.3.4 Freight Revenue

Freight revenue is derived from freight (including cargo and animals) on domestic flights. This revenue stream is influenced by plane capacity available for freight, the range of freight services available (for example, animal types, freight size, priority delivery and handling) and pricing structure.

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[76] The fuel efficiency gain has been determined based on the difference in fuel consumption between the VAA operated new generation 737-8 aircraft and the VAA operated previous generation 737-800 aircraft on like-for-like routes and like-for-like take-off weights for FY24.

3.5.4 Customer Value Proposition

Virgin Australia focuses on three core customer segments: premium leisure, SMEs and value-conscious corporates. These target segments represent an attractive part of the market with the average fare for each customer segment typically 20-50% higher than those of budget leisure customers.

Virgin Australia has positioned the airline to appeal to a broad part of the market, offering choice to every Australian flyer. This includes a spectrum of fare options from business class to lite fares, and multi-cabin configurations (Business, Economy X and Economy) aligned to the needs of its target customers. Virgin Australia's value positioning resonates strongly with its target customer segments who appreciate value for money and choice. Virgin Australia believes that value for money is the top preference driver for Virgin Australia customers.

Virgin Australia's customer value proposition focuses on four key areas: service, experiences, value, and recognition and rewards, as illustrated below.

Figure 30: Virgin Australia's Customer Value Proposition

Our ambition	Our purpose
To be the most loved airline in Australia	To create uplifting experiences for all

Our customer value proposition

			
Service Powered by authentic humanity	**Experiences** Alive with remarkable personality	**Value** That empowers through choice and delights	**Recognition & Rewards** That truly see you
Accomplishments ✓ World's Best Cabin Crew (7 years running)[77] ✓ Innovative frontline engagement ✓ Best-in-market Customer Care ✓ Rapid Rebook self-service disruption management ✓ Improved customer engagement (Rate-My-Flight, closed-loop feedback)	**Accomplishments** ✓ First Australian airline to offer baggage tracking and journey tracking ✓ New fleet and cabin refresh programs ✓ First Australian airline to announce pets-in-cabin ✓ New look lounges (ADL, MEL) ✓ Middle Seat Lottery	**Accomplishments** ✓ Launched Virgin Australia Business Flyer (SME) ✓ Improved retail onboard with seasonal menus ✓ Greater availability of lead-in Lite and flexible fares ✓ New ancillaries (EconomyX, Cancel for Any Reason, Preferred Seating) ✓ Dynamic flight redemptions (lower lead-in off-peak)	**Accomplishments** ✓ New frequent flyer tiers 'Forever Gold' and 'Platinum Plus' ✓ Refreshed status credits and points earn ✓ Attractive air (Qatar, United, Singapore, Air Canada, ANA, Air New Zealand) and non-air partnerships (Didi, AGL, 7-Eleven)

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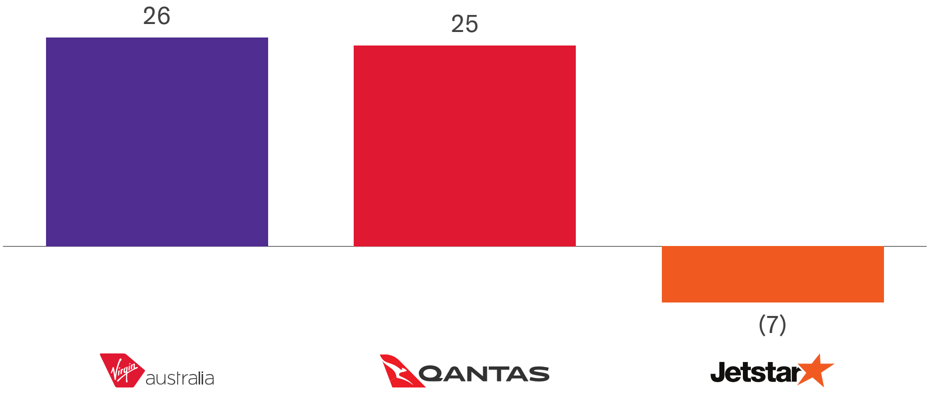
[77] AirlineRatings.com; https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.

In delivering its customer value proposition, Virgin Australia has been recognised for many awards, including:

- World's Best Cabin Crew by AirlineRatings.com (2019-2025)[78]
- Most Trusted Travel & Tourism Brand in Australia (Roy Morgan 2023-2024)[79]
- 3rd Best Hybrid Airline in the World by AirlineRatings.com (2025)[80]
- World's Best Regional Airline by AirlineRatings.com (2024-2025)[81]
- Top 100 airline by Skytrax (2011-2024)[82]

The strength of Virgin Australia's customer value proposition is further evidenced by its NPS, which is strong and ahead of that of its major competitor.

Figure 31: Strategic NPS as of March 2025 (12 month rolling average)[83]



3.5.5 Renewed Branding

Virgin Australia has an iconic brand, recognised extensively both domestically and globally. Originally launched as the low-cost carrier Virgin Blue in 2000, it brought the challenger spirit that the Virgin brand is renowned for to the Australian aviation industry. Virgin Blue established a feel-good, human brand with purpose at its heart that champions people and is welcoming to all.

Following its post-administration transformation, Virgin Australia focused on being an iconic experience brand, dedicated to making air travel uplifting and personality rich following the COVID-19 pandemic. A new purpose, followed by a new brand platform and campaign 'Bring on Wonderful' were launched in October 2022, announcing the ambition to be Australia's most loved airline, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety.

To live up to this ambitious new purpose and promise, Virgin Australia introduced a series of new customer experience innovations. Taking on one of flying's most relatable pain points, The Middle Seat Lottery was a first-of-its-kind innovation that transformed every middle seat on every Virgin Australia domestic flight into a lottery ticket, with a chance to win unique prizes. Transforming the middle seat experience into an interactive experience gained global media coverage, with over two thousand media articles and website hits at launch.

A new supporting campaign 'Welcome to Wonderful' was introduced in 2024 and focused on the service and experience that sits at the heart of Virgin Australia's brand DNA and further communicated Virgin Australia's brand to drive consideration for customers to fly with Virgin Australia.

Virgin Australia's campaigns, such as Bring on Wonderful and Middle Seat Lottery has received global attention, including recognitions across the Cannes Lion, Design & Art Direction, Spikes Asia, The One Show awards, WARC Asia Pacific and the Effi Australia awards.

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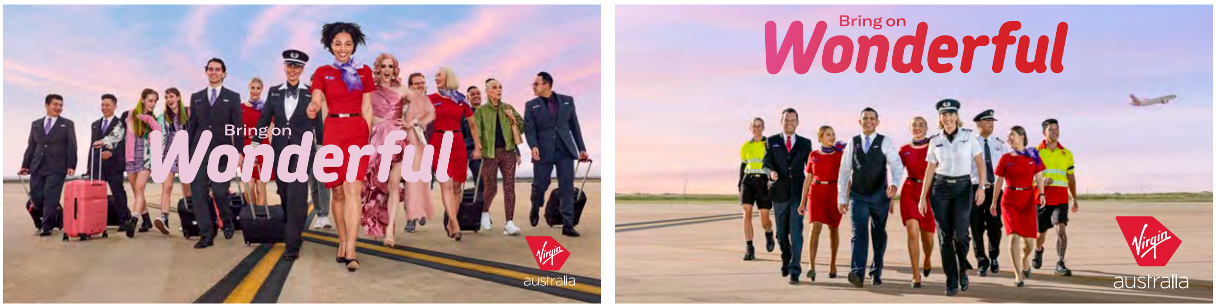
78. https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.
79. https://www.roymorgan.com/findings/9752-trusted-brand-awards-2024-key-brand-winners.
80. https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.
81. https://www.airlineratings.com/articles/worlds-best-airlines-for-2025.
82. https://www.worldairlineawards.com/worlds-top-100-airlines-2024/.
83. Refer to footnote 24 in Section 3.3.2 for further details regarding the calculation of NPS scores.

Figure 32: Bring on Wonderful Campaign



3.5.6 Sales and Distribution

3.5.6.1 Marketing and Sales

Virgin Australia promotes its business and brand through an integrated strategy encompassing public relations, marketing, sponsorships (such as with the Australian Football League), events, social media and performance media. Virgin Australia's general marketing strategy aims to support its business operations by building awareness of the Virgin Australia brand, promoting its products and services and delivering revenue growth.

Virgin Australia maintains a number of agreements with corporate, resources and government customers, which typically involve Virgin Australia providing certain flight discounts and travel benefits in exchange for meeting agreed annual spend thresholds. As at December 2024, Virgin Australia had more than 300 corporate accounts. Virgin Australia is focused on growing its corporate customer base through the acquisition of new business, while increasing its share of wallet with existing corporate customers. Virgin Australia continues to invest in a robust sales team and sales management software to target the Australian domestic corporate market as well as key strategic international corporate markets. Virgin Australia is committed to creating mutually beneficial commercial outcomes with customers, generating strong customer advocacy while leveraging its brand strength and loyalty offering to successfully penetrate the domestic and international corporate travel markets.

Consistent with its focus on SMEs as a target customer segment, Virgin Australia launched the VABF program in April 2022, enabling small businesses to earn Velocity Points for their air travel as well as with other VABF partners. Since this launch, Virgin Australia has grown its SME membership base by approximately five-fold through to December 2024, and increased revenue from the SME segment by over 30% from CY19 to CY24. See Section 3.6.4.2 for further detail.

3.5.6.2 Distribution

Virgin Australia customers can book directly with Virgin Australia through its website or through travel agency partners. Virgin Australia provides diverse pricing options across various booking channels to accommodate the preferences of Virgin Australia's core customer segments. Using enhanced technology, Virgin Australia plans to achieve further pricing granularity to unlock further choices for customers.

Going forward, Virgin Australia expects to make ongoing improvements across the shopping and booking experience with the objective of raising conversion rates and average order value. A key component of this strategy is a next generation booking engine, which Virgin Australia plans to launch in 2026.

3.6 Velocity

3.6.1 Velocity Overview

Launched in 2005 as Velocity Rewards, and relaunched in 2011 as Velocity Frequent Flyer as part of Virgin Australia's broader rebranding, Velocity is the exclusive loyalty program of Virgin Australia. It is one of the largest loyalty programs in Australia,[84] with approximately 13 million members and approximately 2,800[85] new members added daily in 2024.

Velocity both rewards and recognises frequent flyers for their loyalty to and travel with Virgin Australia and enables Virgin Australia to engage, through valuable Velocity Points, across multiple touchpoints beyond Virgin Australia services. The majority of Virgin Australia's corporate, SME and direct revenue is generated from Velocity members, who typically spend more and fly more frequently with Virgin Australia than non-member guests.

Velocity's program comprises an expanding network of approximately 80 commercial partners and over 300 eStore and Velocity Rewards Store brands in categories spanning retail, financial services and travel. Through these partnerships, members are rewarded for loyal spending behaviour, while partners are provided with high impact[86] loyalty marketing to identify, attract, acquire and grow customer relationships.

Velocity awards Velocity members with status credits when they fly on eligible flights with Virgin Australia or international airline partner flights. Members are then able to qualify for various status levels (as noted below) that provide them with significant benefits to enhance their travel experience with Virgin Australia and other partners.

Members can also earn Velocity Points when they fly with VA Airlines (or eligible airline partners), make purchases with an eligible Velocity Frequent Flyer Point earning credit card (through direct and indirect earn credit card partners)[87], transact with Velocity partners (like Didi), and transfer points from other loyalty programs (like Flybuys)[88]. Members then have the opportunity to redeem Velocity Points for a variety of rewards, including air travel and flight upgrades, other travel rewards such as hotel stays, travel experiences and car hire, and a wide range of consumer items through the Velocity Rewards Store or through Myer.

Velocity has five levels of membership: Red, Silver, Gold, Platinum and Platinum Plus.[89] Members are automatically awarded Red Membership upon joining Velocity. Silver, Gold, Platinum and Platinum Plus Membership provide additional benefits to members (based on membership status), including:

- accelerated Velocity Points earn;
- priority check-in, boarding, screening and baggage;[90]
- additional baggage allowance (Silver, Gold, Forever Gold, Platinum and Platinum Plus members); and
- complimentary access to Virgin Australia's domestic lounge network and over 300 international airline partner lounges (Gold, Platinum and Platinum Plus members).[91]

The program is award-winning, having been previously recognised for the Best Redemption Availability for eight consecutive years by Freddie Awards.[92]

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[84] Based on number of members.

[85] Based on growth in Velocity members in CY24.

[86] High impact marketing refers to marketing efforts that impact a business' bottom line, driving revenue, leads and brand awareness in a cost efficient and effective manner.

[87] Direct earn credit cards are co-branded credit cards where Velocity Points are earned on cardholder spend and automatically reflected in the members' Velocity accounts each month. Indirect earn credit cards convert accumulated credit card reward points to Velocity Frequent Flyer points at the option of the member from the financial institution's proprietary rewards program.

[88] Flybuys is an Australian customer loyalty program.

[89] Gold includes Forever Gold membership tier. Forever Gold and Platinum Plus are due to be introduced on 01 October 2025.

[90] Priority screening and baggage available to Gold (including Forever Gold), Platinum and Platinum Plus members.

[91] Gold includes Forever Gold members. Silver Velocity members are provided with two complementary entry passes to access Virgin Australia's domestic lounge network.

[92] Consecutive years from 2013 to 2020 (inclusive).

3.6.2 Velocity Business Model

Velocity is a high margin, capital light and cash generative business. The loyalty business model allows Velocity to receive full cash proceeds when Velocity Points are issued,[93] generating upfront margins and investment revenue on total cash received. Velocity further benefits from low trade working capital and capital expenditure requirements. The resilience of this business model enabled Velocity to not go into administration in 2020, in contrast to the Airlines business.

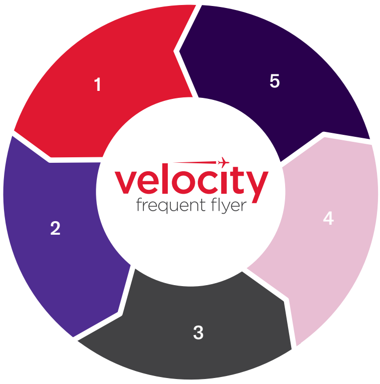
As illustrated below, Velocity's business model is focused on members, partners, scale and data.

Figure 33: Velocity's Business Model and Characteristics

1

Attractive, rewarding program

- Differentiation in offers and experiences for members
- Many ways for members to earn and redeem points
- Velocity is always free to join
- Velocity is faster to achieve tier recognition and rewards than Qantas Frequent Flyer



5

Compelling partners offers

- Increase partner confidence in the program
- Willingness for partners to invest with deeper, more innovative offers for members
- Generate interest from new partners to join the ecosystem
- Exclusive and aspirational partner rewards for Velocity members

2

Member growth & engagement

- Seek to attract new members to the program
- Deeper share of wallet with existing members and greater levels of member engagement drives further program scale and breadth
- Gamified digital onboarding and engagement
- Engaging younger demographics and families

3

Technology, Data & AI Innovation

- Enriched data asset representing ~13m members and ~20m annual guests
- Strategic investments in next-gen loyalty, marketing technology, and data platforms
- Personalisation at scale delivering omni-channel tailored experiences and offers
- Integrated & personalised digital app serving members

4

Engaging partner ecosystem

- Ability to match, size and attribute opportunities with partners
- Enables tailored propositions to suit individual partner strategic needs
- Results in a platform that is highly attractive to new and existing partners
- Differentiated direct earn partnerships, and world class airline partners
- Engagement through partner branded loyalty programs

The model comprises two key stages – earning and redemption.

3.6.2.1 Earning

In the earning stage, Velocity's program enables members to earn and accumulate Velocity Points across a wide range of categories including from flights, credit card activity and with an array of retail partners.

When a member makes a qualifying transaction with a partner (including Virgin Australia), they earn Velocity Points. Velocity issues these Velocity Points to the member and bills the relevant partner for the cost of the points earned by the member at the agreed billing rate.

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[93] Only a portion of this cash amount is recognised immediately as revenue. The revenue recognised upfront is the difference between the amount billed to the partner for the Velocity Points issued and the average projected costs of redemptions adjusted for the number of Velocity Points likely to be redeemed (i.e., standalone selling price). The value of the standalone selling price is deferred as a liability on the balance sheet until Velocity Points are redeemed by members.

The receipt of cash from billings to partners when members earn Velocity Points is beneficial for Velocity as cash is received in advance of redemption expenses being incurred. As members typically aspire to redeem Velocity Points for flights, there can be a meaningful period of time between earning and redeeming. This timing difference has the benefit of reducing Virgin Australia's adjusted net debt and associated funding costs until the Velocity Points are redeemed.

3.6.2.2 Redemption

In the redemption stage, members are able to redeem and exchange Velocity Points for flights and other consumer products through the Velocity Rewards Store, Virgin Wines, and directly through partner platforms like Myer. Through Virgin Australia's global airline partner network, Velocity Points can be redeemed for flights reaching over 650 destinations (as of December 2024).

When a member redeems their Velocity Points for rewards, the member's Velocity Points balance is reduced by the number of Velocity Points required for the reward. Velocity then pays redemption partners for those rewards at an agreed reward price.[94]

3.6.3 Velocity and VA Airlines Share a Synergistic Relationship

Velocity is wholly owned by Virgin Australia. In 2014, 35% of Velocity was acquired by Affinity Equity Partners before being reacquired by Virgin Australia in 2019 for $700 million, valuing the Velocity business at approximately $2 billion. Through various agreements between Velocity entities and VA Airlines, Virgin Australia and Velocity cooperate to share management of the loyalty program, co-marketing arrangements and the Velocity and Virgin Australia branding. Transactions and commercial arrangements between Velocity and VA Airlines are conducted on an arm's length basis.

Velocity and VA Airlines maintain a synergistic relationship with Velocity driving loyalty to the airline operated by VA Airlines, with members both travelling more with VA Airlines and spending more per flight on average (in comparison to non-member), and VA Airlines providing attractive benefits and rewards for Velocity members. Since the reacquisition of the 35% stake of Velocity held by Affinity Equity Partners in 2019, Velocity is 100% owned by Virgin Australia, enhancing the relationship between Velocity and VA Airlines and allowing for an aligned strategy, focused on long term customer engagement that enhances value across both Velocity and VA Airlines.

3.6.3.1 Benefits to VA Airlines

Velocity offers a number of benefits to VA Airlines. At its core, Velocity drives customer stickiness and ongoing engagement, creating loyalty for repeat flight purchases, with improved customer insights enabling targeted pricing, improved yield and lower cost of sales. As Velocity members redeem their Velocity Points for Virgin Australia flights, they also provide a distribution network for excess seat capacity which has not been booked through traditional VA Airlines distribution methods. Through its alliance partnerships and redemptions, Velocity also helps support broader international connectivity for Virgin Australia customers.

The Velocity program also has additional benefits embedded to meet the needs of VA Airlines' target customer segments. For example, in support of:

- **Premium leisure segment:** Velocity offers differentiated benefits for members that book Flexible vs Choice vs Lite fares.
- **SME segment:** Velocity launched the VABF program to provide unique benefits to business owners and their employees (see Section 3.6.4.2 for further information).
- **Value-conscious corporate segment:** Velocity recently announced Forever Gold and Platinum Plus as new tiers to recognise its most frequent and loyal travellers.
- **Switchers:** Velocity has various programs at its disposal (such as Discover Gold and Status Match) that it can target and offer to select individuals to facilitate a seamless experience of switching to Velocity from another airline's loyalty program.
- **Velocity Direct Earn Credit Cardholders:** Velocity has introduced the ability for these members to earn Status Credits that can accelerate their pathway to higher levels of status and a higher Velocity Points earn rate when flying with VA Airlines.

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[94] Upon member redemption, a redemption expense is recorded in the income statement. At the same time, the number of Velocity Points required to fulfil the redemption reduces the deferred revenue liability on the balance sheet and is recorded as revenue in the income statement.

3.6.3.2 Benefits to Velocity

Velocity's affiliation with Virgin Australia helps drive high brand awareness and facilitates award-winning redemption seat access for members, both on VA Airlines' domestic and SHI network and internationally through its global partner network.

3.6.4 Benefits for Velocity Members

Velocity has an attractive value proposition for its members. Members can earn status credits and qualify for various status levels that provide them with significant benefits to enhance their travel experience with Virgin Australia and other partners (see Section 3.6.1).

Velocity membership also provides access to Velocity Points and earning and redemption opportunities across a connected network of global airlines, financial institutions, travel-focused and other retail rewards partners. Velocity Points earned can be redeemed for a variety of rewards, including air travel, flight upgrades and non-aircraft travel awards such as hotel stays, travel experiences and car hire.

Velocity comprises a network of approximately 80 commercial partners with over 300 eStore and Velocity Rewards Store brands in categories across retail, financial services and travel.[95] Velocity's network forms a 'yearn, earn and redeem' cycle – allowing members to aspire toward various goods and experiences, earn Velocity Points through continued engagement and spend with Velocity partners, and ultimately redeem these Velocity Points within the same partner network.

Figure 34: Velocity's Network of Partners (Illustrative selection)

Airline Partners	Non-Air Travel	Consumer Retail & Services	Credit Cards and Other Financial Services
• Virgin Australia • ANA • Air Canada • Air New Zealand • Qatar Airways • Singapore Airlines • South African Airways • United Airlines • Virgin Atlantic	• CarTrawler • Crown • Europcar • Hamilton Island • Hertz • Hopper • IHG • Luxury Escapes • Thrifty	• 7-Eleven • AGL • DiDi • Flybuys • Myer • Snooze • Velocity eStore • Velocity Rewards Store • Virgin Wines	• American Express • ANZ • Commonwealth Bank of Australia • Citi • NAB • Virgin Money • Westpac • CoverMore • Medibank

3.6.4.1 Velocity's Growing Member Base

Velocity's membership base of approximately 13 million members represents approximately half of the Australian adult population.[96] Velocity's membership base is diverse across age groups, gender and geographical locations.

Since FY13, Velocity membership has grown significantly at a CAGR of approximately 12% to June 2024.

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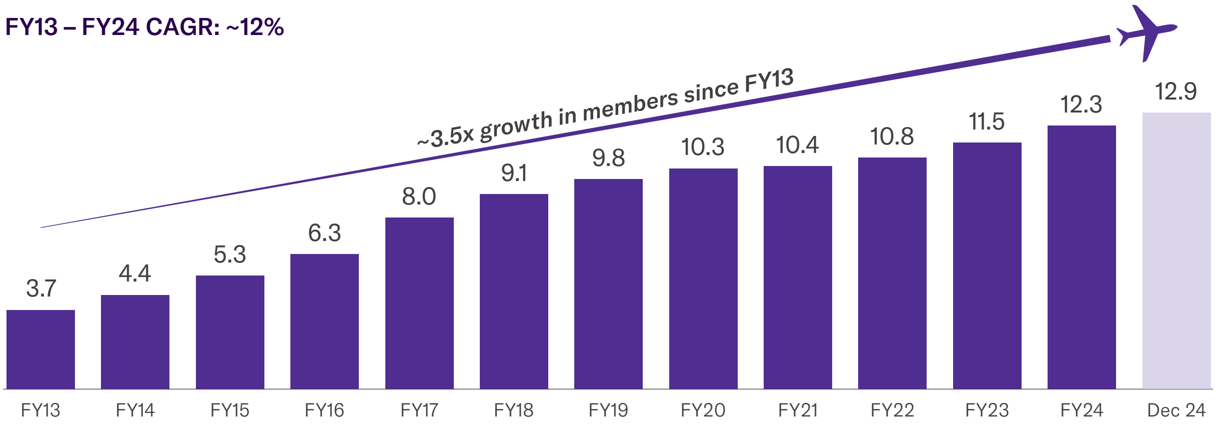
[95] As at 31 December 2024.

[96] Based on the ABS estimated resident population aged 18 and above as at 30 June 2024.

Figure 35: Growth in Members over Time (millions)



3.6.4.2 Velocity's Travel Solution for SMEs

In April 2022, Velocity's loyalty program was expanded through the launch of the VABF program. VABF is a Virgin Airlines-owned and operated program that operates alongside the Velocity Business program, and offers a travel solution for SMEs with a range of unique benefits, including:

- free to join membership with no ongoing fees;
- ability to save on a range of Virgin Australia ticketed flights;
- discounted annual membership to Virgin Australia lounges for eligible employees;
- two Velocity Pilot Gold memberships (subject to spending $2,000 within the first three months);
- dedicated account management support team; and
- ability for employees to continue to earn Velocity Points and status credits on their travel.

Through VABF, SMEs earn VABF points when employees fly while employees simultaneously earn Velocity Points for the same flight if they are a Velocity member. SMEs also earn VABF points through spending with program partners, such as Engie, pay.com.au, Sniip and Archa. SMEs can redeem VABF points by transferring them to Velocity member accounts on a 1:1 basis or use them towards the purchase of Virgin Australia flights.

Since its launch, VABF has expanded its SME membership base by approximately 5 times through to December 2024 and has increased the number of active small business credit cards by 15 times, while Velocity has increased airline revenue from the SME segment by over 30% from CY19 to CY24.

Virgin Australia expects this program to continue contributing to profit and cash flow growth for Velocity.

3.6.5 Benefits for Velocity Partners

Velocity offers a number of benefits to partners. In joining the program, partners benefit from access to Velocity's member base of approximately 13 million across a broad range of consumer demographics, which can be leveraged to design targeted and high impact marketing campaigns to both attract new customers and deepen relationships with existing customers to drive spend uplift. By incentivising customers to collect Velocity Points, the program also promotes increased customer retention for partners. Partner association with Velocity may also improve partners' brand and differentiate partners from competitors given the globally recognised, award-winning nature of the program.

3.7 People and Culture

Virgin Australia's people are at the heart of the business, with Virgin Australia's success stemming from its people-centred and outcome-focused vision, purpose and values. Based on NPS surveys,[97] a key reason people fly with Virgin Australia is its people.

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[97] Refer to footnote 24 in Section 3.3.2 for further details regarding NPS surveys. The number one reason was value for money followed by friendly & helpful staff.

Virgin Australia's people strategy has evolved in recent years in Virgin Australia's pursuit to become the most loved airline in Australia, with a winning team that generates strong loyalty from guests and delivers outstanding results, with an unwavering commitment to safety. It has evolved through three strategic horizons: reset, rebound and flourish.

- **Reset:** Emerging from administration, an initial focus on cost competitiveness led to a substantial reduction in headcount and the renegotiation of the cost base underpinning Virgin Australia's EBAs. This period involved resetting capabilities and positioning the business to enable delivery of its transformation imperatives.
- **Rebound:** As the aviation industry recovered from COVID-19, Virgin Australia's focus was on rebuilding and re-energising its workforce. Virgin Australia embarked on a cultural revitalisation journey, introducing new values and behaviours, and reconnecting with team members through targeted initiatives. This strategic focus culminated in a renewed commitment to placing both customers and team members at the heart of the business, fostering a culture of innovation and empowerment.
- **Flourish:** Virgin Australia is now in its 'flourish' stage, positioning itself for future success by adapting to the evolving nature of the work and industry dynamics. The current people strategy focuses on three pillars to build engagement and establish an efficient business, with a purpose of creating uplifting experiences for all:
    - **Simple, Smart, Productive:** Virgin Australia aims to be a modern, simple, yet highly productive business, focused on building for tomorrow. This has included resetting Virgin Australia's EBAs to provide a stable and competitive base to position the business for growth in a 'business as usual' operating environment.
    - **Institute of Wonderful:** Virgin Australia embraces its pursuit of wonderful by evolving its culture through building strong leaders and creating learning and growth opportunities for its employees.
    - **Cookie Jar:** Virgin Australia provides its team with a compelling suite of package elements through reward and recognition, personalised benefits and unique and memorable experiences.

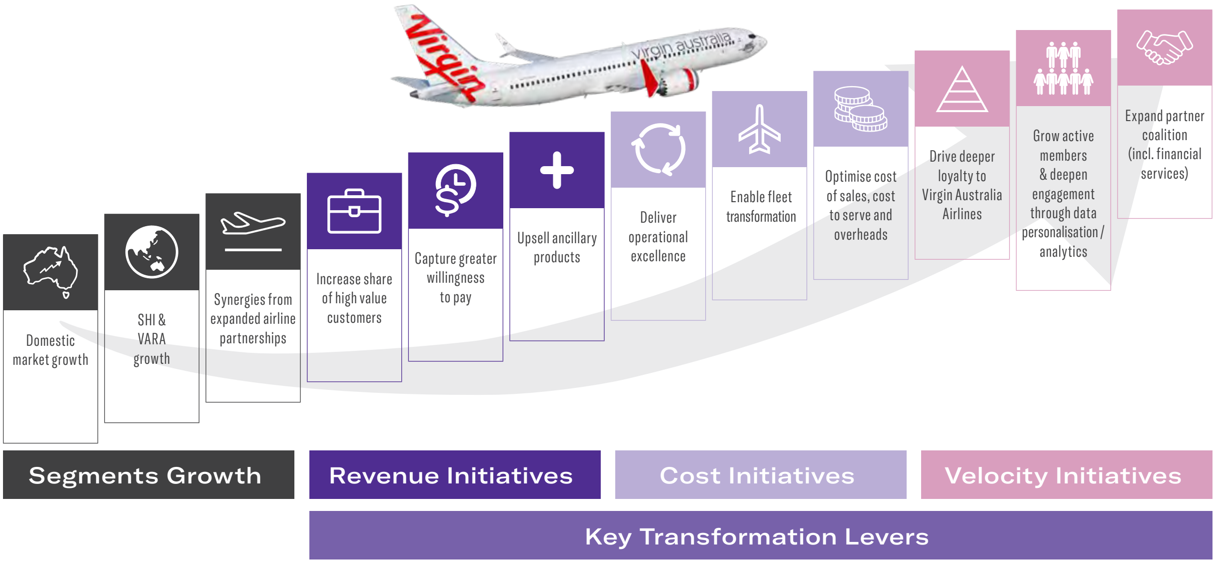
Headcount has correspondingly increased with increased demand and capacity. As of 31 December 2024, Virgin Australia employed approximately 7,956 employees across Australia, with approximately 1,718 in non-operational roles and approximately 6,238 in operational roles. Virgin Australia also engages third-party contractors in some areas (for example, regional airports).

For further information on Virgin Australia's industrial relations, see Section 9.11.

3.8 Multiple Strategic Drivers for Further Growth

There are multiple strategic drivers of future growth and upside across Virgin Australia, including key transformation levers as part of Virgin Australia's current Transformation Program through to December 2026. Virgin Australia's strategic drivers of growth are targeted at delivering benefits to enable Virgin Australia to offset the impacts of inflation, support further incremental EBIT margin accretion, and enhance Virgin Australia's competitive position.

Figure 36: Strategic Drivers for Growth



Each of the revenue, cost and Velocity initiatives described below are fully planned and costed and are expected to run through to December 2026.

3.8.1 Segments Growth

3.8.1.1 Domestic Market Growth

Virgin Australia is focused on growing its ASKs and passenger numbers in line with Australian GDP and the broader Australian airline market which over the period of 2000 to 2024 delivered an RPK CAGR of approximately 3.2%. See Section 2.2.2 for historical passenger number growth over time. Virgin Australia has two primary levers for executing on this growth:

- net fleet growth through a combination of selected lease renewals and new fleet deliveries of Boeing 737-8s, Boeing 737-10s and Embraer E2 aircraft; and
- execution on transformation initiatives (described below) to increase both the utilisation and seat density of its existing fleet.

3.8.1.2 SHI and VARA Growth

Virgin Australia continuously monitors and evaluates the SHI market for new, financially accretive opportunities. By growing the SHI business, Virgin Australia increases diversity in its business mix and strengthens Virgin Australia's resilience to fluctuations in consumer demand. Disciplined growth in Virgin Australia's SHI business also supports increased customer loyalty in its domestic and frequent flyer businesses by providing customers more opportunities to fly within the Virgin Australia network. Longer SHI routes (in comparison to domestic routes) also support efficiencies in both asset utilisation and overhead costs.

Similarly, Virgin Australia is also focused on growth opportunities for VARA in the resources sector in Western Australia. As Australia's commodity exports grow, VARA's existing customers (many with long-term relationships with VARA) are expected to continue investing in new and upgraded mines, creating opportunities for VARA to increase market share as a comprehensive service provider with an extensive network. This growth is expected to be supported by the new fleet of eight Embraer E2 aircraft with delivery scheduled to commence from October 2025, which will enable capability for Virgin Australia to increase flights in the 100-seat segment, including options for customers to fly direct into the Pilbara from the East Coast of Australia. In addition, the cross utilisation of both VA Airlines and VARA fleets under wet lease arrangements, where VA Airlines Boeing 737 fleet operate charter flights and VARA Embraer E2 aircraft operate RPT flights, is expected to further drive utilisation and scale efficiencies.

3.8.1.3 Benefits and Synergies from Deeper Airline Partnerships

Virgin Australia's partnerships with major international airlines, such as Qatar Airways, United Airlines and Singapore Airlines enable Virgin Australia to drive airline revenue, secure traffic on its domestic network and deepen loyalty to Virgin Australia through the Velocity program (see Sections 3.5.1.3 and 3.5.1.4). The recent Qatar Airways Group investment and broader partnership will add four new LHI services and provides customers with convenient access to over 170 destinations worldwide on Qatar Airway's network (see Section 3.5.1.4). This enhanced Qatar Airways relationship is expected to generate longer term benefits through enhanced feeder traffic into Virgin Australia's domestic and SHI routes, which unlocks additional revenue for Virgin Australia, while also creating cost synergies through collaboration in procurement. However, the overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material.

3.8.2 Revenue Initiatives

3.8.2.1 Increase Share of High Value Customers

Virgin Australia is committed to increasing both its corporate and SME market share and yield. For corporate customers, Virgin Australia is focused on continuing to win-back and win-new value conscious corporates through a targeted acquisition program, while increasing share of wallet of existing corporate accounts by enhancing its value proposition and optimising its sales effectiveness. Initiatives for improving account planning processes are planned to be delivered by the end of FY25F, with further initiatives across automated offers and lifecycle communications planned for implementation in FY26. Virgin Australia is similarly committed to attracting SME business travellers through further investment in the VABF program, adding more partners to the VABF program and improving booking experiences with investments into the UI/UX on the SME portal and integration with the Virgin Australia website targeted by December 2026. Virgin Australia also has an ongoing plan to grow its SME business development team and is enhancing its data-enabled personalised offers.

Alongside this, Virgin Australia is also focused on increasing engagement and activity with government accounts through improved departmental level score cards highlighting share gaps and maintaining close relationships with key government departments.

3.8.2.2 Capture Greater Willingness to Pay

In parallel to increasing greater share of high value customers, Virgin Australia continues to offer more options to meet its customers' preferences to capture customers' greater willingness to pay. In Economy class, Virgin Australia continues to increase the number of price points and availability across the three fare bands in Economy class: Lite, Choice and Flex.

In Business class, the repositioning and ongoing optimisation of Business class pricing has significantly improved revenue performance by increasing the proportion of paid Business class seats. The combination of the initiatives across Economy and Business class, and ongoing improvements in forecasting have improved Virgin Australia's load factors.

Virgin Australia is committed to enhancing customers' booking experience across existing direct channels (VA website/app), where ongoing improvements are managed through a robust series of test and learns to drive improvements in order conversions and value. Going forward, this will be supported by a next generation booking engine, which is planned to be implemented by December 2026.

3.8.2.3 Upsell Ancillary Products

Revenue opportunities exist through growing ancillary purchases per passenger through an enhanced retailing experience for customers and more effective marketing of existing ancillary products/services (see Section 3.5.3.2 for further information on Virgin Australia's existing ancillary offering). There is also scope to improve offerings by adding select new products and/or services. Virgin Australia has recently introduced preferred seating and Cancel For Any Reason, and further new products are in the design and build phase ranging from pets traveling in cabin, holiday packages and neighbour-free seating. Technology enhancements will also enable further pricing granularity for existing ancillary products.

Virgin Australia also has plans to develop a next generation retailing platform to enable bundle configurations, access to indirect channels and dynamic pricing, all of which are expected to lead to an increase in ancillary revenue.

3.8.3 Cost Initiatives

3.8.3.1 Deliver Operational Excellence

Virgin Australia has developed a comprehensive program of productivity improvement initiatives across its Operations divisions – spanning Flight Operations, Cabin Crew, Airports, Engineering and Maintenance, the Integrated Operations Centre, and Workforce Planning.

Virgin Australia is implementing a series of measures to optimise jet fuel usage, complementing the efficiency gains realised through the existing fleet renewal plan. These initiatives span the entire flight journey – from reducing fuel burn during ground operations by reducing auxiliary power unit use, to improving taxi times via the industry-wide adoption of Airport Collaborative Decision Making (ACDM) and employing single-engine taxiing where it is safe to do so. In addition, refined flight routing and implementation of technology tools, enabling reduced carriage of discretionary fuel, are being pursued to further enhance operational efficiency while maintaining the highest safety standards.

Virgin Australia is finalising enhancements within its Engineering & Maintenance division. Key elements of this include positioning the organisation to support business and fleet growth, securing competitive commercial outcomes across outsourced maintenance and supply chain services, upgrading core information systems with the objective of delivering streamlined maintenance schedule, on-time performance, and cost and operational performance.

A strategic initiative is currently underway to strengthen collaboration between the Network and Scheduling teams and the Commercial and Operations divisions, resulting in increased operational resilience demonstrated through low cancellation rates, favourable on-time performance metrics when compared to other Australian carriers and stable or improving fleet utilisation. Key drivers of these performance metrics include advanced rostering capabilities, strategic utilisation of spare aircraft and crew reserves, and improved scheduling. These enhancements are targeted to translate directly into substantial cost savings by reducing expenditures relating to customer disruption and operational delivery.

In Flight Operations, Virgin Australia is leveraging the negotiated benefit within EBAs of additional annual duty days per pilot to unlock productivity improvements, improve roster flexibility and increase efficiency during both routine operations and peak periods. Additionally, in Airports, Virgin Australia is transitioning from legacy workforce planning systems to a new integrated solution combining optimisation capabilities with a human resource management. Virgin Australia's broader cultural uplift, which Virgin Australia has been focused on since administration, is also expected to drive ongoing direct labour productivity.

3.8.3.2 Enable Fleet Transformation

As part of its fleet simplification strategy, Virgin Australia expects to completely phase out the Airbus A320s and Fokker F100s in VARA by FY27, to be replaced by Boeing 737 variants and new Embraer E2 aircraft, respectively. It is intended that all Embraer aircraft will operate under VARA's AOC and all Boeing 737 aircraft will operate under VA Airlines' AOC[98] to maximise scale efficiencies and deployment flexibility across the networks. Additionally, Virgin Australia expects to introduce a further 18 Boeing 737-8s into service by December 2026, bringing the delivered total to 26 Boeing 737-8s, with 10 Boeing 737-10s expected to be delivered from late 2027. This modernisation program is expected to result in a reduction in overall Cost per Available Seat Kilometre (**CASK**)[99] (when compared to the current fleet), driven by enhanced fuel efficiency (19% reduced fuel usage)[100] and maintenance benefits, as well as increased seat density and contributing to Virgin Australia's reduction in carbon emissions. See Section 3.5.2 for further detail on Virgin Australia's fleet and Section 3.10.2 for further details on Virgin Australia's sustainability strategy.

Alongside the introduction of new aircraft types, Virgin Australia plans to improve seat densification across its existing fleet. Virgin Australia currently operates a mix of 170, 176 and 182 seats across its Boeing 737-800 fleet. In FY24, as part of its Transformation Program, Virgin Australia began standardising the seat configurations across its current Boeing 737-800 and future Boeing 737-8 fleet so that each aircraft has 182 seats. The rollout of this plan is expected to be completed by end of FY26 and is expected to enable Virgin Australia to increase capacity and revenue, while also substantially reducing the CASK of the flights that it operates. In addition to reducing CASK, this initiative also enhances interoperability of the fleet, improving operational resilience and creating greater network flexibility.

3.8.3.3 Optimise Cost of Sales, Cost to Serve, and Overheads

While operational and fleet efficiency initiatives drive the majority of Virgin Australia's cost savings, Virgin Australia has established a robust pipeline of initiatives to continue driving transformation across the rest of the business. Alongside multiple contract negotiations, Virgin Australia has significantly reduced its cost of sales through agency and global distribution system (**GDS**)[101] fee negotiations. The airline has also achieved cost and overhead efficiency improvements by streamlining core processes, renegotiating third-party rates, scaling overhead efficiencies, and restructuring functions.

For the period to December 2026, Virgin Australia has identified additional cost-saving initiatives, including:

- reviewing and optimising Virgin Australia's marketing model by refining the channel mix and strategically in-housing select production tasks;
- continuing indirect labour efficiency gains through process automation, role outsourcing, and further streamlining of operations;
- reducing agency commission rates to align with market standards;
- increasing the permanent labour composition within Virgin Australia's IT function and achieving licensing and hardware cost savings through key system migrations;
- streamlining the airport check-in experience with a greater emphasis on digital interactions; and
- improving cost-to-price ratio by reviewing commercial terms, menu selection and process optimisation across the onboard retail and catering value chain. This includes facilitating multi-sector catering to enhance efficiency, insourcing the purchase of ambient snacks and beverages, and optimising packaging and stock management to reduce waste and weight.

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98. VA Airlines AOC are held by VAA and Virgin Australia International Airlines Pty Ltd.

99. CASK is Cost of Available Seat Kilometre. CASK is a measure of the cost to operate each seat for every kilometre.

100. The fuel efficiency gain has been determined based on the difference in fuel consumption between the VAA operated new generation 737-8 aircraft and the VAA operated previous generation 737-800 aircraft on like-for-like routes and like-for-like take-off weights for FY24.

101. A GDS is a computerised network system that facilitates transactions between travel service providers such as airlines, hotels, car rental companies and travel agencies. GDS software offers a centralised for distributing travel-related content.

3.8.4 Velocity Initiatives

3.8.4.1 Drive deeper loyalty to VA Airlines

Velocity continuously reviews and enhances its program design to ensure it remains market relevance, a key purchase criteria for VA Airlines target segments, and economically sustainable for the long-term. The package of program changes announced in October 2024 is an example of this and the benefits of these changes are continuing to ramp up to full annualised run-rate.

For example, the introduction of new Forever Gold and Platinum Plus tiers will launch on 1 October 2025 and is expected to drive incremental flying with VA Airlines. Enhanced VA Airlines redemptions were also launched on 21 January 2025 and are expected to gradually increase VA Airlines reward seat bookings and average redemption revenue per seat across all target segments. Airline partner redemption pricing was also optimised which reduces the rate of cash outflow whilst also improving loyalty margins for the business.

In terms of new initiatives, Velocity has plans to introduce further program enhancements and new products that are expected to grow its share of spending by travellers within VA Airlines target segments:

- driving more commercial and redemption transactions through Virgin Australia's website, VirginAustralia.com;
- growing engagement with retail onboard and in-flight connectivity;
- driving further tagging of Velocity membership on VA Airlines domestic, SHI and new wet lease LHI services;
- lifting the rate at which VA Airlines ancillary services and/or products (for example, checked baggage, seat selection) are purchased alongside VA Airlines flights; and
- improving air redemption availability.

Velocity also has plans to uplift the loyalty proposition and customer experience for VABF to help VA Airlines acquire and grow share of wallet with SME business owners through:

- introducing holistic travel earn options to further attract SME members;
- improving breadth and availability of redemptions; and
- uplifting digital customer experience through platform improvements.

3.8.4.2 Grow active members and deepen engagement through data personalisation/analytics

Virgin Australia Management believe that Velocity has a significant opportunity to continue growing its member base and improve its revenue per member, based on historical and competitor benchmarks.

Whilst Velocity has achieved substantial scale in the market with approximately 13 million members as at December 2024 and is growing strongly (approximately 9% from December 2023 to December 2024), Velocity remains smaller than other Australian loyalty programs such as Qantas Frequent Flyer (17 million members, growing at 8% per annum)[102] and Everyday Rewards (approximately 14 million members).[103] There is room for further growth as Australian consumers are highly engaged in loyalty programs and are active in more than 5.4 loyalty programs on average.[104]

Similarly, while Velocity's revenue per member has improved in the post-COVID period from $29 in FY23 to $34 in CY24, this is below the $157 reported by Qantas Frequent Flyer in FY24. Virgin Australia Management believes that there is significant room to improve revenue per member (especially in financial services) and this is a high priority for Velocity going forward.

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[102] As at 31 December 2024. Growth from December 2023 to December 2024.

[103] https://www.everyday.com.au/rewards/how-it-works.html.

[104] ALA Annual Loyalty Insights Report August 2024.

To deliver on this growth potential, Velocity has plans to:

- further invest in brand awareness and consideration, leveraging the halo benefits from VA Airlines' new LHI services;
- amplify member acquisition through existing strategic scale partnerships (including financial services partners);
- continue to enhance the dedicated Velocity app to grow digital engagement;
- take advantage of new capabilities unlocked by its new loyalty management system;
- increase marketing technology and data/analytics investments to deliver more personalised, multi-channel engagement; and
- build new channels across the VA Airlines and Velocity ecosystem to make it easier for members to sign-up, earn, burn and deepen their engagement (for example, Velocity direct earn credit card).

3.8.4.3 Expand and enhance partner coalition (including financial services)

Velocity is committed to expanding its earn and redemption partner ecosystem (approximately 80 commercial partners and over 300 eStore and Velocity Reward Store brands), which is currently smaller than Qantas Frequent Flyer who reported over 800 coalition partners as at 31 December 2024.

To achieve this, Velocity has plans to:

- strengthen its core travel proposition and air partnership network;
- transform select existing partners (including in financial services) into more strategic relationships (for example, through leveraging VA Airlines benefits such as status credits, lounges and new VA Airlines LHI services);
- grow share of credit card activity;
- launch new products (for example, new ways to redeem) with existing partners;
- expand into new industry categories and add more partnerships;
- leverage VABF partner ecosystem to extend into consumer offerings (and vice versa); and
- develop new platforms to serve a wider variety of partner needs.

3.9 Information Technology and Cybersercurity

Virgin Australia maintains a comprehensive technology ecosystem critical to its operations and customer service delivery. At its core, the airline uses Sabre for commercial and passenger systems which are utilised to sell tickets and service customers. Systems from Sabre and Amadeus are used for airline operations and Velocity's loyalty management system is similarly provided by Amadeus. Customer engagement is enabled through an integrated digital platform combining internally developed mobile and web applications, supported by Adobe, Sabre, and AWS infrastructure. Back-office operations are streamlined through Oracle systems for financial management, procurement, and payroll processes.

Virgin Australia is committed to investing in and growing its technology platform as a key enabler for the business. The annual investment levels vary based on market conditions and available opportunities.

Virgin Australia has committed to a substantial technology investment program with spend totalling approximately $300 million since 2021. This investment has been part of a broad and comprehensive technology program designed to enable Virgin Australia's transformation, focusing on modern commercial technology that supports efficient competition and enhanced customer, member and partner experiences. In addition to building its technology capabilities, Virgin Australia's technology investments have also addressed key infrastructure that previously limited Virgin Australia's potential.

Virgin Australia remains focused on uplifting its technology capabilities and its technology strategy is focused on four key areas as set out below.

Figure 37: Technology Investment Focus Areas

Commercial

- ☑ Unbundled fare brands
- ☑ Fare class realignment
- ☑ VA Business Flyer
- ☑ Revenue Optimisation and Dynamic Availability
- ☑ Dynamic Pricing
- ✓ Ancillaries Uplift
- ✓ Alliance Partner onboarding
- ○ Offer Order Transformation
- ○ Native Digital Experience & Booking Engine

Customer and member

- ☑ Effortless digital experience(web and app)
- ☑ Loyalty management systems
- ☑ End-to-end distribution management
- ✓ Data platforms
- ✓ Customer identity and access management
- ✓ Personalisation (guest and member)
- ✓ Check in experience
- ✓ Future Airport Experience

People and operational excellence

- ☑ Cloud finance and procurement
- ☑ Baggage reconciliation system replacement
- ✓ Crew management system replacement
- ✓ Call center technology
- ✓ Maintenance transformation
- ✓ HRIS/payroll upgrade
- ✓ Electronic flight bag uplift
- ○ Operational systems and data uplift

Capability uplift and technology debt

- ☑ Technology capability uplift
- ☑ Flight state engine migration
- ☑ Modernised data center, cloud, telco and end user computing
- ✓ Integration platform
- ✓ Information security maturity uplift
- ✓ Ongoing technology maintenance

Key: ☑ Completed ✓ In Progress ○ Planned

In addition to the technology transformation initiatives, Virgin Australia maintains a comprehensive focus on privacy and information security. Since 2021, Virgin Australia has been executing a multi-year information security program designed to continuously strengthen its security posture. This program implements targeted security control enhancements aligned with evolving cyber threats and industry best practices.

The program encompasses multiple security domains including infrastructure protection, data security, identity management, and threat detection capabilities. These investments are designed to enhance Virgin Australia's existing protective measures and further strengthen the safeguarding of customer, operational, and corporate information assets.

Virgin Australia employs a defence-in-depth approach to cybersecurity, combining technical controls, operational processes, and regular independent security assessments. This includes continuous security monitoring, vulnerability management, and periodic third-party testing to validate the effectiveness of security controls. Virgin Australia's security framework is regularly reviewed and updated to align with industry standards and regulatory requirements.

3.10 Sustainability

3.10.1 Approach to Sustainability

Virgin Australia recognises its role in responsibly managing its impact on the environment and driving positive outcomes for its people and the communities it serves. Virgin Australia's Sustainability Strategy is based on a materiality assessment of the issues most important for the business and its broad range of stakeholders. The last assessment was undertaken in early 2023.

Virgin Australia's Sustainability Strategy references global standards and frameworks including the Global Reporting Initiative (**GRI**), International Sustainability Standards Board (**ISSB**), Sustainability Accounting Standards Board and UN Sustainable Development Goals to establish its performance metrics and targets, supported by, and in collaboration with domestic and global industry partners. Virgin Australia continues monitoring developments in these standards and is preparing for disclosure, under the Corporations Act, consistent with the Australian Accounting Standards Board's new S2 Climate-related disclosure standards, effective from 1 July 2025 for the Company.

3.10.2 Sustainability Strategy

Virgin Australia's Sustainability Strategy defines the key focus areas and helps to direct financial and resourcing investments to be most efficient and impactful in achieving sustainability goals.

Figure 38: Virgin Australia's Sustainability Strategy

Ambition to be Australia's most loved airline, with sustainability embedded at the core of Virgin Australia's business

Protecting our Natural World	Caring for our People, Customers and Communities	Maintaining Customer Trust
Climate change • Target 22% reduction in net Scope 1 and Scope 2 greenhouse gas (**GHG**) emissions intensity by 2030, from a FY19 base year[105] • Commitment to target net zero emissions by 2050	**Engaging and developing our people** • Inclusive, diverse and collaborative organisation • Our people and customers are at the core • Virgin Flair is visible and celebrated • Motivated and empowered teams with momentum to innovate	**Cybersecurity and privacy** • Building a resilient, collaborative, compliant, security-minded culture • Building a strong culture of privacy • Responsible use of data • Maintaining customer trust
Waste • Organic waste separation in lounges by 2026 • Remove all single-use plastics by 2027[106] • 85% general waste[107] diverted from landfill by 2030 • Zero general waste to landfill by 2032	**Safety and wellbeing** • Trusted, safe operations. Safety is first and above all else • On track with safety targets and maintaining industry best practice	

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[105] This target applies to all Virgin Australia domestic and SHI flights. It is not intended to apply to the new LHI flights commencing from June 2025, as these were not a foreseen scope of the business' operations at the time the target was made. To account for these new flights, Virgin Australia will monitor the GHG emissions over the first year of operations, and in FY26 intends to re-baseline in accordance with the Greenhouse Gas Protocol's globally accepted GHG accounting standards and guidance (GHG Protocol) process and, if necessary, renew or amend the target.

[106] This target includes all items banned by state governments, as well as problematic and unnecessary single-use plastics. It excludes items required for medical or health and safety reasons.

[107] General waste excludes quarantine, aeronautical, liquid and hazardous waste.

Focus Area 1: Climate Change

Virgin Australia recognises that aviation has an important role to play in reducing global emissions and has committed to targeting net zero carbon emissions by 2050 in line with the broader aviation industry commitment.[108] Virgin Australia has adopted this goal for 2050 in line with industry ambition. However, Virgin Australia acknowledges that delivering net zero for the aviation sector will be challenging, a reflection of the complexity and cost involved. Such a transition will require a mix of actions, including advancements in aircraft technology, fleet and engine renewal, smarter ground vehicles, carbon offsets, transitioning to use of sustainable aviation fuel, and improved management of waste (see Section 5.2.18 for a further discussion of transitional risks).

In 2023, Virgin Australia engaged external expert consultants to assist Virgin Australia with its development of a decarbonisation pathway to 2030 including a recommended emissions reduction target. This process included discussions with relevant internal teams, the executive leadership team and external subject matter experts.

In March 2023, the Virgin Australia Board adopted its 2030 emissions intensity target of a 22% net reduction in scope 1 and scope 2 emissions intensity from an adjusted FY19 baseline[109] (measured as tCO_2-e/RTK), noting that the levers and roadmap to achieve the target may change, depending on market conditions, industry opportunities, and technological advances (see Section 9.12.6 for details of Virgin Australia's scope 1 and 2 GHG emissions).

The roadmap to achieving the 22% target by 2030 included the assumption that ~85% of the targeted net emissions intensity reduction could be achieved through fleet renewal (latest generation aircraft), fuel efficiency improvements (measures to reduce fuel burn during flight operations), and high load factors (≥85%). It was assumed that the remaining 15% of the net emissions intensity reduction could be achieved through carbon offsets purchased through Virgin Australia's voluntary carbon offsetting program (assuming 5% customer participation).

From June 2025, Virgin Australia will also commence operating new LHI services. These services will not be counted towards the Company's current 2030 target,[110] however, Virgin Australia intends to re-baseline its emissions in accordance with the GHG Protocol in 2026 and renew or amend its mid-term target accordingly.

To achieve its objectives, Virgin Australia has multiple initiatives in place, which include:

- **Fleet renewal** – a key strategy to reducing its near-term carbon emissions, with the addition of newer and more fuel-efficient aircraft including Boeing 737-8s and 737-10s, and Embraer E2s;
- **Efficient aircraft operations** – implementing various fuel reduction opportunities both in the air and on the ground, including route optimisation, aircraft weight reduction and single engine taxiing;
- **Ground operations and facilities** – transitioning motorised ground support equipment (GSE) to alternate power sources at locations with established charging infrastructure and high equipment utilisation;
- **Carbon offsets** – offering a voluntary program enabling passengers to purchase carbon credits that help offset some of the carbon emissions associated with their flights; and
- **Sustainable Aviation Fuel (SAF)** – Virgin Australia is committed to supporting the widespread deployment of commercially-affordable SAF and innovative solutions to help unlock access to its environmental benefits. Virgin Australia is an inaugural member of the Australian Government's Jet Zero Council (JZC) and recognising SAF as essential to achieving net zero emissions by 2050.

Virgin Australia acknowledges that climate change will have an effect on the business' operations, and continues to build internal capacities to identify, assess and manage the risks that climate change presents (see Sections 5.2.17 and 5.2.18 for further details about these risks).

Virgin Australia's priority is to provide a safe, sustainable and reliable air transport network – at an affordable price – and recognises that its ability to continue to do so will depend increasingly on how the business manage the effects of climate change. In FY24, Virgin Australia assessed physical and transition climate-related risks and opportunities under different temperature scenarios and started implementing mitigation strategies to manage those risks.

Virgin Australia continues to explore innovative opportunities for reducing emissions and improving energy efficiency throughout its operations, and has identified climate-related opportunities, including investing in low-emissions air and ground fleet improvements to help improve fuel efficiency, reduce costs and cut Virgin Australia's carbon footprint and enhancing its resilience by diversifying its fuel and energy sources, such as adopting renewable energy, deploying electric ground vehicles and reducing Virgin Australia's reliance on fossil fuels. These opportunities also present potential for reduced costs in the longer term.

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108. https://www.iata.org/en/pressroom/pressroom-archive/2021-releases/2021-10-04-03/.
109. See Section 9.12.6 for the adjustments to the FY19 baseline.
110. Refer to footnote 102 in Section 3.10.2.

Focus Area 2: Waste

Virgin Australia is committed to reducing its waste footprint through multiple targets which include: implementing organic waste separation in all Virgin Australia lounges by 2026; eliminating single-use plastics by 2027, diverting 85% of general waste from landfill by 2030, and achieving zero general waste transported to landfill by 2032.
To assist in driving outcomes, Virgin Australia implemented Project Zero in FY23, with a focus on three key stages:

- **Reduce and redesign** – prioritising the elimination of waste with programs aiming to transition all onboard and lounge items to be reusable, recyclable or compostable;
- **Separate and handle** – improving waste sorting into designated bins with inflight and in-office recycling programs and dedicated organic waste separation; and
- **Dispose responsibly** – ensuring waste streams are recycled, composted or disposed of responsibly through partnerships with Containers for Change and OzHarvest.

Focus Area 3: Engaging and Developing our People

Virgin Australia believes an inclusive, collaborative and diverse organisation is important to foster a culture of innovation and empowerment for its people. Virgin Australia has committed to building inclusive development programs to facilitate this including launching Learning Masterclasses in FY24 and completing its Ignite Leadership Program.

Virgin Australia also recognises the importance of a gender-balanced workforce. In this respect, Virgin Australia has a Gender Affirmation Policy aimed at fostering a safe and supportive environment for gender diverse team members. Virgin Australia also has a Belonging Policy, launched in 2023, designed to create a culture that allows everyone to feel safe, included, and valued regardless of age, ethnicity, religion, ability, or sexual orientation.

Focus Area 4: Safety and Wellbeing

Safety represents a fundamental value within Virgin Australia's culture and is central to its commitment to sustainability. Virgin Australia recognises that the safety and wellbeing of its people, customers, and communities extend beyond compliance with protocols and procedures – it is about fostering a proactive, risk-aware environment where everyone feels protected and supported.

The Safety Management System (**SMS**) is the primary framework for mitigating operational risks, and provides a multi-layered approach to safety governance. The SMS covers all business activities, such as flight operations, maintenance activities, ground handling operations and customer service interactions, and it extends to all owned, managed or controlled facilities, including offices, warehouses and other workspaces.

Virgin Australia's commitment to operational safety is a continuous journey. By integrating rigorous training programs, robust policies, and a multi-layered risk management approach, Virgin Australia strives to uphold the highest standards of operational safety while fostering a culture where safety is everyone's responsibility.

Focus Area 5: Cybersecurity and Privacy

Virgin Australia recognises that continuing to enhance privacy, cybersecurity frameworks and protections is essential to maintaining stakeholder trust and business continuity. Virgin Australia operates an internal privacy management program to help embed privacy practices throughout the business.

3.10.3 Management of Greenhouse Gas Emissions

Virgin Australia is committed to meeting its GHG emissions obligations under domestic and international regulations. Virgin Australia monitors and reports on its domestic and international scope 1, 2 and 3 GHG emissions annually in accordance with the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**NGER Act**) and GHG Protocol.

Virgin Australia manages its liability under the NGER Act and Safeguard Mechanism by maintaining domestic GHG emissions at or below its baseline limit set by the Clean Energy Regulator. This baseline declines by approximately 4.9% each year. The emissions reduction initiatives that Virgin Australia has in place are outlined above in Section 3.10.2.

Virgin Australia has international emissions under the International Civil Aviation Organisation (**ICAO**) Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**) and developing processes to source CORSIA-compliant high integrity carbon offsets.

Virgin Australia has undertaken CORSIA forecast modelling, which currently estimates that the Company's annual CORSIA exposure will be approximately $3.9 million over the next five years; however, this is only based on low aviation sectoral growth and demand pressures may increase the price of eligible carbon offsets. This modelling also does not take into account Virgin Australia's increased reporting and compliance requirements in connection with the new LHI services that Virgin Australia will commence from June 2025 under wet lease arrangement with Qatar Airways. However, the commercial agreement in place between Qatar and Virgin Australia is expected to fully address any CORSIA liabilities from these flights.

See Section 9.12 for further details on the Safeguard Mechanism and CORSIA Scheme.

3.10.4 Approach to Governance

Virgin Australia has established a governance framework to ensure accountability and effective oversight of its Sustainability Strategy:

- The **Virgin Australia Board** – responsible for the overall operation and stewardship of the Company. The Board is required under its Charter to consider social, economic and environmental impacts of the Company's activities and operations when making decisions.
- The **Chief Corporate Affairs and Sustainability Officer** – coordinates sustainability activities at an executive level, supported by a team of sustainability professionals.
- A **Sustainability Steering Committee** – comprising executive team representatives and relevant subject matter experts from across the business who oversee efforts to achieve sustainability-related targets and commitments.

Additionally, the Board has established three sub-committees to assist in oversight:

- **Board Safety and Operational Risk Review Committee (BSRRC)** – oversee and manage operational safety and health and security risks of Virgin Australia supported by an expert external safety adviser.
- **Audit, Risk, Sustainability and Compliance Committee (ARCC)** – oversees most sustainability initiatives, including climate change, and regularly reports to the Board.
- **Remuneration and Nomination Committee (RemCo)** – assists with oversight of diversity and inclusion, Board performance, succession planning for directors and executives, director and executive appointments, performance, remuneration and incentives, and review of Virgin Australia's scorecard.

Virgin Australia continues to enhance its governance processes and policies to identify, assess, prioritise and monitor sustainability related risks for the business.

3.11 Additional Company Information

3.11.1 Security

Virgin Australia is committed to achieving compliance with aviation security regulations and adopting industry best practices, together with developing, enhancing and encouraging a security culture within the organisation. This security culture aims to ensure a safe and secure environment for all staff, guests and third-party contractors, ensuring the provision of a secure airline and preventing unlawful interference with operations. Virgin Australia is committed to working in partnership with aviation industry participants and security regulators to promote and implement preventative aviation security measures proportionate to the threat environment.

Security screening of passengers and baggage at airports where Virgin Australia operates is the responsibility of the individual airports and must be conducted in compliance with Department of Home Affairs regulations. Virgin Australia continuously monitors security at all locations through its audit programs, along with its assessments of security incident reporting. Virgin Australia conducts a national criminal history checks on all new employees. Operational staff, and those that regularly work in the airport environment, are also required to hold Aviation Security Identity Cards (**ASICs**) which are evidence of a valid background check from AusCheck. All Virgin Australia staff receive aviation security training, with frontline teams receiving additional aviation security training that is in line with the various roles, responsibilities, and any regulatory requirements.

3.11.2 Maintenance

Virgin Australia's maintenance program follows aircraft manufacturers' recommended schedule and has been approved by CASA. Virgin Australia utilises Trax as its core engineering maintenance management system.

Virgin Australia's aircraft maintenance involves line maintenance and heavy maintenance.

3.11.2.1 Line Maintenance

Line maintenance involves pre-flight checks, daily fluid inspections, scheduled minor repairs and modifications, and troubleshooting. Virgin Australia's line maintenance operation is predominantly insourced in Australia. It is generally conducted by VARA Engineering in Perth and Virgin Tech Pty Ltd, a wholly owned subsidiary of Virgin Australia, under the direction and oversight of Virgin Australia's engineering division.

3.11.2.2 Heavy Maintenance

Heavy maintenance occurs less frequently than line maintenance and is typically only relevant for more extensive breakdowns, or where repair or replacement of aircraft components is required. Virgin Australia's heavy maintenance is currently performed by ST Engineering Aerospace Ltd in Singapore and Etihad Airways Engineering L.L.C in Abu Dhabi UAE. Boeing 737 engines are overhauled by GE Aerospace, the engine manufacturer, with cash cost incurred at the time of overhaul. VARA's heavy maintenance is conducted by Fokker Services and ST Engineering Aerospace Ltd.

3.11.2.3 Maintenance Costs

Virgin Australia's maintenance costs are heavily dependent on a calendar-based schedule and flight hours.

Virgin Australia's fleet simplification strategy has significantly reduced maintenance costs. The planned fleet transition to operating only Boeing 737 and Embraer E2 aircraft is expected to generate further maintenance efficiencies. Through workforce specialisation as a result of homogenous aircraft and equipment, reduced training requirements and reduced stock holdings of spare parts.

3.11.3 Airport Operations and Facilities

Virgin Australia's corporate headquarters are located in Brisbane, Queensland with a secondary corporate office including Velocity in Sydney, New South Wales. VARA is based in Perth, Western Australia.

Virgin Australia has significant operations at each of Australia's major airports, including Sydney, Melbourne, Brisbane, Perth and Adelaide. Offices, maintenance hangars and other support facilities used by Virgin Australia are generally held under long-term leases from respective airport owners.

Virgin Australia has dedicated crew training facilities, including aircraft full flight simulators, in Brisbane and Melbourne. An additional full flight simulator facility was opened in Perth in May 2023 to further support aircraft inductions.

Virgin Australia is also supported by valuable slots and supporting infrastructure at Australia's key airports, providing crucial connectivity across the country. Sections 2.4 and 9.9.3.2 provides additional detail regarding slots.

In Australian and international locations where Virgin Australia operates, runway, ramp and terminal facilities are provided by airport operators who charge airlines for their use, principally through landing, parking and passenger charges. Navigation charges are generally calculated based on distance flown and aircraft weight.

3.11.4 Fuel and Hedging

Fuel costs represent a significant component of Virgin Australia's cost base, with total fuel costs of approximately $1,196 million in FY24. Fuel costs comprise of four key components: underlying crude oil price, refining margin, fuel handling charges, and foreign exchange rates.

To mitigate against the risk of short to medium-term unfavourable movements in fuel prices, and similar to Virgin Australia's major domestic competitor, Virgin Australia maintains an active hedging program in place for crude oil, refining margins, and foreign exchange rate risk. Virgin Australia is hedged against adverse movement in fuel prices for CY25. See Section 4.8 for further detail.

In addition to its fuel hedging program, Virgin Australia has also initiated a number of fuel optimisation programs, with a dedicated team that identifies, validates and implements fuel efficiency initiatives. These include fuel policy optimisation, aircraft weight reduction, operational capability enhancements, technology and innovation, and education and training.

Recent operational improvements include single-engine taxiing, the removal of hard copy manuals, and the installation of scimitar winglets on select SHI aircraft. Aircraft fuel efficiency can be affected by a range of factors such as weather and congestion. For this reason, Virgin Australia invests heavily in systems to accurately forecast weather patterns and collaborates with the Australian Bureau of Meteorology to source the best available data to improve safety and the efficiency of flight plans.

3.11.5 Intellectual Property

Virgin Australia's success has in part been driven by the strong reputation it has built, along with continuous new product development and existing product enhancements. Virgin Australia is protected by trademark, domain name and business name registrations. Virgin Australia's main intellectual property rights relate to the name and logo for Velocity Frequent Flyer, as well as a long-term license with Sir Richard Branson's Virgin Group for use of the Virgin brand (for further details about this license, refer to Section 9.5.1).

3.11.6 Insurance

Virgin Australia has the necessary insurance policies required to protect its financial position from unexpected and material events. Virgin Australia's Insurance team works with business units as well as the Group Risk and Safety Risk teams to ensure the insurance policies in place are reassessed on an ongoing basis to ensure the continued adequacy of the various policy limits and coverage. The Virgin Australia Board and Audit, Risk, Sustainability and Compliance Committee maintain full oversight of Virgin Australia's insurance policies and the Virgin Australia Insurance Manager reports renewal outcomes and emerging insurance trends and market conditions at least bi-annually. See Section 5.2.9 and 5.2.29 for further information regarding Virgin Australia's insurance policies.

To date, Virgin Australia has obtained and maintained insurance policy limits and coverage on terms and conditions which it considers customary for the airline industry. Virgin Australia seeks to insure its fleet in accordance with financing, contractual and legislative requirements. In doing so, it aims to protect cash flow and budget outcomes, without sacrificing significant upside.

04

Financial Information

4.1 Introduction

The financial information of Virgin Australia contained in this Section 4 includes historical financial information for the 12 month period ended 30 June 2023 (**FY23**), the 12 month period ended 30 June 2024 (**FY24**), the 6 month period ended 31 December 2023 (**H1FY24**), and the 6 month period ended 31 December 2024 (**H1FY25**) (collectively the **Historical Financial Period**) as well as forecast financial information for the 12 month period ending 30 June 2025 (**FY25F**) (the **Forecast Financial Period**) as follows:

- Statutory historical financial information of Virgin Australia, comprising the summary:
  - Statutory historical consolidated statements of profit or loss for FY23, FY24, H1FY24 and H1FY25 (the **Statutory Historical Income Statements**);
  - Statutory historical consolidated cash flow information for FY23, FY24, H1FY24 and H1FY25 (the **Statutory Historical Cash Flow Information**); and
  - Statutory historical consolidated statement of financial position as at 31 December 2024 (the **Statutory Historical Balance Sheet**)

  (together, the **Statutory Historical Financial Information**); and
- Pro forma historical financial information of Virgin Australia, comprising the summary:
  - Pro forma historical consolidated statements of profit or loss for FY23, FY24, H1FY24 and H1FY25 (the **Pro Forma Historical Income Statements**);
  - Pro forma historical consolidated cash flow information for FY23, FY24, H1FY24 and H1FY25 (the **Pro Forma Historical Cash Flow Information)**; and
  - Pro forma historical consolidated statement of financial position as at 31 December 2024 (the **Pro Forma Historical Balance Sheet**)

  (together, the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together form the **Historical Financial Information**.

- Statutory forecast financial information of Virgin Australia, comprising the summary:
  - Statutory forecast consolidated statement of profit or loss for FY25F (the **Statutory Forecast Income Statement**); and
  - Statutory forecast consolidated cash flow information for FY25F (the **Statutory Forecast Cash Flow Information**).

  (together, the **Statutory Forecast Financial Information**); and
- Pro forma forecast financial information of Virgin Australia, comprising the summary:
  - Pro forma forecast consolidated statement of profit or loss for FY25F (the **Pro Forma Forecast Income Statement**); and
  - Pro forma forecast consolidated cash flow information for FY25F (the **Pro Forma Forecast Cash Flow Information**).

  (together, the **Pro Forma Forecast Financial Information**).

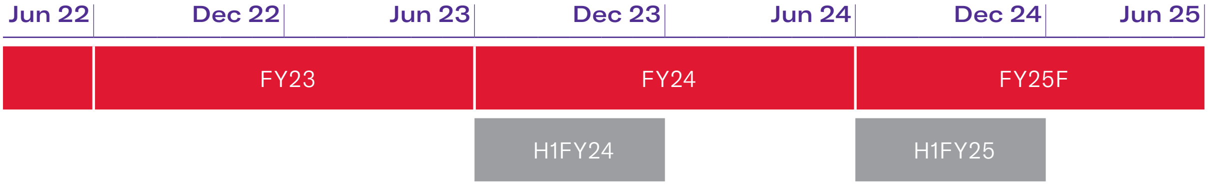
The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

In this Section 4, "Statutory" historical financial information refers to information extracted or derived from the reported historical financial statements or the related underlying accounting records, without pro forma adjustments. "Statutory" forecast financial information refers to forecast financial information that Virgin Australia expects to report as a public company, without pro forma adjustments.

Figure 39: Overview of Financial Information presented in this Section 4

Set out below is an overview of the profit or loss and cash flow information disclosed in this Section 4, indicating the periods covered.



Virgin Australia has a 30 June financial year-end, and the Financial Information has been presented on this basis.

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (see Section 4.2);
- Information regarding certain non-IFRS financial measures and operating metrics (see Section 4.2.4);
- Pro forma adjustments made to and Significant Items in respect of Statutory Historical Income Statements and Statutory Forecast Income Statement (see Sections 4.2.2, 4.2.3 and 4.3.5);
- Pro forma adjustments made to and Significant Items in respect of Statutory Historical Cash Flow Information and Statutory Forecast Cash Flow Information (see Sections 4.2.2, 4.2.3 and 4.6.3);
- Information on the segments of Virgin Australia (see Section 4.4);
- The key operating and financial metrics of Virgin Australia (see Section 4.5);
- Pro forma adjustments made to the Statutory Historical Balance sheet (see Section 4.7.1);
- Details of adjusted net debt and a summary of Virgin Australia's Banking Facilities (see Sections 4.7.3 and 4.7.4);
- Information regarding Virgin Australia's liquidity and capital resources (see Section 4.7.5);
- Information regarding Virgin Australia's aircraft capital and lease commitments, letters of credit and bank guarantees (see Section 4.7.6);
- Information on treasury and risk management practices, including a summary of Virgin Australia's hedging policy and dividend policy (see Section 4.8 and Section 4.9);
- Management discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.11);
- Management discussion and analysis of the Statutory Historical Financial Information (see Section 4.11);
- General and specific assumptions underlying the Forecast Financial Information including management discussion and analysis of the Pro Forma Forecast Income Statement and Pro Forma Cash Flow Information (see Section 4.12);
- Virgin Australia's FY26 Outlook (see Section 4.13); and
- An analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.14).

Reconciliations of Pro Forma Financial Information to Statutory Financial Information are set out in Appendix A. Virgin Australia's significant accounting policies and critical accounting estimates and judgements are set out in Appendix B.

The information in Section 4 should be read alongside the risk factors in Section 5 and the other information contained in this Prospectus, including the summary of significant accounting policies in Appendix B.

4.2 Basis of preparation and presentation of the financial information

4.2.1 Overview

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**), adopted by the Australian Accounting Standards Board (**AASB**). These also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

This Section 4 includes certain non-IFRS financial information that Virgin Australia uses to monitor its business performance. Important information regarding non-IFRS financial information is set out in Section 4.2.4.

Information in this Section 4 is rounded to the nearest appropriate number or decimal. Some totals in tables may not add due to rounding of individual components. Items that are rounded to zero are represented by the number 0, while items that are actually zero are represented with a dash "-". Items that are non-meaningful are represented with "nm".

4.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been derived from the historical consolidated Financial Statements of Virgin Australia for FY23, FY24, H1FY24 and H1FY25 (the **Historical Financial Statements**) and the underlying accounting records of Virgin Australia.

The Historical Financial Statements of Virgin Australia for FY23 (the **FY23 Financial Statements**) and FY24 (the **FY24 Financial Statements**) were audited by KPMG in accordance with Australian Auditing Standards. KPMG issued an unqualified audit opinion for each of the FY23 Financial Statements and FY24 Financial Statements.

The Financial Statements of Virgin Australia for H1FY24 (the **H1FY24 Financial Statements**) and H1FY25 (the **H1FY25 Financial Statements**) were reviewed by KPMG in accordance with Australian Auditing Standards applicable to reviews of interim financial information. KPMG issued an unqualified review report relating to each of these Financial Statements but did not perform an audit and they do not express an opinion on those Financial Statements. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information, and incorporates the following pro forma adjustments:

- **Public company costs:** the inclusion of incremental costs associated with Virgin Australia operating as a listed public company as if they were incurred during all financial periods presented in this Prospectus, which includes changes to senior executive remuneration and the new Virgin Australia Incentive Scheme which will commence once Virgin Australia is listed. This adjustment is net of the removal of the Bain Capital management fees and cost reimbursements paid during such financial periods which will no longer be incurred by Virgin Australia once it becomes a listed public company (see Section 6.4.7.10 for further information).
- **Transaction related remuneration:** the removal of non-cash costs associated with the Legacy Incentive Schemes, One-Off Equity Grants and the VA Take-Off Grant. See Section 6.3.4 for further details of these schemes. These schemes are directly related to the public listing of Virgin Australia.
- **Transaction costs:** the removal of all costs incurred in relation to the Offer that are allocated to the Income Statement, the Bain Capital management agreement termination fee (see Section 6.4.7.10 for further information) and the costs incurred in respect of Qatar Airways Group's purchase of a 25% stake in Virgin Australia (which completed in March 2025) and the establishment of a deeper integrated alliance with Qatar Airways.
- **Expiry of pre administration future flight credits:** the removal of the non-cash gain of $277.9 million (reflecting $280.7 million of revenue, net of $2.8 million of associated expenses) recognised during FY24 relating to all unused future flight credits that were issued pre administration and which expired on 31 December 2023. The cash related to these future flight credits were received pre-administration (prior to the acquisition of Virgin Australia by Bain Capital). The future flight credits were a pre-administration liability, and all unused credits were released to the income statement at expiry on 31 December 2023. Historically, Virgin Australia has taken breakage on unflown flight credits. However, because of uncertainty in customer behaviour related to the pre-administration, the Future Flight Credits breakage could not be reasonably estimated.

- **Financing:** the removal of the finance costs associated with the QIC Loan which is expected to be repaid following Completion or shortly thereafter and the inclusion of finance costs associated with the New Corporate Facility[1] as if the refinancing had been in place for all the financial periods shown in this Section 4.
- **Tax:** this adjustment is made up of the following:
  - the removal of the non-cash non-recurring gain of $319.7 million generated following the recognition of a deferred tax asset in December 2024;
  - the inclusion of a 30% effective tax expense in all periods to present the Income Statement on a consistent basis as is expected to be the case going forward from 1 January 2025 now that tax losses have been utilised and a deferred tax balance has been recognised on the balance sheet at 31 December 2024; and
  - the tax effect of the pro forma adjustments listed above.

Significant items

The Pro Forma Historical Financial Information also presents the financial information on an underlying basis, separately identifying significant items that are considered to be transformational or outside of Virgin Australia's normal operating activities together with foreign exchange revaluation gains and losses on USD denominated aircraft lease liabilities. The key components of significant items are set out below (collectively, **Significant Items**):

- **Restructuring and transformation costs:** restructuring costs incurred on the Transformation Program to deliver various transformation initiatives being pursued by the business which are considered transformational or outside of Virgin Australia's normal operating activities and one-off in nature. Further details of these initiatives are discussed in Section 3.4.
- **IT transformation projects:** costs related to Virgin Australia's technology investment program designed to enable Virgin Australia's transformation, focusing on modern commercial technology that supports efficient competition and enhanced customer, member and partner experiences. In addition to building its technology capabilities, Virgin Australia's technology investments have also replaced and enhanced underinvested infrastructure that had not been prioritised by the company pre administration, limiting Virgin Australia's potential. Any IT costs that are transformational in nature and not part of the ordinary recurring IT expenditure of Virgin Australia is classified as a Significant Item. Further details of these projects are discussed in Section 3.4 and 3.9.
- **Impairment of assets and accelerated depreciation:** legacy Fokker 100 aircraft used by VARA are being depreciated on an accelerated basis ahead of their retirement by December 2025.
- **Foreign exchange revaluation on aircraft leases:** realised and unrealised gains and losses on the revaluation of USD denominated aircraft lease liabilities.
- **Other:** predominantly comprises legal costs and other smaller non-recurring expenses.
- **Tax impact of Significant Items:** tax effect of the Significant Items listed above.

Note that there are certain Significant Items reported in the Historical Financial Statements that are the subject of a pro forma adjustment in the Prospectus and therefore are excluded from the list of Significant Items in the Pro Forma Historical Financial Information. These are: expiry of pre administration future flight credits and IPO planning and preparation costs.

Section 4.3.5, Table 6, Table 7 and Table 8 set out the pro forma adjustments made to the Statutory Historical Income Statements and reconciliations of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements.

Section 4.6.3, Table 24 and Table 25 set out the pro forma adjustments made to the Statutory Historical Statements of Cash Flows and reconciliations of the Statutory Historical Statements of Cash Flows to the Pro Forma Historical Statements of Cash Flows.

Section 4.7.1, Table 26 sets out the pro forma adjustments to the Statutory Historical Balance Sheet and a reconciliation of the Statutory Historical Balance Sheet to the Pro Forma Historical Balance Sheet. Pro forma adjustments were made to the Statutory Historical Balance Sheet to reflect the impact of the Offer and refinancing as if they had occurred as at 31 December 2024. Refer to the notes to Table 26 for details of the pro forma adjustments, including the impact of the New Corporate Facility having been in place for all the financial periods shown, completion of the receipts of the proceeds of the Offer, payment of costs of the Offer and recognition of associated deferred tax balances, as if completion of the Offer had occurred on 31 December 2024.

In preparing the Pro Forma Historical Financial Information, Virgin Australia's accounting policies have been consistently applied throughout the periods presented.

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[1] See Section 9.6.1 for further details.

4.2.3 Preparation of Forecast Financial Information

The basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation of the Historical Financial Information. The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The FY25F forecast information is derived from nine months unaudited results to 31 March 2025 and three months forecast results ending 30 June 2025.

In preparing the Pro Forma Forecast Financial Information, the following pro forma adjustments have been made to the Statutory Forecast Financial Information:

- Inclusion of anticipated incremental costs associated with Virgin Australia operating as a listed public company (see Section 4.2.2);
- The removal of transaction related remuneration costs (see Section 4.2.2);
- The removal of all anticipated Offer related and certain other one-off transaction costs (see Section 4.2.2);
- The removal of the finance costs associated with the QIC Loan and the inclusion of anticipated finance costs associated with the New Corporate Facility (See Section 4.2.2); and
- The inclusion of the anticipated tax impact of the above adjustments (see Section 4.2.2).

The Pro Forma Forecast Financial Information also presents the financial information on an underlying basis, separately identifying Significant Items that are considered to be transformational or outside of Virgin Australia's normal operating activities together with foreign exchange revaluation gains and losses on USD denominated aircraft lease liabilities. The key components of Significant Items are set out above in Section 4.2.2.

Section 4.3.5, Table 6, Table 7 and Table 8 sets out the pro forma adjustments made to the Statutory Forecast Income Statement and reconciliations of Statutory Forecast Income Statement to the Pro Forma Forecast Income Statement.

Section 4.6.3, Table 24 and Table 25 sets out a reconciliation of Statutory Forecast Cash Flow Information to Pro Forma Forecast Cash Flow Information.

The Directors of Virgin Australia have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, investors should be aware that the assumptions may not eventuate in full or in part, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the general assumptions and the specific assumptions set out in Sections 4.12.1 and 4.12.2, respectively. The Forecast Financial Information is subject to the risk factors set out in Section 5. These assumptions and risk factors are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Virgin Australia's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Virgin Australia. Accordingly, no assurance can be given to investors that the outcomes disclosed in the Forecast Financial Information will arise.

Investors are advised to review the general assumptions and specific assumptions set out in Sections 4.12.1 and 4.12.2, respectively, in conjunction with the significant accounting policies and critical accounting estimates and judgements set out in Appendix B, the sensitivity analysis set out in Section 4.14, and the other information in this Prospectus as a whole, including (without limitation) the risk factors set out in Section 5 and details of the initiatives of the Transformation Program in Section 3.4.

The Forecast Financial Information presented in this Prospectus has been prepared solely for inclusion in this Prospectus and has been reviewed by KPMG Transaction Services, in accordance with the Australian Standard on ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in the Limited Assurance Investigating Accountant's Report on the Forecast Financial Information set out in Section 8. Investors should note the scope and limitations of that report. The Limited Assurance Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the offer of Shares in Australia and has been omitted from the Institutional Offering Memorandum being distributed outside of Australia.

4.2.4 Explanation of certain Non-IFRS Financial Information and operating metrics

Virgin Australia uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are referred to as “non-IFRS financial information’ under ASIC Regulatory Guide 230 ‘Disclosing non-IFRS financial information’. Non-IFRS financial measures are intended to supplement the financial information calculated in accordance with AAS or IFRS and not as a substitute for that information. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and the method that Virgin Australia uses to calculate them may be different to methods adopted by other companies to calculate similarly titled measures. This may limit their usefulness as a comparative measure. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, to make operational and investment decisions and for comparison with its business plan and operating budgets and the allocation of resources. Management believes that providing investors with these non-IFRS financial measures provides useful information to investors for the reasons described below.

Reconciliations of Non-IFRS Financial Information to Statutory Financial Information are set out in Appendix A.

4.2.4.1 Financial metrics

- **Adjusted cash flows from financing activities** is cash flows from financing activities but excluding capital returns to shareholders and dividends. Management uses adjusted cash flows from financing activities to evaluate the cash flows from financing activities but excluding capital returns to shareholders and dividends. This measure is referred to as ‘adjusted’ on the basis that it excludes capital returns to shareholders and dividends.
- **Adjusted free cash flow** is net cash flow from operating activities less cash flows from or used in investing activities, repayments and interest paid on lease liabilities but excluding net payments and proceeds with term deposits at bank. Management uses this measure to understand the cash available after investing activities and repayments and interest paid on lease liabilities, but it should not be considered as a replacement of net cash provided by or used in operating activities. This measure is referred to as ‘adjusted’ on the basis that it may be calculated differently to how other companies calculate free cash flow (for example, it includes interest income received).
- **Adjusted net debt** is defined as the total interest bearing liabilities and lease liabilities, net of total of cash and cash equivalents (including short-term deposits). Management uses this measure to understand its overall credit position. This measure is referred to as ‘adjusted’ on the basis that it may be calculated differently to how other companies calculate net debt (for example, it includes term deposits at bank).
- **Adjusted net working capital** is defined as the total balance of current trade and other receivables and inventory less the total balance of current trade and other payables, unearned revenue and provisions. The adjusted net working capital of Virgin Australia is typically negative due to unearned revenue generated by both the Airlines (ticket sales in advance of carriage) and Velocity (deferral of a portion of each point’s value when issued). Management uses this measure to provide insight into its short-term liquidity. This measure is referred to as ‘adjusted’ on the basis that it may be calculated differently to how other companies calculate net working capital (for example, it does not include all current assets and all current liabilities).
- **EBIT** is equal to profit before net finance costs and tax. Management believes that EBIT is useful to help understand the performance of the business independently of its financing arrangements and the impacts of tax. However, EBIT should not be considered as an alternative to net cash flow from operating activities because it does not reflect actual cash movements or movements in adjusted net working capital.
- **EBIT margin (%)** represents EBIT divided by revenue and income and is expressed as a percentage. Management uses EBIT margin as a measure to evaluate the profitability of the overall business and its business segments.
- **EBITDA** is profit before net finance costs, tax, depreciation and amortisation. EBITDA excludes the cost of leases recognised on-balance sheet in accordance with AASB 16 *Leases* (for which depreciation and interest expense is incurred) but includes the cost of variable lease costs. Management uses EBITDA to evaluate the operating performance of the business before the impact of depreciation and amortisation, interest and tax charges, which are significantly affected by Virgin Australia’s capital structure and historical tax position.
- **EBITDA margin (%)** represents EBITDA divided by revenue and income and is expressed as a percentage. Management uses EBITDA margin as a measure to evaluate the profitability of the overall business and its business segments.
- **Significant Items** are income received and expenses incurred that are considered transformational in nature, or are outside of Virgin Australia’s normal operating activities together with foreign exchange revaluation gains or losses on USD denominated aircraft lease liabilities. Refer to Section 4.2.2 Significant Items for further details.

Due to the nature of these items, management believes it is useful to exclude them when measuring Virgin Australia's underlying operating performance.

- **Underlying EBIT** represents EBIT before Significant Items. Management uses underlying EBIT for the purposes of assessing the performance of Virgin Australia. Management believes that underlying EBIT is useful to help understand the performance of the business and independently of its financing arrangements, impacts of tax, and Significant Items. However, underlying EBIT should not be considered as an alternative to net cash flow from operating activities because it does not reflect actual cash movements or movements in adjusted net working capital.
- **Underlying EBIT margin (%)** represents underlying EBIT divided by underlying revenue and income and is expressed as a percentage. Management uses underlying EBIT margin as a measure to evaluate the profitability of the overall business and its business segments before Significant Items.
- **Underlying EBITDA** represents EBITDA before Significant Items. Management uses underlying EBITDA to evaluate the operating performance of the business before the non-cash impact of depreciation and amortisation, interest and tax charges, and before Significant Items which are significantly affected by Virgin Australia's capital structure and historical tax position, and before Significant Items.
- **Underlying EBITDA margin (%)** represents underlying EBITDA divided by underlying revenue and income and is expressed as a percentage. Management uses underlying EBITDA margin as a measure to evaluate the profitability of the overall business and its business segments before Significant Items.
- **Underlying net profit before tax** represents net profit before tax and Significant Items. Management uses underlying net profit before tax to evaluate the profitability of the business excluding Significant Items.
- **Underlying net profit** represents net profit before Significant Items. Management uses underlying net profit to evaluate the overall profitability of the business excluding Significant Items when taking into account its financing arrangements and impacts of tax.
- **Underlying net profit margin (%)** represents underlying net profit divided by underlying revenue and income and is expressed as a percentage. Management uses underlying net profit margin as a measure to evaluate the overall profitability of the business excluding Significant Items when taking into account its financing arrangements and impacts of tax.
- **Underlying operating cash flow** is net cash flow from operating activities before cash flows associated with Significant Items. Management uses underlying operating cash flow to evaluate the cash flows generated by the business before the impact of Significant Items that is available to fund net cash used in investing activities and net cash used in financing activities.
- **Underlying revenue and income** represents revenue and income before Significant Items. Management uses underlying revenue and income as a measure to evaluate the operating performance of the business before the impact of Significant Items.

4.2.4.2 Operating metrics

- **ASKs** is available seat kilometres and is measured as the number of seats multiplied by the distance flown in kilometres for RPT services in the Airlines segment. This is a measure of the Airlines segment RPT capacity, excluding VARA, which does not use ASK as an operating metric.
- **Block hours** represents the total time from the moment an aircraft starts moving for take-off until it comes to a stop at the parking spot.
- **CASK** is calculated as the Airlines segment underlying revenue and income less underlying EBIT, divided by ASKs.
- **Load factor** is the percentage of ASKs filled with passengers (RPKs) for RPT services in the Airlines segment. This is a measure of the utilisation of available seats.
- **Member numbers at period end** is the number of members of the Velocity Frequent Flyer program, calculated at the end of the applicable period.
- **Passengers carried** is the total number of passengers flown by the Airlines segment on RPT services on Australian domestic routes.
- **Points earned** is the number of Velocity Frequent Flyer points issued to members.
- **Points redeemed** is the number of Velocity Frequent Flyer points redeemed by members for available rewards.
- **RASK** is calculated as the Airlines segment underlying revenue and income divided by ASKs.
- **RPKs** is revenue passenger kilometres and is measured as the number of seats occupied by passengers multiplied by the distance flown in kilometres for RPT services in the airlines segment. RPKs is a measure used in calculating yield and load factor. RPKs are a key indicator of demand.
- **Yield** is calculated as the Airlines segment RPT passenger ticket revenue divided by RPKs.

4.3 Historical and forecast income statements

4.3.1 Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

Table 2 sets out the Pro Forma Historical Income Statements for FY23 and FY24 and the Pro Forma Forecast Income Statement for FY25F. Refer to Table 4 for the Statutory Historical Income Statements for FY23 and FY24 and the Statutory Forecast Income Statement for FY25F. The Statutory Historical Income Statements and Statutory Forecast Income Statement are reconciled to the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement in Section 4.3.5.

Table 2

		Pro forma Historical		Pro forma Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Underlying revenue and income	1	**5,011**	**5,353**	**5,804**
Expenditure				
Aircraft variable leases	2	(90)	(91)	(85)
Direct operating variable	3	(1,548)	(1,708)	(1,861)
Fuel and oil	4	(1,226)	(1,196)	(1,097)
Labour and staff related	5	(1,050)	(1,184)	(1,301)
Other	6	(376)	(344)	(401)
Expenditure		**(4,290)**	**(4,524)**	**(4,745)**
Underlying EBITDA		**722**	**830**	**1,059**
Depreciation and amortisation	7	(296)	(328)	(416)
Underlying EBIT		**426**	**501**	**644**
Net finance costs	8	(107)	(131)	(173)
Underlying net profit before tax		**319**	**370**	**471**
Income tax benefit/(expense)	9	(96)	(111)	(140)
Underlying net profit		**223**	**259**	**331**
Significant items	10	(124)	(72)	(112)
Net profit		**99**	**187**	**219**
Financial metrics				
Underlying EBITDA		**722**	**830**	**1,059**
Underlying EBITDA margin (%)		*14.4%*	*15.5%*	*18.2%*
Underlying EBIT		**426**	**501**	**644**
Underlying EBIT margin (%)		*8.5%*	*9.4%*	*11.1%*
Underlying net profit		**223**	**259**	**331**
Underlying net profit margin (%)		*4.5%*	*4.8%*	*5.7%*

Notes:

1. Revenue and income consists of Airlines segment passenger income (being revenue from passenger ticket sales including ancillaries such as baggage and change fees), charter revenue, loyalty program revenue, freight revenue and reimbursement revenue. Refer to Section 4.11.1 for an overview of Virgin Australia's revenue model.
2. Aircraft variable lease expenditure includes the cost of aircraft lease arrangements that are variable or short-term in nature and as such are not capitalised under AASB16 – *Leases*.

3. Direct operating variable expenditure includes airport charges, navigation fees, landing fees, contract and other maintenance and commissions, marketing and reservation charges.
4. Fuel and oil expenditure consists of the cost of jet fuel which includes shipping, handling and excise costs together with any realised hedging gains/(losses).
5. Labour and staff related expenditure includes salary, wages, on-costs, superannuation, share based payments, bonuses and other staff costs.
6. Other is the aggregation of the following expenditure categories from the statutory financial statements: catering, insurance, travel and other overheads; communications and technology; impairment of assets; net foreign exchange gain/(loss); and ineffective and non-designated derivatives.
7. Depreciation and amortisation expense includes depreciation on property, plant and equipment (**PP&E**) and right of use assets and the amortisation of software and contract intangible assets.
8. Net finance costs consist of finance costs comprising interest paid or payable on borrowings, interest on lease liabilities, amortisation of borrowing costs and the unwinding of the discount on provisions and other liabilities, offset by finance income, being the interest receivable on funds invested.
9. Income tax expense is based on 30% of underlying net profit before tax, adjusted for the impact of non-deductible items. Refer to Section 4.10 for further details on the tax profile of Virgin Australia including information regarding carried forward tax losses.
10. Refer to Sections 4.11.4.1.6 and 4.11.5.1.6 Significant Items for further details.

4.3.2 Pro Forma Historical Half-Year Income Statements

Table 3 sets out the Pro Forma Historical Income Statements for H1FY24 and H1FY25. Refer to Table 5 for the Statutory Historical Income Statements for H1FY24 and H1FY25. The Statutory Historical Income Statements are reconciled to the Pro Forma Historical Income Statements in Section 4.3.5.

Table 3

		Pro forma Historical	
	Notes	H1FY24 $m	H1FY25 $m
Underlying revenue and income	1	**2,763**	**3,039**
Expenditure			
Aircraft variable leases	2	(47)	(46)
Direct operating variable	3	(858)	(947)
Fuel and oil	4	(617)	(568)
Labour and staff related	5	(591)	(648)
Other	6	(171)	(200)
Expenditure		**(2,285)**	**(2,408)**
Underlying EBITDA		**479**	**631**
Depreciation and amortisation	7	(153)	(200)
Underlying EBIT		**326**	**431**
Net finance costs	8	(64)	(84)
Underlying net profit before tax		**262**	**347**
Income tax benefit/(expense)	9	(79)	(103)
Underlying net profit		**183**	**244**
Significant items	10	(20)	(67)
Net profit		**164**	**177**
Financial metrics			
Underlying EBITDA		**479**	**631**
Underlying EBITDA margin (%)		*17.3%*	*20.8%*
Underlying EBIT		**326**	**431**
Underlying EBIT margin (%)		*11.8%*	*14.2%*
Underlying net profit		**183**	**244**
Underlying net profit margin (%)		*6.6%*	*8.0%*

Refer to notes on Table 2.

4.3.3 Statutory Historical Income Statements and Statutory Forecast Income Statement

Table 4 sets out the Statutory Historical Income Statements for FY23 and FY24 and the Statutory Forecast Income Statement for FY25F. The Statutory Historical Income Statements and Statutory Forecast Income Statement are reconciled to the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement in Section 4.3.5.

Table 4

		Historical		Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Revenue and income	1	**5,011**	**5,634**	**5,804**
Expenditure				
Aircraft variable leases	2	(90)	(91)	(85)
Direct operating variable	3	(1,555)	(1,714)	(1,872)
Fuel and oil	4	(1,226)	(1,196)	(1,097)
Labour and staff related	5	(1,117)	(1,213)	(1,360)
Other	6	(474)	(397)	(611)
Depreciation and amortisation	7	(309)	(341)	(428)
Expenditure		**(4,771)**	**(4,951)**	**(5,452)**
Profit before net finance costs and tax		**241**	**683**	**352**
Net finance costs	8	(105)	(137)	(167)
Net profit before tax		**135**	**545**	**185**
Income tax benefit/(expense)	9	(6)	–	244
Net profit		**129**	**545**	**429**
Financial metrics				
EBITDA		**549**	**1,024**	**780**
EBITDA margin (%)		*11.0%*	*18.2%*	*13.4%*
Underlying EBITDA		**736**	**848**	**1,074**
Underlying EBITDA margin (%)		*14.7%*	*15.8%*	*18.5%*
EBIT		**241**	**683**	**352**
EBIT margin (%)		*4.8%*	*12.1%*	*6.1%*
Underlying EBIT		**439**	**519**	**659**
Underlying EBIT margin (%)		*8.8%*	*9.7%*	*11.3%*
Net profit		**129**	**545**	**429**
Net profit margin (%)		*2.6%*	*9.7%*	*7.4%*

Notes:

1. Revenue and income consists of Airlines segment passenger income (being revenue from passenger ticket sales including ancillaries such as baggage and change fees), charter revenue, loyalty program revenue and freight revenue. Refer to Section 4.11.1 for an overview of Virgin Australia's revenue model.
2. Aircraft variable leases expenditure includes the cost of aircraft lease arrangements that are variable or short-term in nature and as such are not capitalised under AASB16 – *Leases*.
3. Direct operating variable expenditure is the aggregation of the following expenditure categories from the statutory financial statements: Airport charges, navigation and station operations; Commissions, other marketing and reservations; and Contract and other maintenance.
4. Fuel and oil expenditure consists of the cost of jet fuel which includes shipping, handling and excise costs together with any realised hedging gains/(losses).

5. Labour and staff related expenditure includes salary, wages, on-costs, superannuation, share based payments, bonuses and other staff costs.
6. Other is the aggregation of the following expenditure categories from the statutory financial statements: catering, insurance, travel and other overheads; communications and technology; impairment of assets; net foreign exchange gain/(loss); and ineffective and non-designated derivatives.
7. Depreciation and amortisation expense includes depreciation on property, PP&E and right of use assets and the amortisation of software and contract intangible assets.
8. Net finance costs consist of finance costs comprising interest paid or payable on borrowings, interest on lease liabilities, amortisation of borrowing costs and the unwinding of the discount on provisions and other liabilities, offset by finance income, being the interest receivable on funds invested.
9. Refer to Section 4.10 for further details on the tax profile of Virgin Australia including information regarding carried forward tax losses.

4.3.4 Statutory Historical Half-Year Income Statements

Table 5 sets out the Statutory Historical Income Statements for H1FY24 and H1FY25. The Statutory Historical Income Statements are reconciled to the Pro Forma Historical Income Statements in Section 4.3.5.

Table 5

		Historical	
	Notes	H1FY24 $m	H1FY25 $m
Revenue and income	1	**3,030**	**3,039**
Expenditure			
Aircraft variable leases	2	(47)	(46)
Direct operating variable	3	(860)	(946)
Fuel and oil	4	(617)	(568)
Labour and staff related	5	(601)	(666)
Other	6	(173)	(279)
Depreciation and amortisation	7	(160)	(204)
Expenditure		**(2,458)**	**(2,709)**
Profit before net finance costs and tax		**572**	**330**
Net finance costs	8	(71)	(82)
Net profit before tax		**501**	**248**
Income tax benefit/(expense)	9	–	225
Net profit		**501**	**473**
Financial metrics			
EBITDA		**732**	**534**
EBITDA margin (%)		*24.2%*	*17.6%*
Underlying EBITDA		**487**	**639**
Underlying EBITDA margin (%)		*17.6%*	*21.0%*
EBIT		**572**	**330**
EBIT margin (%)		*18.9%*	*10.9%*
Underlying EBIT		**335**	**439**
Underlying EBIT margin (%)		*12.1%*	*14.4%*
Net profit		**501**	**473**
Net profit margin (%)		*16.5%*	*15.6%*

Refer to notes on Table 4.

4.3.5 Pro Forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statement

Table 6, Table 7, and Table 8 set out the reconciliations of revenue and income, EBIT and net profit from the Statutory Historical Income Statements to the Pro Forma Historical Income Statements for FY23 and FY24, and from the Statutory Forecast Income Statement to the Pro Forma Forecast Income Statement for FY25F.

Table 6

		Historical		Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Statutory revenue and income		**5,011**	**5,634**	**5,804**
Pro forma adjustments				
Expiry of future flight credits	4	–	(281)	–
Total pro forma adjustments		**–**	**(281)**	**–**
Pro forma revenue and income		**5,011**	**5,353**	**5,804**

Table 7

		Historical		Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Statutory EBIT		**241**	**683**	**352**
Pro forma adjustments				
Public company costs	1	(4)	(3)	(1)
Transaction related remuneration	2	6	1	24
Transaction costs	3	8	6	108
Expiry of future flight credits	4	–	(278)	–
Total pro forma adjustments		**10**	**(273)**	**131**
Pro forma EBIT		**251**	**409**	**483**
Significant Items impacting statutory EBIT				
Restructuring and transformation costs	7	77	39	37
IT transformation projects	8	55	36	54
Impairment of assets and accelerated depreciation	9	21	15	12
Foreign exchange revaluation on aircraft leases	10	20	(3)	49
Other		2	6	9
Total Significant Items		**175**	**92**	**161**
Pro forma underlying EBIT		**426**	**501**	**644**

Table 8

	Notes	Historical		Forecast
		FY23 $m	FY24 $m	FY25F $m
Statutory net profit		**129**	**545**	**429**
Pro forma adjustments				
Public company costs	1	(4)	(3)	(1)
Transaction related remuneration	2	6	1	24
Transaction costs	3	8	6	108
Expiry of future flight credits	4	–	(278)	–
Financing	5	(4)	(5)	(5)
Tax	6	(36)	(80)	(336)
Total pro forma adjustments		**(30)**	**(359)**	**(210)**
Pro forma net profit		**99**	**187**	**219**
Significant Items impacting statutory net profit				
Restructuring and transformation costs	7	80	50	37
IT transformation projects	8	55	36	54
Impairment of assets and accelerated depreciation	9	21	15	12
Foreign exchange revaluation on aircraft leases	10	20	(3)	49
Other	11	2	6	9
Tax impact of Significant Items	12	(53)	(31)	(48)
Total Significant Items		**124**	**72**	**112**
Pro forma underlying net profit		**223**	**259**	**331**

Notes:

1. **Public company costs:** the inclusion of incremental costs associated with Virgin Australia operating as a listed public company as if they were incurred during all financial periods presented in this Prospectus, which includes changes to senior executive remuneration and the new Virgin Australia Incentive Scheme, that will commence once Virgin Australia is listed. This adjustment is net of the removal of the Bain Capital management fees and cost reimbursements paid during such financial periods which will no longer be incurred by Virgin Australia once it becomes a listed public company (see Section 6.4.7.10 for further information).
2. **Transaction related remuneration:** the removal of non-cash costs associated with the Legacy Incentive Schemes (including any value associated with the Limited Recourse Loan), the One-Off Equity Grants, and the VA Take-Off Grants. See Section 6.3.4 for further details of these schemes. These schemes are directly related to the public listing of Virgin Australia. Under the requirements of the AAS, the aggregate share-based payment expense of these schemes is not fully recognised at the time of IPO and the full expense relating to these schemes will be recognised over the vesting term of each respective scheme, resulting in an expected expense of $73 million over the FY26F to FY28F period in addition to the expected expense for FY25F of $24 million. For the avoidance of doubt, Shares related to the Legacy Incentive Schemes, the VA Take-Off Grant and the One-Off Equity Grants are included in the Fully Diluted Issued Capital. Although the Share Rights to be issued under the VA Take-Off Grant are included in the Fully Diluted Issued Capital at Completion, it is expected that the actual grant of Share Rights under the VA Take-Off Grant will happen shortly after Completion.

   Prior to Listing, the terms of the Legacy Incentive Schemes were amended. Under the requirements of AASB 2 Share-based payment, these amendments resulted in an additional non-cash statutory labour and staff related cost of $18 million for FY25F. This additional cost is based on the estimated fair value of the existing A Class Shares immediately before and after the date of the amendments.
3. **Transaction costs:** the removal of all costs incurred in relation to the Offer that are allocated to the Income Statement, the Bain Capital management agreement termination fee (see Section 6.4.7.10 for further information) and the costs incurred in respect of Qatar Airways Group's purchase of a 25% stake in Virgin Australia (which completed in March 2025) .
4. **Expiry of pre-administration future flight credits:** the removal of the non-cash gain of $277.8 million (reflecting $280.7 million of revenue, net of $2.9 million of associated expenses) recognised during FY24 relating to all unused future flight credits that were issued pre-administration and which expired on 31 December 2023. The cash related to these future flight credits were received pre-administration (prior to the acquisition of Virgin Australia by Bain Capital). The future flight credits were a pre-administration liability, and all unused credits were released to the income statement at expiry on 31 December 2023. Historically, Virgin Australia has taken breakage on unflown flight credits. However, because of uncertainty in customer behaviour related to the pre-administration, the Future Flight Credits breakage could not be reasonably estimated.
5. **Financing:** the removal of the finance costs associated with the QIC Loan, which is expected to be repaid following completion of the Offer and the inclusion of financing costs associated with the New Corporate Facility as if the refinancing had been in place for all the financial periods shown in this Section 4.
6. **Tax:** this adjustment is made up of the following:
   - the removal of the non-cash, non-recurring gain of $319.7 million generated following the recognition of a deferred tax asset in December 2024;
   - the inclusion of a 30% effective tax expense in all periods to present the Income Statement on a consistent basis as is expected to be the case going forward from 1 January 2025 now that tax losses have been utilised and a deferred tax balance has been recognised on the balance sheet on 31 December 2024; and
   - the tax effect of the pro forma adjustments listed above.

7. **Restructuring and transformation costs:** restructuring costs incurred on the Transformation Program to deliver various transformation initiatives being pursued by the business which are considered transformational or outside of Virgin Australia's normal operating activities and one-off in nature. Further details of these initiatives are discussed in Section 3.4.
8. **IT transformation projects:** costs related to Virgin Australia's technology investment program designed to enable Virgin Australia's transformation, focusing on modern commercial technology that supports efficient competition and enhanced customer, member and partner experiences. In addition to building its technology capabilities, Virgin Australia's technology investments have also replaced and enhanced underinvested infrastructure that had not been prioritised by the company pre-administration, limiting Virgin Australia's potential. Any IT costs expensed in the income statement that are transformational in nature and not part of the ordinary recurring IT expenditure of Virgin Australia is classified as a Significant Item. Further details of these projects are discussed in Section 3.4 and 3.9.
9. **Impairment of assets and accelerated depreciation:** legacy Fokker 100 aircraft used by VARA are being depreciated on an accelerated basis ahead of their retirement by December 2025.
10. **Foreign exchange revaluation on aircraft leases:** realised and unrealised gains and losses on the revaluation of USD denominated aircraft lease liabilities.
11. **Other:** predominantly comprises legal costs and other smaller non-recurring expenses.
12. **Tax impact of Significant Items:** tax effect of all Significant Items listed (notes 7 to 11).

Table 9

Table 9, Table 10 and Table 11 set out the reconciliations of revenue and income, EBIT and net profit from the Statutory Historical Income Statements to the Pro Forma Historical Income Statements for H1FY24 and H1FY25.

		Historical	
	Notes	H1FY24 $m	H1FY25 $m
Statutory revenue and income		**3,030**	**3,039**
Pro forma adjustments			
Expiry of future flight credits	4	(267)	–
Pro forma revenue and income		**2,763**	**3,039**

Table 10

		Historical	
	Notes	H1FY24 $m	H1FY25 $m
Statutory EBIT		**572**	**330**
Pro forma adjustments			
Public company costs	1	(2)	(1)
Transaction related remuneration	2	1	2
Transaction costs	3	2	5
Expiry of future flight credits	4	(266)	–
Total pro forma adjustments		**(264)**	**6**
Pro forma EBIT		**308**	**335**
Significant items impacting statutory EBIT			
Expiry of future flight credits		–	–
Restructuring and transformation costs	7	10	8
IT transformation projects	8	16	27
Impairment of assets and accelerated depreciation	9	7	4
Foreign exchange revaluation on aircraft leases	10	(15)	57
Other		–	–
Total Significant Items		**18**	**96**
Pro forma underlying EBIT		**326**	**431**

Table 11

	Notes	Historical H1FY24 $m	Historical H1FY25 $m
Statutory net profit		**501**	**473**
Pro forma adjustments			
Public company costs	1	(2)	(1)
Transaction related remuneration	2	1	2
Transaction costs	3	2	5
Expiry of future flight credits	4	(266)	–
Financing	5	(3)	(3)
Tax	6	(70)	(299)
Total pro forma adjustments		**(337)**	**(296)**
Pro forma net profit		**164**	**177**
Significant items impacting statutory net profit			
Restructuring and transformation costs	7	20	8
IT transformation projects	8	16	27
Impairment of assets and accelerated depreciation	9	7	4
Foreign exchange revaluation on aircraft leases	10	(15)	57
Other		–	–
Tax impact of Significant Items	11	(8)	(29)
Total Significant Items		**20**	**67**
Pro forma underlying net profit		**183**	**244**

Refer to notes on Table 6, Table 7 and Table 8.

4.4 Segment information

4.4.1 Reporting Segments

In accordance with Australian Accounting Standard AASB 8 Operating Segments, Virgin Australia has adopted the following reporting segments:

- **Airlines:** Virgin Australia's aviation activities including domestic, international, charter (VARA) and freight; and
- **Velocity:** Virgin Australia's loyalty program Velocity Frequent Flyer.

These segments reflect how Virgin Australia expects to monitor and report the results of the business. Sections 3.5 and 3.6 contains an overview of the Airlines and Velocity reporting segments and their activities.

Costs related to Virgin Australia's corporate functions (such as legal, human resources, finance, information technology) are primarily included in the results of the Airlines segment.

4.4.2 Segment Pro Forma Historical Financial Information and Segment Pro Forma Forecast Financial Information

Table 12 sets out the segment pro forma historical underlying revenue and income, underlying EBITDA and underlying EBIT for FY23 and FY24 and the segment pro forma forecast underlying revenue and income, underlying EBITDA and underlying EBIT for FY25F.

Table 12

	Notes	Pro forma Historical FY23 $m	Pro forma Historical FY24 $m	Pro forma Forecast FY25F $m
Underlying revenue and income				
Airlines		4,873	5,146	5,565
Velocity		330	409	457
Eliminations	1	(192)	(202)	(218)
Total underlying revenue and income		**5,011**	**5,353**	**5,804**
Underlying EBITDA				
Airlines		638	698	922
Velocity		84	120	130
Eliminations	1	(0)	12	7
Total underlying EBITDA		**722**	**830**	**1,059**
Underlying EBIT				
Airlines		348	374	511
Velocity		77	115	126
Eliminations	1	(0)	12	7
Total underlying EBIT		**426**	**501**	**644**

Notes:

1. Elimination of transactions between Airlines and Velocity include, but are not limited to, participation and marketing revenue recognised by Velocity, and flight redemption revenue recognised by Airlines.

Table 13 sets out the segment pro forma historical underlying revenue and income, underlying EBITDA and underlying EBIT for H1FY24 and H1FY25.

Table 13

	Notes	Pro forma Historical H1FY24 $m	Pro forma Historical H1FY25 $m
Underlying revenue and income			
Airlines		2,660	2,919
Velocity		198	221
Eliminations	1	(94)	(101)
Total underlying revenue and income		**2,763**	**3,039**
Underlying EBITDA			
Airlines		403	560
Velocity		62	67
Eliminations	1	14	5
Total underlying EBITDA		**479**	**631**
Underlying EBIT			
Airlines		252	362
Velocity		60	65
Eliminations	1	14	5
Total underlying EBIT		**326**	**431**

Refer to notes on Table 12.

4.4.3 Segment Statutory Historical Underlying Financial Information and Segment Statutory Forecast Underlying Financial Information

Table 14 sets out the segment statutory historical underlying revenue and income, underlying EBITDA and underlying EBIT for FY23 and FY24 and the segment statutory forecast underlying revenue and income, underlying EBITDA and underlying EBIT for FY25F.

Table 14

		Historical		Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Underlying revenue and income				
Airlines		4,873	5,146	5,565
Velocity		330	409	457
Eliminations	1	(192)	(202)	(218)
Total underlying revenue and income	2	**5,011**	**5,353**	**5,804**
Significant Items	3	–	281	–
Total revenue and income		**5,011**	**5,634**	**5,804**
Underlying EBITDA				
Airlines		652	716	937
Velocity		84	120	130
Eliminations	1	(0)	12	7
Total underlying EBITDA		**736**	**848**	**1,074**
Significant Items	3	(187)	176	(294)
Total EBITDA		**549**	**1,024**	**780**
Underlying EBIT				
Airlines		362	392	526
Velocity		77	115	126
Eliminations	1	(0)	12	7
Total underlying EBIT		**439**	**519**	**659**
Significant Items	3	(199)	163	(307)
Total EBIT		**241**	**683**	**352**

Notes:

1. Elimination of transactions between Airlines and Velocity include, but are not limited to, participation and marketing revenue recognised by Velocity, and flight redemption revenue recognised by Airlines.
2. Represents total segment revenue and income, excluding $280.7 million of revenue from expiry of future flight credits, which is included in total revenue and income in the consolidated income statements for FY24. There was no such adjustment for FY23 and therefore, the Underlying revenue and income was the same as total revenue and income for FY23.
3. Refer to Appendix A for a breakdown of the statutory Significant Items.

Table 15 sets out the segment statutory historical underlying revenue and income, underlying EBITDA and underlying EBIT for H1FY24 and H1FY25.

Table 15

	Notes	Historical	
		H1FY24 $m	H1FY25 $m
Underlying revenue and income			
Airlines		2,660	2,919
Velocity		198	221
Eliminations	1	(94)	(101)
Total underlying revenue and income	2	**2,763**	**3,039**
Significant Items	3	267	–
Total revenue and income		**3,030**	**3,039**
Underlying EBITDA			
Airlines		412	567
Velocity		62	67
Eliminations	1	14	5
Total underlying EBITDA		**487**	**639**
Significant Items	3	245	(105)
Total EBITDA		**732**	**534**
Underlying EBIT			
Airlines		261	369
Velocity		60	65
Eliminations	1	14	5
Total underlying EBIT		**335**	**439**
Significant Items	3	237	(109)
Total EBIT		**572**	**330**

Notes:

1. Elimination of transactions between Airlines and Velocity including, but not limited to, participation and marketing revenue recognised by Velocity, and flight redemption revenue recognised by Airlines.
2. Represents total segment revenue and income excluding $266.7 million of revenue from expiry of future flight credits, which is included in total revenue and income in the consolidated income statements for H1FY24. There was no such adjustment for H1FY25 and therefore, the Underlying revenue and income was the same as total revenue and income for H1FY25.
3. Refer to Appendix A for a breakdown of the statutory Significant Items.

4.5 Key operating and financial metrics – segment basis

4.5.1 Key Pro Forma Operating and Financial Metrics – segment basis

Table 16 provides a summary of the pro forma historical key operating and financial metrics for FY23 and FY24 and the pro forma forecast key operating and financial metrics for FY25F.

Table 16

	Pro forma Historical		Pro forma Forecast
	FY23	FY24	FY25F
Airlines			
Operating metrics			
Passengers carried (m)	18.9	19.2	20.8
ASK (m)	30,030	32,374	33,630
Load factor (%)	84.0	83.0	85.5
RASK (cents per ASK)	16.2	15.9	16.5
CASK (cents per ASK)	15.1	14.7	15.0
Financial metrics			
Underlying EBITDA margin (%)	13.1%	13.6%	16.6%
Underlying EBIT margin (%)	7.2%	7.3%	9.2%
Velocity			
Operating metrics			
Member numbers at period end (m)	11.5	12.3	13.3
Points earned (m)	40,161	50,370	56,735
Points redeemed (m)	30,635	36,058	40,422
Financial metrics			
Underlying EBITDA margin (%)	25.6%	29.3%	28.4%
Underlying EBIT margin (%)	23.4%	28.2%	27.6%

Table 17 provides a summary of the pro forma historical key operating and financial metrics for H1FY24 and H1FY25.

Table 17

	Pro forma Historical	
	H1FY24	H1FY25
Airlines		
Operating metrics		
Passengers carried (m)	9.9	10.8
ASK (m)	16,329	17,410
Load factor (%)	85.0	86.4
RASK (cents per ASK)	16.3	16.8
CASK (cents per ASK)	14.7	14.7
Financial metrics		
Underlying EBITDA margin (%)	15.1%	19.2%
Underlying EBIT margin (%)	9.5%	12.4%
Velocity		
Operating metrics		
Member numbers at period end (m)	11.9	12.9
Points earned (m)	23,925	28,983
Points redeemed (m)	17,106	20,490
Financial metrics		
Underlying EBITDA margin (%)	31.4%	30.2%
Underlying EBIT margin (%)	30.2%	29.3%

4.5.2 Key Statutory Operating and Financial Metrics – segment basis

Table 18 provides a summary of the statutory historical key operating and financial metrics for FY23 and FY24 and the statutory forecast key operating and financial metrics for FY25F.

Table 18

	Historical		Forecast
	FY23	FY24	FY25F
Airlines			
Operating metrics			
Passengers carried (m)	18.9	19.2	20.8
ASK (m)	30,030	32,374	33,630
Load factor (%)	84.0	83.0	85.5
RASK (cents per ASK)	16.2	15.9	16.5
CASK (cents per ASK)	15.0	14.7	15.0
Financial metrics			
Underlying EBITDA margin (%)	13.4%	13.9%	16.8%
Underlying EBIT margin (%)	7.4%	7.6%	9.4%
Velocity			
Operating metrics			
Member numbers at period end (m)	11.5	12.3	13.3
Points earned (m)	40,161	50,370	56,735
Points redeemed (m)	30,635	36,058	40,422
Financial metrics			
Underlying EBITDA margin (%)	25.6%	29.3%	28.4%
Underlying EBIT margin (%)	23.4%	28.2%	27.6%

Table 19 provides a summary of the statutory historical key operating and financial metrics for H1FY24 and H1FY25.

Table 19

	Historical	
	H1FY24	H1FY25
Airlines		
Operating metrics		
Passengers carried (m)	9.9	10.8
ASK (m)	16,329	17,410
Load factor (%)	85.0	86.4
RASK (cents per ASK)	16.3	16.8
CASK (cents per ASK)	14.7	14.6
Financial metrics		
Underlying EBITDA margin (%)	15.5%	19.4%
Underlying EBIT margin (%)	9.8%	12.7%
Velocity		
Operating metrics		
Member numbers at period end (m)	11.9	12.9
Points earned (m)	23,925	28,983
Points redeemed (m)	17,106	20,490
Financial metrics		
Underlying EBITDA margin (%)	31.4%	30.2%
Underlying EBIT margin (%)	30.2%	29.3%

4.6 Historical and forecast cash flow information

4.6.1 Pro Forma Historical Cash Flow Information and Pro Forma Forecast Cash Flow Information

Table 20 sets out the Pro Forma Historical Cash Flow Information for FY23 and FY24 and the Pro Forma Forecast Cash Flow Information for FY25F.

Table 20

		Pro forma Historical		Pro forma Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Cash flows from operating activities				
Underlying EBITDA		722	830	1,059
Income tax payments		–	–	–
Non-cash movements	1	(7)	12	44
Movement in adjusted net working capital		526	142	196
Underlying operating cash flow		**1,240**	**984**	**1,299**
Cash flows associated with Significant Items	2	(184)	(70)	(107)
Net cash flow from operating activities		**1,057**	**914**	**1,192**
Cash flows from investing activities				
Acquisition of PP&E	3	(149)	(329)	(511)
Proceeds on disposal of PP&E	4	–	7	0
Acquisition of intangible assets		(1)	(2)	–
Interest income received		34	56	51
Net payments and proceeds with term deposits at bank	5	–	(129)	61
Net payments and proceeds with deposits in other financial assets	6	169	73	17
Net cash (used in)/from investing activities		**54**	**(325)**	**(382)**
Adjusted cash flows from financing activities				
Repayment of interest-bearing liabilities		(153)	(536)	(205)
Interest paid on interest-bearing liabilities		(64)	(91)	(99)
Proceeds from interest-bearing liabilities		299	450	131
Repayment of lease liabilities	7	(154)	(182)	(231)
Interest paid on lease liabilities	7	(50)	(61)	(72)
Proceeds from share issuance		–	–	–
Adjusted net cash used in financing activities		**(122)**	**(420)**	**(476)**
Net cash flow before dividends		**988**	**169**	**333**
Adjusted free cash flow reconciliation				
Net cash flow from operating activities		1,057	914	1,192
Net cash (used in)/from investing activities		54	(325)	(382)
Net payments and proceeds with term deposits at bank		–	129	(61)
Repayment of lease liabilities	7	(154)	(182)	(231)
Interest paid on lease liabilities	7	(50)	(61)	(72)
Adjusted free cash flows	8	**906**	**475**	**446**

Notes:

1. Non-cash income and expenses included in underlying EBITDA. This includes share-based payments, the revaluation of foreign currency amounts relating to financing and investing activities and net change in fair value of cash flow hedges transferred to profit or loss.
2. Cash flow impact of Significant Items. Significant Items which do not have a cash flow impact include impairment of assets and accelerated depreciation and foreign exchange revaluation of aircraft lease liabilities. Refer to Sections 4.11.4.1.6 and 4.11.5.1.6 for further information on Significant Items.
3. The acquisition of PP&E primarily relates to the ongoing maintenance of the aircraft fleet, payment of aircraft pre-delivery payments, aircraft delivery payments and non-aircraft related capital expenditure.

4. Disposal of PP&E relates primarily to the sale of aircraft to lessors as part of sale and lease back transactions
5. Consists of payments to and proceeds from term deposits at bank.
6. Consists of deposits paid in relation to leased aircraft i.e. maintenance reserves or security deposits and collateral for unearned revenue. This can be a cash inflow if there are changes to Virgin Australia's unearned revenue collateral requirements. Other inflows can occur where cash deposits are replaced with letters of credit, maintenance events are performed or leased aircraft are returned.
7. Comprises principal and interest payments in respect of leased assets accounted for under AASB 16 – *Leases*.
8. Adjusted free cash flows calculated as net cash flow from operating activities plus net cash (used in)/from investing activities, less repayments and interest paid on lease liabilities, less net payments and proceeds with term deposits at bank.

Table 21 sets out the Pro Forma Historical Cash Flow Information for H1FY24 and H1FY25.

Table 21

		Pro forma Historical	
	Notes	H1FY24 $m	H1FY25 $m
Cash flows from operating activities			
Underlying EBITDA		478	631
Income tax payments		–	–
Non-cash movements	1	(1)	10
Movement in adjusted net working capital		(39)	15
Underlying operating cash flow		**439**	**656**
Cash flows associated with Significant Items	2	(35)	(42)
Net cash flow from operating activities		**404**	**614**
Cash flows from investing activities			
Acquisition of PP&E	3	(149)	(216)
Proceeds on disposal of PP&E	4	2	0
Acquisition of intangible assets		–	(1)
Interest income received		27	26
Net payments and proceeds with term deposits at bank	5	(45)	61
Net payments and proceeds with deposits in other financial assets	6	72	19
Net cash (used in)/from investing activities		**(92)**	**(110)**
Adjusted cash flows from financing activities			
Repayment of interest-bearing liabilities		(72)	(64)
Interest paid on interest-bearing liabilities		(50)	(47)
Proceeds from interest-bearing liabilities		–	22
Repayment of lease liabilities	7	(88)	(111)
Interest paid on lease liabilities	7	(28)	(36)
Proceeds from share issuance		–	–
Adjusted net cash used in financing activities		**(238)**	**(237)**
Net cash flow before dividends		**74**	**267**
Adjusted free cash flow reconciliation			
Net cash flow from operating activities		404	614
Net cash (used in)/from investing activities		(92)	(110)
Net payments and proceeds with term deposits at bank		45	(61)
Repayment of lease liabilities	7	(88)	(111)
Interest paid on lease liabilities	7	(28)	(36)
Adjusted free cash flows		**241**	**296**

Refer to notes on Table 20.

4.6.2 Statutory Historical Cash Flow Information and Statutory Forecast Cash Flow Information

Table 22 sets out the Statutory Historical Cash Flow Information for FY23 and FY24 and the Statutory Forecast Cash Flow Information for FY25F.

Table 22

		Historical		Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Cash flows from operating activities				
EBITDA		549	1,024	780
Income tax payments		–	–	–
Non-cash movements	1	5	(3)	103
Movement in adjusted net working capital		489	(121)	188
Net cash flow from operating activities		**1,043**	**900**	**1,071**
Cash flows from investing activities				
Acquisition of PP&E	2	(149)	(329)	(511)
Proceeds on disposal of PP&E	3	–	7	0
Acquisition of intangible assets		(1)	(2)	–
Interest income received		34	56	51
Net payments and proceeds with term deposits at bank		–	(129)	61
Net payments and proceeds with deposits in other financial assets	4	169	73	17
Net cash (used in)/from investing activities		**54**	**(325)**	**(382)**
Cash flows from financing activities				
Repayment of interest-bearing liabilities		(153)	(536)	(205)
Interest paid on interest-bearing liabilities		(59)	(86)	(93)
Proceeds from interest-bearing liabilities	5	299	450	131
Repayment of lease liabilities		(154)	(182)	(231)
Interest paid on lease liabilities		(50)	(61)	(72)
Capital return to shareholders	6	(730)	–	–
Dividends paid	7	–	(367)	(109)
Net cash used in financing activities		**(848)**	**(781)**	**(579)**
Net increase/(decrease) in cash and cash equivalents		**249**	**(206)**	**110**
Adjusted free cash flow reconciliation				
Net cash flow from operating activities		1,043	900	1,071
Net cash (used in)/from investing activities		54	(325)	(382)
Net payments and proceeds with term deposits at bank		–	129	(61)
Repayment of lease liabilities		(154)	(182)	(231)
Interest paid on lease liabilities		(50)	(61)	(72)
Adjusted free cash flows	8	**893**	**461**	**325**

Notes:

1. Non-cash income and expenses included in EBITDA. This includes share-based payments, the revaluation of foreign currency amounts relating to financing and investing activities and net change in fair value of cash flow hedges transferred to profit or loss.
2. The acquisition of PP&E primarily relates to the ongoing maintenance of the aircraft fleet, payment of aircraft pre-delivery payments, aircraft delivery payments and non-aircraft related capital expenditure.
3. Disposal of PP&E relates primarily to the sale of aircraft to lessors as part of sale and lease back transactions.
4. Consists of deposits paid in relation to lease aircraft i.e. maintenance reserves or security deposits and collateral for unearned revenue. This can be a cash inflow if there are changes to Virgin Australia's unearned revenue collateral requirements. Other inflows can occur where cash deposits are replaced with letters of credit, maintenance events are performed or leased aircraft are returned.
5. Drawdowns relate to refinancing of the Velocity debt (see Section 9.6.2), pre-delivery payment financing, a bridge loan obtained in FY23 and repaid in FY24 and secured aircraft refinancing.
6. In FY23 Virgin Australia paid a capital return to BC Hart of $730 million.

7. In FY24, dividends primarily consist of $367 million in dividends paid to BC Hart. In FY25F, dividends primarily consists of dividends paid to BC Hart totalling $100 million and $9 million to Class A shareholders that are treated as dividends for accounting purposes.
8. Adjusted free cash flows calculated as net cash flow from operating activities plus net cash (used in)/from investing activities, less repayments and interest paid on lease liabilities, less net payments and proceeds with term deposits at bank.

Table 23 sets out the Statutory Historical Cash Flow Information for H1FY24 and H1FY25.

Table 23

	Notes	Historical H1FY24 $m	Historical H1FY25 $m
Cash flows from operating activities			
EBITDA		732	534
Income tax payments		–	–
Non-cash movements	1	(23)	63
Movement in adjusted net working capital		(313)	7
Net cash flow from operating activities		**397**	**604**
Cash flows from investing activities			
Acquisition of PP&E	2	(149)	(216)
Proceeds on disposal of PP&E	3	2	0
Acquisition of intangible assets		–	(1)
Interest income received		27	26
Net payments and proceeds with term deposits at bank		(45)	61
Net payments and proceeds with deposits in other financial assets	4	72	19
Net cash (used in)/from investing activities		**(92)**	**(110)**
Cash flows from financing activities			
Repayment of interest-bearing liabilities		(72)	(64)
Interest paid on interest-bearing liabilities		(47)	(45)
Proceeds from interest-bearing liabilities	5	–	22
Repayment of lease liabilities		(88)	(111)
Interest paid on lease liabilities		(28)	(36)
Proceeds from share issuance		–	–
Capital return to shareholders	6	–	–
Dividends paid	7	–	(109)
Net cash used in financing activities		**(236)**	**(343)**
Net increase in cash and cash equivalents		**69**	**151**
Adjusted free cash flow reconciliation			
Net cash flow from operating activities		397	604
Net cash (used in)/from investing activities		(92)	(110)
Net payments and proceeds with term deposits at bank		45	(61)
Repayment of lease liabilities		(88)	(111)
Interest paid on lease liabilities		(28)	(36)
Adjusted free cash flow	8	**233**	**286**

Refer to notes on Table 22.

4.6.3 Pro Forma adjustments to the Statutory Historical Cash Flow Information and Statutory Forecast Cash Flow Information

Table 24 sets out the reconciliation of pro forma adjusted free cash flows from the Statutory Historical Cash Flow Information to the Pro Forma Historical Cash Flow Information for FY23 and FY24, and from the Statutory Forecast Cash Flow Information to the Pro Forma Forecast Cash Flow Information for FY25F.

Table 24

		Pro forma Historical		Pro forma Forecast
	Notes	FY23 $m	FY24 $m	FY25F $m
Statutory adjusted free cash flow		**893**	**461**	**325**
Pro forma adjustments				
Public company costs	1	6	7	13
Transaction costs	2	8	6	108
Tax		–	–	–
Total pro forma adjustments		**14**	**13**	**121**
Pro forma adjusted free cash flow		**906**	**475**	**446**

Notes

1. **Public company costs:** Inclusion of incremental costs associated with Virgin Australia operating as a listed public company as if they were incurred during all financial periods presented which includes changes to senior executive remuneration and the new Virgin Australia Incentive Scheme that will commence once Virgin Australia is listed. This adjustment is net of the removal of the Bain Capital management fees and cost reimbursements which will no longer be incurred once Virgin Australia is a listed public company (see Section 6.4.7.10 for further information)
2. **Transaction costs:** Removal of all costs incurred in relation to the Offer that are allocated to the Income Statement, the Bain Capital management agreement termination fee (see Section 6.4.7.10 for further information) and the costs incurred in respect of Qatar Airways Group's purchase of a 25% stake in Virgin Australia (which completed in March 2025) and the establishment of a deeper integrated alliance with Qatar Airways.

Table 25 sets out the reconciliation of pro forma adjusted free cash flow from the Statutory Historical Cash Flow Information to the Pro Forma Historical Cash Flow Information for H1FY24 and H1FY25.

Table 25

		Pro forma Historical	
	Notes	H1FY24 $m	H1FY25 $m
Statutory adjusted free cash flow		**233**	**286**
Pro forma adjustments			
Public company costs	1	5	6
Transaction costs	2	2	5
Tax		–	–
Total pro forma adjustments		**7**	**10**
Pro forma adjusted free cash flow		**241**	**296**

Refer to notes on Table 24.

4.7 Pro forma historical balance sheet

4.7.1 Pro Forma Historical Balance Sheet

Table 26 sets out the adjustments that have been made to the Statutory Historical Balance Sheet of Virgin Australia as at 31 December 2024 to present a Pro Forma Historical Balance Sheet of Virgin Australia, as though the Offer had been completed on 31 December 2024.

Cash and cash equivalents in the Pro Forma Historical Balance Sheet have not been adjusted for anticipated performance of the business between 31 December 2024 and completion of the Offer. As a result, the Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not necessarily indicative of Virgin Australia's actual financial position upon Completion or at any future date.

Table 26

	31 December 2024 $m	Capital structure[1] $m	Impact of the Offer[2] $m	Transaction related remuneration[3] $m	Pro forma 31 December 2024 $m
Current assets					
Cash and cash equivalents	1,081		(78)		1,003
Term deposits at bank	68				68
Receivables	210				210
Inventories	33				33
Derivative financial instruments	50				50
Other financial assets	11				11
Total current assets	**1,452**	**–**	**(78)**	**–**	**1,375**
Non-current assets					
Receivables	144				144
Other financial assets	111				111
Deferred tax asset	313		23		336
Property, plant and equipment	2,555				2,555
Intangible assets	43				43
Total non-current assets	**3,165**	**–**	**23**	**–**	**3,188**
Total assets	**4,617**	**–**	**(55)**	**–**	**4,563**
Current liabilities					–
Payables	535				535
Current tax liability	95				95
Unearned revenue and income	1,438				1,438
Lease liabilities	238				238
Interest-bearing liabilities	511	(146)			365
Provisions	332				332
Total current liabilities	**3,148**	**(146)**	**–**	**–**	**3,002**
Non-current liabilities					–
Lease liabilities	783				783
Interest-bearing liabilities	857	146			1,003
Provisions	614				614
Total non-current liabilities	**2,255**	**146**	**–**	**–**	**2,401**
Total liabilities	**5,403**	**–**	**–**	**–**	**5,403**
Net assets	**(786)**	**–**	**(55)**	**–**	**(840)**
Equity					
Share capital	2,240				2,240
Reserves	(506)			24	(483)
Accumulated losses	(2,520)		(55)	(24)	(2,598)
Total equity	**(786)**	**–**	**(55)**	**–**	**(840)**

The following pro forma adjustments have been made to the Statutory Historical Balance Sheet as at 31 December 2024:

1. On Completion or shortly thereafter, Virgin Australia will have access to the $500 million New Corporate Facility[2], of which $156 million will be drawn down and used to repay the QIC Loan of $146 million and funding related borrowing costs of $10 million. The $10 million of borrowing costs will be capitalised and amortised over the life of the facility and treated as a contra liability within interest bearing liabilities.
2. Impact of the Offer including recognition of the assumed Offer transaction costs of $78 million, net of a deferred tax asset arising on these Offer transaction costs of $23 million, which will be expensed in FY25F. Listing costs comprise adviser fees, underwriting fees, a Bain Capital termination fee (refer Section 6.4.7.10), one off IPO related bonuses and ancillary listing costs.
3. The aggregate share-based payment expense of the Legacy Incentive Scheme, determined in accordance with AAS, is not fully recognised at the time of IPO as Legacy Incentive Planholders' right to their Shares is subject to their ongoing employment until and including the date of release of the relevant escrow period (subject to limited exceptions). This is expected to give rise to a non-cash expense of $22 million in FY25F, and a further $41 million non-cash expense over the FY26F to FY28F period. In addition, the VA Take-Off Grant will be granted to eligible participants shortly after Completion. This scheme is expected to give rise to a non-cash expense of $24 million, of which $1 million will be expensed in FY25F and $23 million will be expensed over the FY26F to FY27 period. Finally, One-Off Equity Grants are expected to give rise to a non-cash expense of $10 million, which is expected to result in a $1 million expense in FY25F and $9 million over the FY26F to FY27F period. See Section 6.3.4 for further details on these schemes.

As described in Section 4.7.5, following Completion, Virgin Australia's pro-forma cash position (including cash and cash equivalents and terms deposits at bank) is expected to be $1,071 million. A portion of Virgin Australia cash is held by the independent Trustee as liquidity for the Velocity Loyalty Trust (see Section 9.6.3 for further information), or is pledged by Virgin Australia as security for certain arrangements (e.g. forward sales and issuance of bank guarantees). The amount of cash and cash equivalents not available for use as at 31 December 2024 was $132 million. The amount of term deposits at bank not available for use as at 31 December 2024 was $53 million.

4.7.2 Property, Plant and Equipment

Table 27 provides a summary on a statutory and pro forma basis of Virgin Australia's PP&E including by ownership type as at 31 December 2024.

Table 27

	Aircraft and aeronautic		Plant and equipment	Buildings and property		Computer equipment	Work in progress	Other	Total
$m	Owned	Leased	Owned	Owned	Leased	Owned	Owned	Leased	
At 31 December 2024	1,647	650	45	5	104	18	77	9	2,555

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[2] See Section 9.6.1 for further details.

4.7.3 Summary of indebtedness

Table 28 provides a summary of adjusted net debt of Virgin Australia as at 31 December 2024 (on a statutory and pro forma basis).

Table 28

	Notes	Statutory 31 December 2024 $m	Pro forma adjustments $m	Pro forma 31 December 2024 $m
Interest-bearing liabilities				
Secured aircraft financial facilities	1	789		789
Secured loans	2	433	146	579
QIC Loan	3	146	(146)	–
Total interest-bearing liabilities		**1,368**	**–**	**1,368**
Lease liabilities				
Aircraft		879		879
Property		132		132
Other		11		11
Total lease liabilities		**1,021**	**–**	**1,021**
Total interest-bearing liabilities and lease liabilities		**2,389**	**–**	**2,389**
Cash				
Cash and cash equivalents	4	1,081	(78)	1,003
Term deposits at bank	4	68		68
Total cash and cash equivalents and term deposits at bank		**1,149**	**(78)**	**1,071**
Total adjusted net cash/(debt)		**(1,241)**	**(78)**	**(1,318)**

Notes:

1. On Completion or shortly thereafter, Virgin Australia will have access to the $500 million New Corporate Facility , of which $156 million will be drawn down and used to repay the QIC Loan of $146 million and fund related borrowing costs of $10 million. The $10 million of borrowing costs will be capitalised and amortised over the life of the facility and treated as a contra liability within interest bearing liabilities. Refer to Sections 4.7.4, 9.6.4 and 9.6.8 for further information.
2. Refer to Sections 4.7.4, 9.6.1 and 9.6.2 for further information.
3. Refer to Sections 4.7.4 and 9.6.5.1 for further information. The QIC Loan will be repaid following Completion with the proceeds of the New Corporate Facility
4. A portion of Virgin Australia cash is held by the independent Trustee as liquidity for the Velocity Loyalty Trust (see Section 9.6.3 for further information), or as pledged by Virgin Australia as security for certain arrangements (e.g. forward sales and issuance of bank guarantees). The amount of cash and cash equivalents not available for use as at 31 December 2024 was $132 million. The amount of term deposits at bank not available for use as at 31 December 2024 was $53 million. Cash and cash equivalents is adjusted by $78 million to reflect the impact of the Offer (see Section 4.7.1).

4.7.4 Description of Financing facilities

Table 29 provides a summary of secured debt facilities on a pro forma basis as at 31 December 2024.

Table 29

Facility type (31 Dec 24)	Notes	Carrying amount (A$m)	Maturity date	Currency
Aircraft – secured	1	350	2025-2031	AUD
Aircraft – secured	1	412	2025-2036	USD
Aircraft – secured	1	27	2028	JPY
Velocity debt – secured	2	433	2029-2030	AUD
New Corporate Facility – secured	3	146	2028	AUD
Total		**1,368**		

Notes:

As of 31 December 2024, the secured facilities comprise:

1. Comprises i) $501 million secured aircraft financing facilities which are secured against aircraft and related assets under finance lease and loan arrangements. These facilities have mixed maturities (2025-2036) and currencies (AUD, USD, JPY), with a combination of fixed and floating interest rates. Counterparties are commercial banks and aviation investment financiers. Two facilities require a specified loan-to-security value ratio; the others have no financial covenants, ii) A$242 million progress delivery payments financing facility which is a floating rate loan (with an interest rate cap) linked to a pre-committed sale and leaseback transaction for six new Boeing 737-8 aircraft scheduled for delivery in FY26. The loan is secured by progress delivery payments and related rights under the aircraft purchase agreement. Upon delivery, the aircraft will be sold to the lessor and replaced with a lease liability. Sale proceeds will cover the final delivery payment and repay the loan portion, making it cash neutral for Virgin Australia. No financial covenants apply; and iii) A$46 million drawn under Facility A of the ANZ MOFA which has a floating interest rate and matures in November 2026. Refer to Sections 9.6.8 and 9.6.4 for further information. These facilities are fully drawn.
2. Velocity debt (also known as the Velocity Syndicated Facility) – Secured loan of A$450 million syndicated facility with a carrying value of A$433 million as of 31 December 2024 net of capitalised borrowing costs. The borrower is Velocity Frequent Flyer Pty Ltd, a wholly owned subsidiary of Virgin Australia. The facility includes an amortising tranche maturing in April 2029 and a bullet tranche maturing in April 2030, secured by assets of Velocity. The loan has a floating interest rate. The loan requires net leverage and interest cover covenants. This facility is fully drawn. Refer to Section 9.6.2 for further information.
3. On Completion or shortly thereafter, Virgin Australia will have access to the A$500 million New Corporate Facility, of which $156 million will be drawn down and used to repay the QIC Loan of A$146 million and fund related borrowing costs of A$10 million. The $10 million of borrowing costs will be capitalised and amortised over the life of the facility and treated as a contra liability within interest bearing liabilities. The remaining undrawn capacity of A$344 million will be available to support Virgin Australia's liquidity and general corporate purposes (see Table 30). The loan will have a floating interest rate and will mature three years and three months after financial close. Refer to Section 9.6.1 for further information.

Virgin Australia has the following facilities for the issuance of standby letters of credit and bank guarantees:

- ANZ MOFA – A multi-option facility which includes two tranches for standby letters of credit and bank guarantees (Facilities B and C). As at 31 December 2024, the outstanding balance was US$21 million for Facility B (of a total facility limit of US$45 million) and A$23 million for Facility C (of a total facility limit of A$40 million). Facility B is secured by aircraft and related assets, while Facility C is secured by cash collateral. Virgin Australia must maintain a specified loan-to-secured property ratio for Facility B. The facility is guaranteed by Virgin Australia, subject to lender review under certain circumstances, and matures in November 2026. Refer to Section 9.6.4 for further information.
- BNPP Facility – A$75 million facility for standby letters of credit and bank guarantees, which is an uncommitted evergreen facility terminable by the lender on 180 days' notice. Secured by cash collateral, with no financial covenants. As of 31 December 2024, A$49 million of instruments were on issue. Refer to Section 9.6.6 for further information.

Standby letters of credit and bank guarantees on issue are recognised as contingent liabilities and do not appear on the balance sheet. Undrawn balances can only be used to issue letters of credit and bank guarantees. Refer to Section 4.7.6 for further information.

As at 31 December 2024 Virgin Australia was compliant with all covenants in its financing facilities.

4.7.5 Liquidity and Capital Resources

Virgin Australia's principal short-term sources of liquidity are cash flows from operations, cash on balance sheet and undrawn borrowings from its banking facilities (see Section 9.6.3 for further information). Liquidity risk management is designed so that Virgin Australia has sufficient liquidity to meet its expected financial obligations. Virgin Australia is of the opinion that its current liquidity is appropriate for its present requirements.

Following Completion, Virgin Australia's pro-forma cash position (including cash and cash equivalents and terms deposits at bank) is expected to be $1,071 million. A portion of Virgin Australia cash is held by the independent Trustee as liquidity for the Velocity Loyalty Trust (see Section 9.6.3 for further information), or is pledged by Virgin Australia as security for certain arrangements (e.g. forward sales and issuance of bank guarantees). The amount of cash and cash equivalents not available for use as at 31 December 2024 was $132 million. The amount of term deposits at bank not available for use as at 31 December 2024 was $53 million.

Table 30 sets out a summary of total pro forma liquidity as at 31 December 2024.

Table 30

31 December 2024	Notes	Statutory $m	Pro forma adjustment $m	Pro forma $m
Cash and cash equivalents	1	1,081	(78)	1,003
Term deposits at bank	2	68	–	68
Undrawn committed facility	3	–	344	344
Total cash and undrawn facility		**1,149**	**266**	**1,415**

Notes:

1. Cash and cash equivalent including $132 million of restricted cash and cash equivalents. Refer to Section 4.7.1 for details on the pro forma adjustment.
2. Term deposits at bank including $53 million of restricted term deposits at bank.
3. Refers to undrawn capacity from the New Corporate Facility discussed in Section 4.7.4 and Section 9.6.1.

Virgin Australia's primary source of liquidity comprises its cash balance and undrawn committed facility. As at 31 December 2024, Virgin Australia had a total pro forma liquidity position of $1,415 million on a pro forma basis comprised of cash (including cash and cash equivalents and term deposits at bank) of $1,071 million and will have undrawn capacity of $344 million from New Corporate Facility[3] on Completion or shortly thereafter.

Virgin Australia's ability to generate sufficient cash depends on its future performance which is subject to a number of factors beyond Virgin Australia's control including general economic, financial and competitive conditions and other risk factors described in Section 5. Over time, Virgin Australia may seek additional funding from a range of sources to diversify its funding base.

4.7.6 Aircraft capital and lease commitments, letters of credit and bank guarantees

Table 31 provides a summary of aircraft capital and lease commitments, letters of credit and bank guarantees as at 31 December 2024 on both a statutory and pro forma basis.

Table 31

31 December 2024	< 1year $m	1-5 years $m	>5 years $m	Total $m
Capital commitments – aircraft	127	2,011	–	2,137
Lease commitments – aircraft	20	203	268	491
Standby letters of credit and bank guarantees	27	56	27	110
Total	**173**	**2,270**	**295**	**2,738**

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[3] See Section 9.6.1 for further details.

4.7.7 Provisions

Table 32 provides a summary of the total current and non-current provisions as at 31 December 2024 on both a statutory and pro forma basis.

Table 32

31 December 2024	Notes	$m
Maintenance	1	689
Employee benefits	2	221
Other provisions	3	37
Total provisions		**946**

Notes:

1. Virgin Australia accrues provisions for leased aircraft heavy maintenance events that are projected to occur within the last two years of the lease term and for aircraft usage (hours, cycles or time) post the last heavy maintenance event that will be payable to lessors at lease return. Accruing the leased heavy maintenance provisions begins after the last comparable heavy maintenance event is completed (or at lease inception if a comparable heavy maintenance event is not reasonably expected during the term of the lease) and continues over the remaining lease term. Once the lease term is complete or the heavy maintenance event occurs (within the last two years of the lease term), related cash expenses are offset against the accumulated provision. Maintenance costs associated with leased spare engines are also recognised as a maintenance provision.
2. Employee benefits provisions relate to annual leave and long service leave.
3. Other provisions predominantly relate to make good on property leases.

4.8 Treasury and risk management

Treasury Risk Management

The Treasury Risk Management Policy sets out Virgin Australia's guidelines and parameters for managing the following treasury, liquidity and financial market risks:

- Financial market risks, including fuel, foreign exchange, and interest rates;
- Liquidity risk, including financing and refinancing risk;
- Counterparty-credit risk; and
- Operational risk arising from Treasury management activities.

Hedging policy summary

Virgin Australia maintains a centralised treasury team to manage the risks outlined above. As part of the risk management process, Virgin Australia enters into hedging against adverse fuel and foreign exchange movements to reduce volatility of both the income statement and cash flows. Hedging for fuel and foreign exchange is conducted under a Board approved policy which is reviewed annually and sets out the parameters and instruments that can be used. These include (but are not limited to) a combination of swaps, outright options and collars designed to protect Virgin Australia from adverse shocks while also allowing for participation in favourable movements in the short-to-medium term. The policy does not allow speculation, and any transaction which reduces the level of protection against adverse market movements is defined as speculative and is expressly prohibited under the Policy.

Fuel hedging

- To mitigate the risk of short to medium-term unfavourable movements in jet fuel prices, Virgin Australia maintains an active hedging program for crude oil, refining margins, and foreign exchange rate risk.
- The policy permits fuel hedging out to two years, with higher levels of hedging permitted in the shorter term (0-6 months) and declining levels of hedging permitted beyond that.
- The policy permits the use of more widely traded crude oil contracts such as Brent as a proxy for the jet fuel exposure given the lower liquidity in derivative markets for jet fuel.
- Virgin Australia has a portfolio of fixed-rate and option hedges through the forecast period to moderate the EBIT impact of adverse movement in fuel prices for FY25F, whilst retaining significant levels of participation to favourable moves. Refer to Section 4.14 for details on the sensitivity to movements in fuel price.

Foreign exchange hedging

- Virgin Australia has a portfolio of fixed-rate and options hedges in place to moderate the EBIT impact of adverse movements in the AUD/USD exchange rate for FY25F whilst retaining significant levels of participation to favourable moves. Refer to Section 4.14 for details on the sensitivity to movements in AUD/USD exchange rate.
- The tenor of hedging for operating foreign exchange exposures is largely in line with the fuel hedging guidelines outlined above.
- Against Virgin Australia's near term balance sheet exposures, such as deliveries of aircraft and foreign exchange revaluation on current portion of aircraft leases and maintenance provisions expressed in USD, Virgin Australia holds a USD cash balance of $390 million as of 31 December 2024 and a small amount of short-dated FX derivatives against aircraft lease payments.

4.9 Dividend policy, capital management policy

Virgin Australia's capital management strategy is focused on maintaining a capital base and balance sheet that is sufficient to support both the growth and sustainability of the business for the long term through the aviation cycle.

4.9.1 Dividend Policy

No decision has been made by the Directors as to whether to pay any dividend in relation to FY25F or any future financial period.

The payment of dividends by Virgin Australia, if any, subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by Virgin Australia (or the extent to which those will be franked). There is no guarantee of future dividends and the ability to pay dividends will depend on a number of factors, many of which are beyond the control of Virgin Australia (see Section 5.3.4 for further information on this risk). In determining whether to pay future dividends, the Directors will have regard to earnings, net asset position, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, the Capital Allocation Framework and any other factors that the Directors may consider to be relevant.

4.9.2 Virgin Australia's Capital Allocation Framework

Virgin Australia has a Capital Allocation Framework designed to help ensure the resilience of the business for the long term, whilst maintaining the flexibility to allow it to invest in value accretive growth opportunities (including the Transformation Program) and to provide distributions to Shareholders where appropriate.

Virgin Australia's Capital Allocation Framework comprises the following three components:

Capital allocation framework		
	Group operating cash flow	
Prioritise balance sheet and business as usual requirements	***Maintain adjusted net debt within a long-term ~1.0 – 2.0x EBITDA target*** Target ensures longevity and sustainability of the business	***Business as usual operations/ maintenance capex (Incl. existing fleet and ESG ambitions)*** Investment into business as usual operations and ESG to ensure long-term sustainability
Excess cash invested into growth opportunities	***Invest into value accretive projects, where ROIC > WACC (pre-tax) across the cycle*** *Investment into new fleet and network (including future requirements)* *Investment into value accretive capex and growth opportunities* Value creating investments to drive long-term shareholder value growth	
Surplus cash returned to shareholders	***Return surplus cash to shareholders*** Return excess cash via the most optimal path including share buybacks or dividends	

1. **Prioritising balance sheet and 'business as usual requirements'**
   - Ensuring Virgin Australia's adjusted net debt range stays within a target range of 1-2x of underlying EBITDA. When adjusted net debt is expected to be below or above this target range for an extended period of time, the business will consider proactive capital management to bring this back into range, unless otherwise explained; and
   - Prioritising capital expenditure investment into Virgin Australia's existing asset base and fleet to ensure continuity of operations of the existing business ('business as usual requirements'). This also includes investments into Virgin Australia's ESG and sustainability initiatives (as per Section 3.10) that helps ensure the long term sustainability of the airline.
2. **Excess cash investment into growth opportunities**
   - Excess cash and cash flow available after prioritising the balance sheet and 'business as usual requirements' to invest into value accretive projects, including new fleet, network routes and other opportunities where the expected ROIC is expected to be greater than Virgin Australia's WACC across the cycle.
3. **Surplus cash returned to shareholders**
   - Any surplus cash after prioritising the balance sheet, 'business as usual requirements' and investing excess capital into growth and value accretive opportunities should be appropriately returned to Shareholders via the most optimal path (which could include dividends, share buybacks or other forms of Shareholder returns).

In addition, Virgin Australia includes a shadow carbon price in all relevant business cases, to enable decarbonisation benefits to be included in the assessment process.[4]

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[4] A shadow carbon price is a type of internal carbon price that is a theoretical cost that VA does not charge but uses to understand the economic implications or trade-offs for things such as risk impacts, new investments, the net present value of projects, and the cost and benefit of various initiatives.

4.10 Tax

Set out in Table 33 are the deferred tax assets of Virgin Australia, analysed between amounts recognised in the Statement of Financial Position as at 31 December 2024 and amounts that have not been brought to account but are available for future use.

The unrecognised deferred tax asset at 31 December 2024 of $130.8 million relates to tax losses carried forward from Virgin Australia's activities prior to entering voluntary administration. The quantum of these tax losses able to be used by Virgin Australia remains subject to the provision of information from the administrator, including payment of final dividends to creditors, and an assessment of the tax impacts of the final amount of debts forgiven. There is the risk that the quantum of the historical losses may reduce and no longer be available to Virgin Australia following receipt of the information from the administrator. Virgin Australia expects this process will be completed prior to 30 September 2025. Given the availability of these tax losses remain subject to uncertainties, Virgin Australia has not recognised them as deferred tax assets at 31 December 2024. Should it be determined that these pre-administration losses are available to Virgin Australia, they are expected to be used to offset Virgin Australia's current tax liability recognised as at 31 December 2024 and generated in future reporting periods.

Table 33

	Historical
	31 December 2024 $m
Deferred tax assets	
Provisions	293
Payables	5
Unearned loyalty program revenue	174
Other liabilities	5
Lease liabilities	301
Other assets	23
Equity-raising costs (recognised in equity)	–
Tax losses carried forward	131
Total deferred tax assets	**932**
Deferred tax liabilities	
Property, plant and equipment	(424)
Maintenance assets	(57)
Cash flow hedges (recognised in other comprehensive income)	(7)
Total deferred tax liabilities	(488)
Net deferred tax assets	**444**
Represented by:	
Recognised deferred tax assets	313
Unrecognised deferred tax assets	131
Total net deferred tax assets	**444**

4.11 Management discussion and analysis of pro forma historical and statutory historical financial information

This Section 4.11 discusses the key factors that affected Virgin Australia's financial performance across the Historical Financial Period and which the Directors expect may continue to affect financial performance in the future. The discussion of these key factors is intended to provide a summary only and does not represent everything that affected Virgin Australia's financial performance over the Historical Financial Period, nor all factors that may affect its financial performance in the future. This Section 4.11 should be read in conjunction with the risk factors in Section 5 and other information contained in this Prospectus.

4.11.1 Overview of Key factors affecting Revenue

Each of Virgin Australia's operating segments (as described in Section 4.4.1) generate revenue in the following ways:

4.11.1.1 Airlines segment

The Airlines segment generates revenue through the following:

- **Passenger ticket revenue:** revenue from passenger ticket sales for domestic and SHI passenger flight services, including expired tickets and credits.
- **Ancillary revenue:** revenue generated in association with Airlines passenger revenue. It includes revenue from services such as baggage and change fees, fees for additional legroom, seat selection, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi, third-party ancillary sales (including travel insurance, hotels and other partner sales) and commission revenue from interline/codeshare ticket sales.
- **Charter revenue:** revenue derived from providing dedicated charter flying services to major resources, energy and government clients through VARA.
- **Freight revenue:** revenue derived from freight (including cargo and animals) on domestic flights.
- **Reimbursement revenue:** from June 2025, revenue to reimburse Virgin Australia from costs incurred by the Airlines segment on behalf of Qatar Airways related to flights operated by Virgin Australia under the wet lease with Qatar Airways. This reimbursement revenue will be equal to these costs and therefore the impact on net profit will be nil.

Summarised below are the key factors that influenced the Airlines segment revenue, for the Historical Financial Period and are expected to impact the Airlines segment revenue for the Forecast Financial Period:

Passenger revenue is driven by the following:

- **Available capacity (ASKs):** Airlines segment capacity is primarily driven by:
  - Fleet size and utilisation: fleet size, utilisation of that fleet and the number of seats per plane determines the ASKs available for sale.
  - Number of active routes and distance travelled: the greater the number of flights and distance flown, the more ASKs. Decisions related to the number of flights and distances flown is influenced by the demand for airline travel, as outlined below.
  - Competition: domestic and, to a lesser extent, international competitive dynamics impact the Airline segment's decisions regarding where to add or remove capacity.
- **Revenue per ASK (RASK):** RASK is a function of yield and load factor and is influenced by the following factors:
  - Demand for airline travel: yields and load factors are influenced by market capacity relative to customer demand for airline travel. Higher demand places upward pressure on RASK whilst lower demand places downward pressure on RASK. Demand is typically correlated with GDP growth, population growth, urbanisation, discretionary spending, business and consumer confidence and relative exchange rates which influence domestic aviation demand (for example, a weaker Australian dollar against other currencies typically makes domestic travel more attractive compared to overseas travel). Over the long term, demand is correlated to GDP trends (see Section 2.2.2). Demand is also seasonal with leisure travel peaking in the summer months and during Australian school holiday periods.
  - Available seats in the market: the supply of capacity on a given route (by Virgin Australia and its competitors) relative to customer demand impacts Virgin Australia's ability to increase or maintain RASK.
  - Distance: longer distance routes generally have higher ticket prices (to account for the greater distance travelled). However, longer distance routes tend to have lower RASK compared to shorter distance routes as they generate lower revenue on a per kilometre basis.
  - Fare type/tiering: Fare ladders provide multiple price points based on class of service, ticket type (e.g. Lite, Choice or Flex), time of purchase, and real time demand, with a goal to maximise revenue per flight.

Ancillary revenue: driven by the availability and pricing of add-on services such as baggage and change fees, fees for additional legroom, seat selection, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi and third party ancillary sales (including travel insurance, hotels, car rentals and other partner sales).

Charter revenue: driven by customer and business demand for private charter service, the number of trips flown (which is determined by customer activity) and pricing structure per trip flown.

Freight revenue: influenced by underlying freight demand, by plane capacity available for freight, the range of freight services available (for example, animal types, freight size, priority delivery and handling) and pricing structure.

4.11.1.2 Velocity segment

The Velocity segment generates revenue through the following:

- Core program revenue: including program earn revenue and redemption revenue, where:
  - **Earn revenue:** Velocity receives participation fee revenue from participation partners for their rights to have loyalty points allocated to members of the Velocity Frequent Flyer program when they make a qualifying transaction. A portion of the participation fees are deferred on the balance sheet as unearned revenue, representing the future obligation to provide rewards to members calculated using expected redemption costs plus a reasonable profit margin and adjusted for the proportion of points not expected to be redeemed (breakage). The residual amount, which represents marketing services, is recognised when the points are issued to members (earn revenue).
  - **Redemption revenue:** represents the recognition of deferred revenue at the time when Velocity members redeem their points for a product or service offered through the Velocity loyalty program, for example flights or hotels. Redemption revenue is recognised using a weighted average value per point redeemed based on the total balance of deferred revenue divided by the total number of points expected to be redeemed in the future at the time of the redemption. The total number of points expected to be redeemed in the future takes into account the current terms and conditions of the Velocity Frequent Flyer program, experience and expected future trends.
  - **Tiering revenue:** represents revenue earned from the Airlines segment for managing the Velocity Frequent Flyer program.
- **Other revenue:** includes payments received from partners for marketing campaigns and commission on consumer spend with certain retail partners such as the Velocity Wine Store.

Summarised below are the key factors that influenced Velocity's revenue for the Historical Financial Period and are expected to impact Velocity's revenue for Forecast Financial Period:

Member numbers: Velocity generates revenue when members both earn and subsequently redeem points. The greater the number of Velocity members the program has, the greater the potential for points to be earned or redeemed. The number of members is generally impacted by the perceived value of the benefits of the program to the members.

Member activity: the greater the value of transactional spend by members with participation partners the greater the revenue generated by Velocity. Similarly, the greater the number of points redeemed by members the greater the revenue generated by Velocity. Member activity and spend is generally impacted by overall economic activity, consumer spending and discretionary income levels which impact shopping and flying activity.

Number of Participation Partners: participation partners pay Velocity for the right to have loyalty points allocated to members when they make a qualifying transaction. Changes in the number of participation partners therefore influences the opportunity of Velocity members to earn and redeem points which in turn influences Velocity revenue. As at 31 December 2024, Velocity's program comprises an expanding network of approximately 80 commercial partners including international airlines, commercial banks, department stores, petrol stations, hotels and consumer brands, as well as over 300 eStore and Velocity Rewards Store brands in categories spanning retail, financial services and travel. Velocity's largest participation partner is Virgin Australia Airlines.

Virgin Australia's intercompany contractual agreements between the Airlines and Velocity segments are structured as if both segments operate on an arms-length commercial basis. This results in the Velocity segment generating revenue and income from the Airlines segment when points are issued and redeemed, as well as a fee for managing the Frequent Flyer tiering program. Similarly, the Airlines segment charges the Velocity segment for flight redemptions.

4.11.1.3 Other income

Other income primarily relates to grants received from state governments and other bodies. Other income has reduced over time largely as a result of the completion of many of these programs.

4.11.2 Overview of expenditure

4.11.2.1 Airlines expenditure

The Airlines segment's expenditure has historically consisted primarily of the following:

- **Aircraft fuel and oil:** reflects the cost of fuel, including processing and delivery fees, net of the impact of hedging activities on underlying fuel prices and foreign exchange movements. These costs are variable in nature and influenced by the market price for jet fuel (primarily Singapore Jet Kerosene (SingJet)) which is correlated to global crude oil prices.
- **Direct operating variable expenses:**
  - **Airport charges, navigation and station operations:** payments to the operators of the airports that Virgin Australia flies to and from, including for the use of airport infrastructure, landing charges, security and air traffic control.
  - **Contract and other maintenance costs:** includes third party maintenance support at airports where the Airlines do not have engineering staff, supplies and parts repairs, and provisions for certain future heavy maintenance events of leased aircraft. Virgin Australia accrues provisions for leased aircraft heavy maintenance events that are projected to occur within the last two years of the lease term and for aircraft usage (hours, cycles or time) post the last heavy maintenance event that will be payable to lessors at lease return. Accruing the leased heavy maintenance provisions begins after the last comparable heavy maintenance event is completed (or at lease inception if a comparable heavy maintenance event is not reasonably expected during the term of the lease) and continues over the remaining lease term. Once the lease term is complete or the heavy maintenance event occurs (within the last two years of the lease term), related cash expenses are offset against the accumulated provision.
  - **Commissions and other marketing and reservation costs:** costs related to passenger booking and marketing including travel agent fees and commissions, global distribution system fees, reservation fees and other reservation and marketing costs related to passenger bookings.
- **Labour and staff costs:** includes for both direct and indirect staff, the wages, salaries, superannuation, on-costs, shared based payments, bonuses and other staff costs for cabin crew, pilots, maintenance, guest services, administration and other corporate employee costs.
- **Aircraft variable leases:** in accordance with AASB 16 Leases Virgin Australia accounts for its leased fleet as a right of use asset on the balance sheet together with an associated lease liability, with the fleet lease costs accounted for as both depreciation of right of use assets and interest on lease liabilities through the Income Statement. However, for some short-term leases (less than 12 months) and leases with a variable cost component (e.g. power by the hour and wet leasing arrangements), the fleet lease costs are not capitalised in accordance with AASB 16 Leases and continue to be expensed as incurred. The Airlines segment increases usage of third-party wet leasing capacity when there is an opportunity to drive incremental revenue and income on accretive routes when Virgin Australia is capacity constrained and/or has routes that could not be serviced efficiently by the existing fleet.
- **Other costs:** includes both direct and indirect expenses such as communications and technology (IT), catering and product costs, marketing, third party handling, lounge costs, Virgin brand royalties and other overhead service costs.

4.11.2.2 Velocity expenditure

Velocity expenditure has historically consisted primarily of the following:

- **Redemption costs (classified within direct operating variable):** represents the cost associated with awards provided to members when loyalty points are redeemed (for example for flights or hotels).
- **Employee costs:** wages, salaries, on-costs, superannuation, shared based payments, bonuses and other staff costs for those staff working for the Velocity business.
- **Other overheads:** includes branding and marketing costs, shared services, consulting, communications and technology, outsourcing, facilities, member costs and other operating overhead costs.

4.11.2.3 Depreciation and Amortisation

Depreciation expense relates primarily to the depreciation of aircraft and aeronautic assets, plant and equipment, computer equipment and buildings. Depreciation is recognised on a straight-line basis over the estimated useful life of assets (taking into account estimated residual values). Depreciation is also recognised for right of use assets capitalised in accordance with AASB 16 Leases on a straight-line basis over the relevant lease term.

Amortisation expense relates primarily to intangible assets including software and contracts. Amortisation is recognised for assets with finite lives only and amortised on a straight-line basis over the relevant useful economic life.

Depreciation and amortisation has historically been primarily attributable to the Airlines segment.

4.11.2.4 Net Finance Costs

Interest costs comprise of interest paid or payable on borrowings calculated using the effective interest rate method, amortisation of borrowing costs and the unwinding of the discount on provisions and other liabilities. Interest costs also include the interest portion of lease payments made in accordance with AASB 16 *Leases*. Finance income comprises interest receivable on funds invested, recognised as it accrues using the effective interest rate method.

4.11.2.5 Adjusted net working capital

Virgin Australia's adjusted net working capital profile primarily includes unearned revenue, payables, and provisions (including maintenance provisions and employee benefits) which are partially offset by inventories, receivables and prepayments. As is typical in the airline industry, Virgin Australia has a negative adjusted net working capital profile as a result of its large unearned revenue and income position due to:

- **Airlines:** customers paying for flights in advance and this income being deferred on the balance sheet until the flight is taken (treated as unearned revenue and income). If a customer fails to board a flight then, subject to ticketing conditions, a flight credit might be issued. The value of this credit is similarly recognised on the balance sheet until it is used or expires.
- **Velocity:** a portion of the value of billings made to participating partners is deferred on the balance sheet. This income is released to the Income Statement when points are redeemed by members.

Virgin Australia has historically not carried material amounts of inventory which comprises engineering expendables and consumable stores.

4.11.2.6 Capital Expenditure

Capital expenditure for Virgin Australia largely relates to maintaining the existing fleet and acquiring new fleet, in addition to capital expenditure related to IT, Velocity, and other non-aircraft related items. More specifically, Virgin Australia's capital expenditure can be defined broadly by the following categories:

- **Heavy maintenance capital expenditure** – capital expenditure related to maintaining the existing fleet including engine repairs and replacement, maintenance shop visits and induction capex for newly acquired planes to enter service;
- **New aircraft capital expenditure** – the purchase of new aircraft, primarily related to Boeing 737-800s and Boeing 737-8s. These are primarily funded through leases or financing facilities secured to the aircraft. This also includes pre-delivery payments related to upcoming or committed new aircraft purchases; and
- **Non-aircraft capital expenditure** – capital expenditure related to IT, Transformation Program (e.g. in flight entertainment upgrades and Boeing 737-8 seat configuration), and other PP&E or intangible capital expenditure.

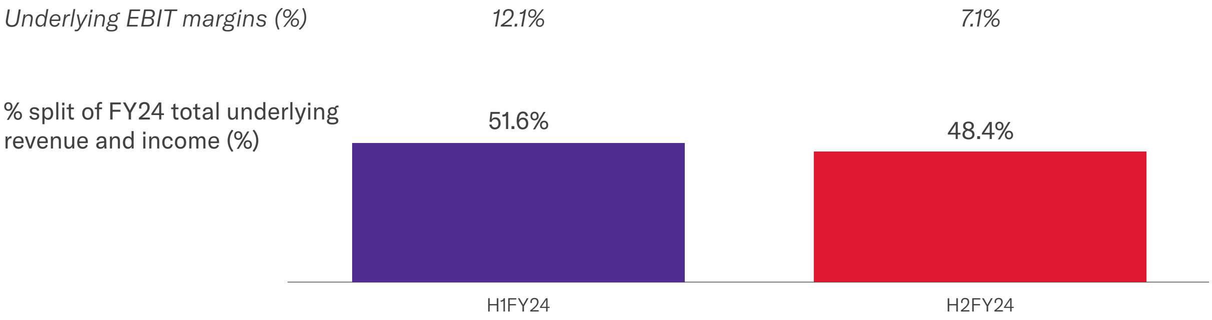
4.11.3 Seasonality of revenue and earnings

Virgin Australia has historically experienced revenue seasonality during its financial year. This has been driven primarily by:

- **Leisure spending:** greater proportion of leisure travel spend in the Christmas and spring/summer travel season in the first half of the financial year; and
- **Corporate travel spend:** typically travel spend is higher in the first half of the financial year than the second half due to increased demand for business travel driven by timing of major conferences, events and general business activity in the first half of the financial year.

This revenue seasonality combined with the cost base of an airline (including fixed costs such as fleet depreciation and lease costs, corporate staff costs and communications and technology costs) has historically typically resulted in EBIT margins being higher on average in the first half of a financial year than the second half.

Figure 40: Virgin Australia Underlying revenue and Underlying EBIT margin seasonality[5]



4.11.4 Pro Forma Historical Income Statements and Cash Flow Information (FY23 and FY24)

4.11.4.1 Pro Forma Historical Income Statements (FY23 and FY24)

Table 34 sets out a summary of the Pro Forma Historical Income Statements for FY23 and FY24.

Table 34

	Pro Forma Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Underlying revenue and income	**5,011**	**5,353**	**6.8%**
Expenditure			
Aircraft variable leases	(90)	(91)	1.8%
Direct operating variable	(1,548)	(1,708)	10.3%
Fuel and oil	(1,226)	(1,196)	(2.4%)
Labour and staff related	(1,050)	(1,184)	12.8%
Other	(376)	(344)	(8.4%)
Expenditure	**(4,290)**	**(4,524)**	**5.5%**
Underlying EBITDA	**722**	**830**	**14.9%**
Depreciation and amortisation	(296)	(328)	10.8%
Underlying EBIT	**426**	**501**	**17.8%**
Net finance costs	(107)	(131)	23.1%
Underlying net profit before tax	**319**	**370**	**16.0%**
Income tax benefit/(expense)	(96)	(111)	15.9%
Underlying net profit	**223**	**259**	**16.1%**
Significant items	(124)	(72)	(41.8%)
Net profit	**99**	**187**	**89.1%**
Financial metrics			
Underlying EBITDA	**722**	**830**	**14.9%**
Underlying EBITDA margin (%)	*14.4%*	*15.5%*	
Underlying EBIT	**426**	**501**	**17.8%**
Underlying EBIT margin (%)	*8.5%*	*9.4%*	
Underlying net profit	**223**	**259**	**16.1%**
Underlying net profit margin (%)	*4.5%*	*4.8%*	

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5. Corresponds with statutory net profit after tax margin of 16.5% for H1FY24 and 1.7% for H2FY24, and 53.8% of statutory revenue and income in H1FY24 and 46.2% in H2FY24.

Table 35 sets out a summary of the pro forma historical key operating and financial metrics for FY23 and FY24.

Table 35

	Pro Forma Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Airlines			
Operating Metrics			
Passengers carried (m)	18.9	19.2	1.6%
ASK (m)	30,030	32,374	7.8%
Load factor (%)	84.0	83.0	(1.2%)
RASK (cents per ASK)	16.2	15.9	(2.1%)
CASK (cents per ASK)	15.1	14.7	(2.2%)
Pro forma financial metrics			
Underlying revenue and income ($m)	4,873	5,146	5.6%
Underlying EBITDA	638	698	9.4%
Underlying EBITDA margin (%)	13.1%	13.6%	
Underlying EBIT	348	374	7.3%
Underlying EBIT margin (%)	7.2%	7.3%	
Velocity			
Member numbers at period end (m)	11.5	12.3	7.2%
Points earned (m)	40,161	50,370	25.4%
Points redeemed (m)	30,635	36,058	17.7%
Pro forma financial metrics			
Underlying revenue and income ($m)	330	409	23.8%
Underlying EBITDA	84	120	42.2%
Underlying EBITDA margin (%)	25.6%	29.3%	
Underlying EBIT	77	115	48.8%
Underlying EBIT margin (%)	23.4%	28.2%	

4.11.4.1.1 Pro forma revenue and income (FY23 and FY24)

Total pro forma underlying revenue and income increased by $342 million, or 6.8%, from $5,011 million in FY23 to $5,353 million in FY24, reflecting the increase in revenue and income in the following segments:

Airlines segment pro forma underlying revenue and income

Airlines segment pro forma underlying revenue and income increased by $273 million, or 5.6%, from $4,873 million in FY23 to $5,146 million in FY24, driven primarily by the following:

- A 7.8% increase in ASKs and 1.6% increase in passengers carried, from the continued growth in passenger demand within domestic markets (see Section 2.2.2), an increase in charter trips within VARA and the annualised impact in FY24 of SHI routes that were introduced in Q4 FY23 (e.g. Japan, Samoa and Vanuatu);
- Increased ancillary revenue spend per passenger increased due to the introduction of new products and the optimisation of price points;
- Sustainable Transformation Program initiatives implemented in FY24 including advanced tools to optimise inventory and price, revised fare families (e.g. Lite, Choice and Flex), and from targeting the SME and value conscious corporate market segments, which supported yields and passengers carried; and
- Partially offset by a 2.1% reduction in RASK, due to:
  - Load factors declining from 84.0% in FY23 to 83.0% in FY24, with FY23 domestic RASK benefitting from post-COVID demand on constrained market capacity (as airlines restarted operations), with FY24 passenger demand and available market capacity re-balancing;
  - Growth in average stage length reflecting SHI network expansion (average stage length increased from 1,329km in FY23 to 1,391km in FY24); and
  - Passenger yields marginally down during the period due to increased market capacity.

Velocity segment pro forma underlying revenue and income

Velocity segment pro forma underlying revenue and income increased by $79 million, or 23.8%, from $330 million in FY23 to $409 million in FY24, driven primarily by the following:

- A 25.4% increase in points earned reflecting strong growth in member activity coupled with member base growth through investment in brand campaigns and growing the partner ecosystem (e.g. by launching new partnerships) in both existing and new sectors (e.g. in the energy sector and the rideshare sector);
- A 17.7% increase in points redeemed reflecting increased member engagement levels by adding more attractive redemption options with new partners as well as continuing to drive member value in existing redemption options such as Virgin Australia and third party airline redemptions; and
- Continued investment in business development designed to drive growth, including adding more than ten new partners in FY24 and increasing total members by 7.2%.

4.11.4.1.2 Pro forma expenditure (FY23 and FY24)

Total pro forma expenditure increased by $234 million, or 5.5%, from $4,290 million in FY23 to $4,524 million in FY24. This is explained by the following key operating expenditure items:

Pro forma aircraft variable lease costs

Total pro forma aircraft variable lease costs increased by $1 million, or 1.8%, from $90 million in FY23 to $91 million in FY24. The increase in aircraft variable lease costs was primarily driven by a 16.0% increase in wet lease block hours, primarily due to the delays in deliveries of Boeing 737-8 aircraft and the use of smaller gauge aircraft to support regional routes. This was partially offset by reduced short-term aircraft variable lease agreements (provided by certain lessors) based on hours flown, some of which were converted to longer term leases and capitalised in accordance with AASB 16 Leases. In addition, in FY24 the Airlines segment increased the use of third party wet lease capacity to drive incremental revenue and income.

Pro forma direct operating variable costs

Total pro forma direct operating variable costs increased by $160 million, or 10.3%, from $1,548 million in FY23 to $1,708 million in FY24. This increase primarily reflects the impact of inflation on the cost base coupled with growth in flying activity experienced during this period (with passengers carried and block hours up 1.6% and 6.7%, respectively). FY24 also reflects a 25.5% increase in heavy maintenance provision costs, which increased due to the increase in block hours, timing of heavy maintenance checks, contractual and inflationary increases and fleet additions.

This increase in operating variable costs was partially offset by improved engine and maintenance costs, supplier performance management and other initiatives that were implemented as part of the Transformation Program.

Pro forma fuel and oil costs

Total pro forma fuel and oil costs decreased by $30 million, or 2.4%, from $1,226 million in FY23 to $1,196 million in FY24. The decline in fuel and oil costs (after hedging and the impact of foreign exchange) was primarily attributable to a decline in the all-in cost per barrel from $198 in FY23 to $182 in FY24 and the induction of six newly delivered Boeing 737-8s that are 19.0% more fuel efficient than the previous generation Boeing 737-800 aircraft[6] into Virgin Australia's operations. This was partially offset by an increase in block hours of 6.7% from FY23 to FY24, reflecting growth in flying activity.

Pro forma labour and staff related costs

Total pro forma labour and staff related costs increased by $134 million, or 12.8%, from $1,050 million in FY23 to $1,184 million in FY24. This increase was primarily driven by the increase in both indirect labour staff to support operational growth and the ongoing Transformation Program, and direct labour staff to serve the growth in flying activity. FY24 also includes the impact of higher wage rates from the re-negotiated enterprise bargaining agreements (**EBA**) for many of the direct labour groups that were concluded during the year (see Section 9.11.3 for further details on Virgin Australia's EBAs). This increase in wage rates was partially offset by certain productivity improvements agreed as part of the re-negotiated EBAs, including increased flexibility in crew rostering.

Pro forma other costs

Total pro forma other costs decreased by $32 million, or 8.4%, from $376 million in FY23 to $344 million in FY24. This was due to a $15 million movement in gain/loss on disposal of assets and $11 million from improved AUD/USD exchange rates during this period, reducing the AUD cost of USD denominated technology expenses (e.g. Amazon Web Services and CAE Flight Services).

Pro forma other costs include $103 million and $106 million in IT costs in FY23 and FY24, respectively. Including labour and staff related costs, total IT operating costs were $155 million in FY23 and $145 million in FY24, with the reduction due to higher levels of existing business productivity, partially offset by slightly higher consumption-based fees.

4.11.4.1.3 Pro forma depreciation and amortisation (FY23 and FY24)

Table 36 sets out a summary of the pro forma historical depreciation and amortisation expenses for FY23 and FY24.

Table 36

	Pro forma Historical		
Depreciation	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Aircraft and aeronautic	140	150	7.8%
Plant and equipment	10	9	(9.2%)
Buildings and property	0	0	0.0%
Computer equipment	5	6	29.8%
Right of use assets	130	155	18.9%
Total Depreciation	**284**	**320**	**12.7%**
Amortisation	12	8	(32.8%)
Total Depreciation and Amortisation	**296**	**328**	**10.8%**

The increase in depreciation and amortisation by $32 million, or 10.8%, from $296 million in FY23 to $328 million in FY24 was primarily driven by an increase in depreciation due to the addition of six new leased Boeing 737-8 aircraft to support capacity growth as well as replace older Boeing 737-800 aircraft on their lease expiry. This was partially offset by a reduction in depreciation related to aircraft and aeronautic, plant and equipment, and amortisation.

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[6] The fuel efficiency gain has been determined based on the difference in fuel consumption between the VA Airlines operated new generation Boeing 737-8 aircraft and the VA Airlines operated previous generation Boeing 737-800 aircraft on like-for-like routes.

4.11.4.1.4 Pro forma net finance costs (FY23 and FY24)

Table 37 sets out a summary of the pro forma historical net finance costs for FY23 and FY24.

Table 37

	Pro forma Historical		
Net finance costs	**FY23 $m**	**FY24 $m**	**Change from FY23 to FY24 %**
Net interest expense	48	70	46.8%
Interest on lease liabilities	59	61	3.9%
Net finance costs	**107**	**131**	**23.1%**

The increase in net finance costs of $24 million, or 23.1% from $107 million in FY23 to $131 million in FY24 was primarily driven by higher interest expense on increased maintenance provisions resulting from growth in the number of aircraft leased and higher interest on external borrowings, with the impact of additional debt drawn in May 2023 (originally a bridging loan which was then replaced with the Velocity Syndicated Facility that remains on balance sheet as at 31 December 2024.) (See Section 4.7.3 for further details on Virgin Australia's indebtedness).

4.11.4.1.5 Pro forma Income tax benefit/(expense) (FY23 and FY24)

Total pro forma income tax expense increased by $15 million, or 15.9%, from $96 million in FY23 to $111 million in FY24. The increase in income tax expense from FY23 to FY24 was driven by an increase in Virgin Australia's pro forma underlying net profit before tax of $319 million in FY23 to $370 million in FY24, and applying an effective tax rate of 30.0%, which is consistent with the tax rate Virgin Australia expects going forward.

4.11.4.1.6 Pro forma Significant Items (FY23 and FY24)

Table 38 sets out a summary of the pro forma historical Significant Items for FY23 and FY24.

Table 38

	Pro forma Historical		
Pro forma Significant Items costs/(revenue)	**FY23 $m**	**FY24 $m**	**Change from FY23 to FY24 %**
Restructuring and transformation costs	80	50	(37.8%)
IT transformation projects	55	36	(34.7%)
Impairment of assets and accelerated depreciation	21	15	(28.8%)
Foreign exchange revaluation on aircraft leases	20	(3)	nm
Other	2	6	nm
Tax impact of Significant Items	(53)	(31)	(41.9%)
Total Significant Items	**124**	**72**	**(41.8%)**

Significant Items are income and expense items that are considered exceptional or outside of Virgin Australia's normal operating activities and relate primarily to Virgin Australia's transformation, restructuring and IT projects as part of Virgin Australia's Transformation Program (see Section 3.4), in addition to other items such as foreign exchange gains and losses on the revaluation of USD denominated aircraft lease liabilities, accelerated depreciation and impairment of assets.

Virgin Australia's total Significant Items was $124 million in FY23 and $72 million in FY24. The change in Significant Items during this period is largely the result of:

1. Restructuring and transformation costs of $80 million in FY23 compared to $50 million in FY24.

   Table 39 sets out a summary of the pro forma historical restructuring and transformation costs for FY23 and FY24.

Table 39

	Pro forma Historical	
Restructuring and transformation costs	**FY23 $m**	**FY24 $m**
Post-administration restart initiatives – including network optimisation	26	–
Re-training of new & re-hired pilots and cabin crew post COVID-19	18	–
Non-recurring employee profit share incentives	28	–
Project Rubik (optimising scheduling and direct labour)	–	11
Indirect labour restructuring	–	8
Transformation project team	–	7
Finance costs related to prior bridge loan	–	11
One-off discretionary bonus	–	9
Other restructuring and transformation costs	8	5
Total Restructuring and transformation costs	**80**	**50**

- The restructuring and transformation projects that concluded or scaled down from FY23 included:
  - The completion of multiple post-administration business restart initiatives as part of the Transformation Program (see Section 3.4), including projects on network and route optimisation ($26 million of costs in FY23), which also included the cost of external management consultants;
  - The re-training of new and re-hired pilots and cabin crew coming out of COVID-19 as the business ramped-up capacity ($18 million of costs in FY23); and
  - Non-recurring employee profit share incentives of $28 million that were in place in FY23 (and FY22) to retain and incentivise team members during the transformation phase post-administration. These ceased in FY24.
- New initiatives that commenced or expanded in FY24 included:
  - Commencement of Project Rubik in FY24 ($11 million of non-recurring startup related costs in FY24) which is a multi-year transformation project that aims to optimise scheduling by maximising profit in peak demand and minimising the impact of troughs and drive direct labour productivity. This project is expected to be complete by June 2026;
  - Company-wide indirect labour restructuring and optimisation to drive efficiency, including targeted headcount reductions ($8 million redundancy related costs in FY24);
  - Strategic and operational efficiency initiatives that established a dedicated transformation project team to identify, manage and track more than 50 work streams to permanently reduce costs from the business ($7 million of costs incurred in FY24). This workstream set up should be substantially complete by end of June 2026; and
  - Finance costs associated with the amortisation of borrowing costs on a bridge loan that was previously in place but then refinanced with the Velocity Syndicated Facility in FY24 ($11 million of costs in FY24).
- Also Included in FY24 is a one-off $9 million discretionary bonus paid to MEP holders employed by VA at the time, under Bain Capital's ownership.

2. IT transformation project costs of $55 million in FY23 compared to $36 million in FY24. IT transformation projects in Significant Items relate to projects that are transformational in nature and/or introduce new capabilities to the business (as opposed to ongoing IT costs which are included in pro forma other costs, which were $155 million in FY23 and $145 million in FY24 (including labour and staff related costs)), as part of Virgin Australia's substantial technology investment program to rebuild outdated IT systems prior to Bain Capital's ownership (discussed in Section 3.9).

   Table 40 sets out a summary of the pro forma historical IT transformation projects costs for FY23 and FY24.

Table 40 IT transformation projects

	Pro forma Historical	
IT transformation projects	**FY23 $m**	**FY24 $m**
Oracle ERP re-platforming	10	–
Next generation digital merchandising	10	1
Optimisation of crew management system	7	4
Data platform to implement a modern, scale data platform	5	3
Mobile app offer and conversion capability build	4	3
Loyalty management system implementation	4	–
Project Compass	–	6
Ground management rostering system	–	1
Customer Identity and Access Management Phase II	–	1
Digital initiative projects	4	10
Other IT transformation projects	11	7
IT transformation projects	**55**	**36**

- The transformational IT projects that were included in FY23 (and FY24) include:
  - The re-platforming of the Oracle ERP system onto the Oracle ERP cloud which integrated key finance and procurement functions ($10 million of costs in FY23), replacing the significantly older on-premise Oracle EBS R12.1 system that reached end of support. This project concluded in FY23;
  - The implementation of a 'next generation' digital merchandising engine ($10 million of costs in FY23 and $1 million in FY24), modernising inflexible and slow legacy systems that limited selling capability. This project concluded in FY24;
  - Significant investment in building an end-to-end crew management system ($7 million of costs in FY23 and $4 million in FY24), a project to transform crew management, drive productivity, ensure compliance with EBAs and business rules, and support future growth and innovation. This project is expected to be completed by March 2026;
  - Data platform program to implement a modern, scalable data platform for ingestion, transformation and provisioning of data which ended after FY24 ($5 million of costs in FY23 and $3 million in FY24); and
  - Other projects including enhancement of Virgin Australia's mobile app offer and conversion capabilities to remediate legacy under-investment in mobile app functionality ($4 million of costs in FY23 and $3 million in FY24) and loyalty management system implementation in connection with establishment of a new SME offering ($4 million of costs in FY23).

- The transformational IT projects that commenced or expanded in FY24 included:
  - Commencing Project Compass – a multi year initiative (expected to end in FY26) primarily focused on improving the fare and ancillary offer proposition for customers ($6 million of cost in FY24). Centred principally on increasing price points associated with each of Virgin Australia's fare families, providing an improved customer experience while also delivering a revenue increase by way of capturing customer willingness to pay. This program sets the foundation for future distribution and airline technology modernisation;
  - Starting the implementation of a new ground management rostering system to optimise labour scheduling ($1 million of cost in FY24), replacing ShiftLogic, a critical but unstable 15+ year-old unsupported workforce management system. This is expected to end by December 2026 and benefit the organisation over the next decade; and
  - Other digital initiatives encompassing workstreams across new web capabilities, the Velocity App (e.g. App Travel Concierge) and other enhancements, including implementation of OneStream enterprise performance management system as part of Virgin Australia's finance transformation program ($4 million of cost in FY23 and $10 million in FY24).

3. Impairment of assets and accelerated depreciation of $21 million in FY23 compared to $15 million in FY24, relating primarily to the accelerated depreciation of the VARA Fokker 100 aircraft, which are due to exit service by December 2025.
4. Foreign exchange revaluation of USD denominated aircraft leases experiencing a loss of $20 million in FY23 compared to a gain of $3 million in FY24. This improvement from FY23 to FY24 resulted from a slightly favourable movement in the average AUD/USD exchange rate during FY24 as compared to an unfavourable movement in FY23.

4.11.4.1.7 Airlines segment pro forma underlying EBIT (FY23 and FY24)

Airlines segment pro forma underlying EBIT increased by $26 million, or 7.3%, from $348 million in FY23 to $374 million in FY24 driven primarily by the following:

- The 5.6% increase in pro forma Airlines segment underlying revenue and income as explained in 4.11.4.1.1; and
- Underlying Airlines segment EBIT margins increasing from 7.2% to 7.3%, with CASKs declining 2.2% from favourable fuel costs and benefits from the implementation of the Transformation Program emerging (as explained in Section 3.2), partially offset by the reduction in RASK as explained in 4.11.4.1.1.

4.11.4.1.8 Velocity pro forma underlying EBIT (FY23 and FY24)

Velocity segment pro forma underlying EBIT increased by $38 million, or 48.8%, from $77 million in FY23 to $115 million in FY24 driven primarily by the following:

- The 23.8% increase in pro forma Velocity revenue and income as explained in 4.11.4.1.1; and
- Underlying Velocity segment EBIT margins increasing from 23.4% to 28.2% reflecting significant program growth in points earned and redemptions, enabled through continuous business development and partner additions as well as operating leverage benefits from capability investments.

4.11.4.2 Pro Forma Historical Cash Flow Information (FY23 and FY24)

Table 41 sets out a summary of the Pro Forma Historical Cash Flow Information for FY23 and FY24

Table 41

	Pro forma Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Cash flows from operating activities			
Underlying EBITDA	722	830	14.9%
Non-cash movements	(7)	12	nm
Movement in adjusted net working capital	526	142	(73.0%)
Underlying operating cash flow	**1,240**	**984**	**(20.7%)**
Cash flows associated with Significant Items	(184)	(70)	(61.7%)
Net cash flow from operating activities	**1,057**	**914**	**(13.6%)**
Cash flows from investing activities			
Acquisition of PP&E	(149)	(329)	121.6%
Proceeds on disposal of PP&E	–	7	nm
Acquisition of intangible assets	(1)	(2)	283.3%
Interest income received	34	56	63.7%
Net payments and proceeds with term deposits at bank	–	(129)	nm
Net payments and proceeds with deposits in other financial assets	169	73	(56.7%)
Net cash (used in)/from investing activities	**54**	**(325)**	**nm**
Adjusted cash flows from financing activities			
Repayment of interest-bearing liabilities	(153)	(536)	250.0%
Interest paid on interest-bearing liabilities	(64)	(91)	43.3%
Proceeds from interest-bearing liabilities	299	450	50.8%
Repayment of lease liabilities	(154)	(182)	17.6%
Interest paid on lease liabilities	(50)	(61)	22.4%
Adjusted net cash used in financing activities	**(122)**	**(420)**	**242.8%**
Net cash flow before dividends	**988**	**169**	**(82.9%)**
Adjusted free cash flow reconciliation			
Net cash flow from operating activities	1,057	914	(13.6%)
Net cash (used in)/from investing activities	54	(325)	nm
Less net payments and proceeds with term deposits at bank	–	129	nm
Repayment of lease liabilities	(154)	(182)	17.6%
Interest paid on lease liabilities	(50)	(61)	22.4%
Adjusted free cash flows	**906**	**475**	**(47.6%)**

4.11.4.2.1 Pro forma underlying operating cash flow (FY23 and FY24)

Pro forma underlying operating cash flow decreased by $256 million, or 20.7%, from $1,240 million in FY23 to $984 million in FY24. The decrease in pro forma underlying operating cash flow was primarily driven by an inflow of $142 million in net working capital in FY24 compared to an inflow of $526 million in FY23. In FY23, there was a significant increase in demand relative to the previous year due to the ending of COVID-19 border lockdowns, which resulted in a significant increase in pre-payments for passenger ticket sales and a corresponding increase in unearned revenue. In addition, the Velocity segment experienced a net increase in unearned revenue with points earned exceeding points redeemed in the period. As domestic aviation activity re-balanced in FY24, the net inflows from working capital also normalised.

Non-cash movements primarily related to revaluations of the USD denominated investing/financing balance sheet items and changes in the cash flow hedge reserve.

4.11.4.2.2 Pro forma net cash flow from operating activities (FY23 and FY24)

Pro forma net cash flow from operating activities decreased by $143 million, or 13.6%, from $1,057 million in FY23 to $914 million in FY24. The movements in pro forma net cash flow from operating activities are the result of the same drivers as the movements in pro forma underlying operating cash flow discussed in Section 4.11.4.2.1 other than for the cash flow impact associated with Significant Items. The cash flows associated with Significant Items relates to the Significant Items discussed in 4.11.4.1.6 other than the foreign exchange revaluation of aircraft leases and impairment of assets and accelerated depreciation, which do not have a cash flow impact. The variances between the Significant Item amounts recognised in the Income Statement and the Statement of Cashflows is due to timing differences.

4.11.4.2.3 Pro forma net cash (used in)/from investing activities (FY23 and FY24)

Pro forma net cash (used in)/from investing activities increased by $379 million from a $54 million cash inflow in FY23 to a $325 million cash outflow in FY24.

The increase in pro forma net cash (used in)/from investing activities was primarily driven by an increase in induction capital expenditure associated with the six new Boeing 737-8 aircraft entering service and payments for deposits for a further six new Boeing 737-8 aircraft due for delivery by December 2025, along with an increase in the number of scheduled maintenance shop visits in FY24.

Payments and proceeds from deposits in FY23 included a $200 million cash inflow due to the return of forward sales collateral held for the benefit of a third party, with another $85 million of collateral returned in FY24. As at 31 December 2024, Virgin Australia no longer has any forward sales cash collateral held for the benefit of third parties.

4.11.4.2.4 Pro forma adjusted net cash used in financing activities (FY23 and FY24)

Pro forma adjusted net cash used in financing activities increased by $298 million, or 242.8%, from a $122 million outflow in FY23 to a $420 million outflow in FY24.

The $420 million outflow in FY24 related to a $536 million repayment of interest-bearing liabilities and $91 million interest paid on interest-bearing liabilities. This was partially offset by $450 million cash Proceeds from interest-bearing liabilities related to the refinancing of an existing financing facility at the Velocity level.

4.11.5 Pro Forma Historical Income Statements and Cash Flow Information (H1FY24 and H1FY25)

4.11.5.1 Pro Forma Historical Income Statements (H1FY24 and H1FY25)

Table 42 sets out a summary of the Pro Forma Historical Income Statements for H1FY24 and H1FY25.

Table 42

	Pro forma Historical		
	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Underlying revenue and income	**2,763**	**3,039**	10.0%
Expenditure			
Aircraft variable leases	(47)	(46)	(2.3%)
Direct operating variable	(858)	(947)	10.3%
Fuel and oil	(617)	(568)	**(7.9%)**
Labour and staff related	(591)	(648)	9.6%
Other	(171)	(200)	**16.5%**
Expenditure	**(2,285)**	**(2,408)**	**5.4%**
Underlying EBITDA	**479**	**631**	**31.9%**
Depreciation and amortisation	(153)	(200)	30.8%
Underlying EBIT	**326**	**431**	**32.5%**
Net finance costs	(64)	(84)	32.5%
Underlying net profit before tax	**262**	**347**	**32.4%**
Income tax benefit/(expense)	(79)	(103)	30.5%
Underlying net profit	**183**	**244**	**33.3%**
Significant Items	(20)	(67)	**244.1%**
Net profit	**164**	**177**	**8.2%**
Financial metrics			
Underlying EBITDA	**479**	**631**	***31.9%***
Underlying EBITDA margin (%)	*17.3%*	*20.8%*	
Underlying EBIT	**326**	**431**	***32.5%***
Underlying EBIT margin (%)	*11.8%*	*14.2%*	
Underlying net profit	**183**	**244**	***33.3%***
Underlying net profit margin (%)	*6.6%*	*8.0%*	

Table 43 sets out a summary of the pro forma historical key operating and financial metrics for H1FY24 and H1FY25.

Table 43

	Pro forma Historical		
	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Airlines			
Operating Metrics			
Passengers carried (m)	9.9	10.8	8.9%
ASK (m)	16,329	17,410	6.6%
Load factor (%)	85.0	86.4	1.7%
RASK (cents per ASK)	16.3	16.8	2.9%
CASK (cents per ASK)	14.7	14.7	(0.4%)
Pro forma financial metrics			
Underlying revenue and income ($m)	2,660	2,919	9.7%
Underlying EBITDA	403	560	39.0%
Underlying EBITDA margin (%)	15.1%	19.2%	
Underlying EBIT	252	362	43.5%
Underlying EBIT margin (%)	9.5%	12.4%	
Velocity			
Member numbers at period end (m)	11.9	12.9	8.6%
Points earned (m)	23,925	28,983	21.1%
Points redeemed (m)	17,106	20,490	19.8%
Pro forma financial metrics			
Underlying revenue and income ($m)	198	221	12.0%
Underlying EBITDA	**62**	**67**	**7.7%**
Underlying EBITDA margin (%)	*31.4%*	*30.2%*	
Underlying EBIT	**60**	**65**	**8.5%**
Underlying EBIT margin (%)	*30.2%*	*29.3%*	

4.11.5.1.1 Pro forma revenue and income (H1FY24 and H1FY25)

Total pro forma underlying revenue and income increased by $276 million, or 10.0%, from $2,763 million in H1FY24 to $3,039 million in H1FY25, reflecting the increase in revenue and income in the following segments:

Airlines segment pro forma underlying revenue and income

Airlines segment pro forma underlying revenue and income increased by $259 million, or 9.7%, from $2,660 million in H1FY24 to $2,919 million in H1FY25, driven primarily by the following:

- A 6.6% increase in ASKs and 8.9% increase in passengers carried, from continued growth in passenger demand, reduction of market capacity from Rex exiting certain routes and strong demand for SHI routes (e.g. Bali and Vanuatu);

- A 2.9% increase in RASK due to:
  - Load factors increasing from 85.0% in H1FY24 to 86.4% in H1FY25, driven partly by a reduction of market capacity from Rex exiting certain routes; and
- Increase in yields through the impact of the market supply rebalancing and strong demand in SHI routes, supported by the Transformation Program (see Section 3.4) including from inventory and price optimisation and SME/corporate Share gain. A 12.4% increase in ancillary revenue spend per passenger due to existing products optimisation across pricing, digital test and learn and marketing.

Velocity segment pro forma underlying revenue and income

Velocity segment pro forma underlying revenue and income increased by $23 million, or 12.0%, from $198 million in H1FY24 to $221 million in H1FY25, driven primarily by the following:

- A 21.1% increase in points earned that reflects strong growth in member activity combined with growth of the member base through investment in brand campaigns and growing the partner ecosystem by launching new partnerships in both existing and new sectors;
- A 19.8% increase in points redeemed that reflects increased member engagement levels by adding more attractive redemption options with new partners as well as continuing to drive member value in existing redemption options such as Virgin Australia and third party airline redemptions; and
- Continued investment in business development driving growth, having added more than five new partners in H1FY25 (compared to H1FY24) and increasing total members by 8.6%.

4.11.5.1.2 Pro forma expenditure (H1FY24 and H1FY25)

Total pro forma expenditure increased by $123 million, or 5.4%, from $2,285 million in H1FY24 to $2,408 million in H1FY25. This is explained by the following key expenditure items:

Pro forma aircraft variable lease costs

Total pro forma aircraft variable lease costs decreased by $1 million, or 2.3%, from $47 million in H1FY24 to $46 million in H1FY25. The decrease in aircraft lease variable costs was primarily driven by reduced short-term aircraft variable lease agreements (provided by certain lessors), as newly acquired leased aircraft operated by the Airlines segment were acquired as long-term leases and capitalised in accordance with AASB 16 Leases. This was partially offset by increased third party wet lease rates in H1FY25, and the Airlines segment increasing the use of third party wet lease capacity to drive incremental revenue and income.

Pro forma direct operating variable costs

Total pro forma direct operating variable costs increased by $88 million, or 10.3%, from $858 million in H1FY24 to $947 million in H1FY25. This increase primarily reflects the impact of inflation on the cost base coupled with growth in flying activity experienced during this period (with passengers carried and block hours up 8.9% and 5.0%, respectively). The increase in H1FY25 also includes an increase in heavy maintenance provision costs of 28.2% due to higher block hours, the timing of heavy maintenance checks, contractual and inflationary increases and fleet additions.

Similar to the FY23 and FY24 period as explained in Section 4.11.4.1.2, this increase was partially offset by improved engine and maintenance costs, supplier performance management and operational reliability initiatives that were implemented as part of the Transformation Program.

Pro forma fuel and oil costs

Total pro forma fuel and oil costs decreased by $49 million, or 7.9%, from $617 million in H1FY24 to $568 million in H1FY25. The decrease in fuel and oil costs (after hedging and the impact of foreign exchange) was primarily attributable to a decline in the all-in cost per barrel from $185 in H1FY24 to $163 in H1FY25, and a reduction in burn rate driven by the new and more fuel efficient Boeing 737-8 aircraft and fuel transformation initiatives (see Section 3.8.3.2). This was partially offset by an increase in block hours of 5.0% from H1FY24 to H1FY25, reflecting increased flying activity.

Pro forma labour and staff related costs

Total pro forma labour and staff related costs increased by $57 million, or 9.6%, from $591 million in H1FY24 to $648 million in H1FY25. This was primarily driven by an increase in indirect labour staff numbers to support operational growth and the ongoing Transformation Program. Direct labour staff increased to serve the growth in flying activity. The H1FY25 period also includes the impact of higher wage rates from the re-negotiated EBA for most of the direct labour groups that were concluded in FY24 and the flight crew group in H1FY25 (see Section 9.11.3 for further details on Virgin Australia's EBA). This increase in wage rates were partially offset by certain productivity improvements agreed as part of the re-negotiated EBA, including increased flexibility in crew rostering.

Pro forma other costs

Total pro forma other costs increased by $28 million, or 16.5%, from $171 million in H1FY24 to $200 million in H1FY25. The increase in other costs was primarily due to the decrease in the AUD/USD average exchange rate increasing the AUD cost of USD denominated IT expenses.

Pro forma other costs also include $56 million and $59 million in IT costs for H1FY24 and H1FY25, respectively. Including labour and staff related costs, total IT operating costs were $77 million in H1FY24 and $83 million in H1FY25, reflecting increased consumption usage and IT infrastructure run costs post Transformation related projects.

4.11.5.1.3 Pro forma depreciation and amortisation (H1FY24 and H1FY25)

Table 44 sets out a summary of the pro forma historical depreciation and amortisation for H1FY24 and H1FY25.

Table 44

	Pro forma Historical		
Depreciation	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Aircraft and aeronautic	68	92	*35.2%*
Plant and equipment	5	5	*6.7%*
Buildings and property	0	0	*0.0%*
Computer equipment	3	5	*80.8%*
Right of use assets	73	95	*29.6%*
Total Depreciation	**149**	**197**	***32.3%***
Amortisation	4	3	*(23.8%)*
Total Depreciation and Amortisation	**153**	**200**	***30.8%***

The increase in total depreciation and amortisation by $47 million, or 30.8%, from $153 million in H1FY24 to $200 million inH1FY25 relates primarily to the addition of seven new leased Boeing 737-8 aircraft to support capacity growth and the replacement of older Boeing 737-800 aircraft on their lease expiry, and the increase in capitalised heavy maintenance events. Furthermore, there was a $24 million increase in aircraft and aeronautic depreciation primarily related to the increase in the number of capitalised heavy maintenance engine overhaul events.

4.11.5.1.4 Pro forma net finance costs (H1FY24 and H1FY25)

Table 45 Sets out a summary of the pro forma historical net finance costs for H1FY24 and H1FY25.

Table 45

	Pro forma Historical		
Net finance costs	**H1FY24 $m**	**H1FY25 $m**	**Change from H1FY24 to H1FY25 %**
Net interest expense	34	48	*42.2%*
Interest on lease liabilities	30	36	*21.5%*
Net finance costs	**64**	**84**	***32.5%***

The increase in net finance costs by $20 million, or 32.5%, from $64 million in H1FY24 to $84 million in H1FY25 was primarily driven by higher interest expense on maintenance provisions due to the increase in the number of leased aircraft and the increase in interest bearing liabilities, related to funding the growth in the new fleet (borrowings increasing from $2,214 million as at 31 December 2023 to $2,389 million as at 31 December 2024). The increase in interest on lease liabilities was driven by the new leased Boeing 737-8 aircraft.

4.11.5.1.5 Pro forma Income tax benefit/(expense) (H1FY24 and H1FY25)

Total pro forma income tax expense increased by $24 million, or 30.5%, from $79 million in H1FY24 to $103 million in H1FY25. The increase in income tax expense from H1FY24 to H1FY25 was driven by an increase in Virgin Australia's pro forma underlying net profit before tax of $262 million in H1FY24 to $347 million in H1FY25, and applying an effective tax rate of 30%, which is consistent with the tax rate that Virgin Australia expects going forward.

4.11.5.1.6 Pro forma Significant Items (H1FY24 and H1FY25)

Table 46 sets out a summary of the pro forma Significant items for H1FY24 and H1FY25.

Table 46

	Pro forma Historical		
Pro forma Significant Items costs/(revenue)	**H1FY24 $m**	**H1FY25 $m**	**Change from H1FY24 to H1FY25 %**
Restructuring and transformation costs	20	8	(60.9%)
IT transformation projects	16	27	67.5%
Impairment of assets and accelerated depreciation	7	4	(41.1%)
Foreign exchange revaluation on aircraft leases	(15)	57	nm
Tax impact of Significant Items	(8)	(29)	nm
Total Significant Items	**20**	**67**	nm

Virgin Australia's total Significant Items (see Section 4.11.4.1.6 for a further explanation) was $20 million in H1FY24 compared to $67 million in H1FY25. The change in significant items during this period is largely the result of:

1. Restructuring and transformation costs of $20 million in H1FY24 compared to $8 million in H1FY25 relating to:

Table 47 sets out a summary of the pro forma historical restructuring and transformation costs for FY23 and FY24.

Table 47

	Pro forma Historical	
Restructuring and transformation costs	**H1FY24 $m**	**H1FY25 $m**
Indirect labour restructuring	6	0
VARA fleet replacement	1	–
Transformation project team	1	4
Project Rubik	–	2
Finance costs related to prior bridge loan	10	–
Other restructuring and transformation costs	2	2
Total restructuring and transformation costs	**20**	**8**

- Company-wide indirect labour restructuring and optimisation to drive efficiency, including targeted headcount reduction ($6 million of costs in H1FY24 and $0.1 million in H1FY25 in redundancy related costs);
- VARA F100 fleet costs related to planned new fleet ($1 million of costs in H1FY24 and nil in H1FY25);
- Dedicated transformation project team that continued to identify, manage and track more than 50 workstreams to permanently reduce costs from the business ($1 million of costs in H1FY24 and $4 million in H1FY25). This workstream set up should be substantially complete by end of June 2026;
- Continuation of Project Rubik in H1FY25 ($2 million of non-recurring start up related costs in H1FY25), a multi-year transformation project that aims to optimise scheduling by maximising profit in peak demand and minimising the impact of troughs. This project is expected to be complete by June 2026; and
- Other costs including the finance costs associated with a bridge loan that was previously in place but refinanced with the Velocity Syndicated Facility ($10 million of costs in H1FY24).

2. IT transformation projects costs of $16 million in H1FY24 compared to $27 million in H1FY25. As explained in Section 4.11.4.1.6, IT transformation projects in Significant Items relate to projects that are transformational and/or introduce new capabilities to the business (as opposed to ongoing IT costs, which are included in pro forma other costs, which were $77 million in H1FY24 and $83 million in H1FY25 (including labour and staff related costs)) as part of the investment into rebuilding outdated IT systems under Bain Capital's ownership (discussed in Section 3.9).

Table 48 sets out a summary of IT transformation projects costs for H1FY24 and H1FY25.

Table 48

	Pro forma Historical	
IT transformation projects	**H1FY24 $m**	**H1FY25 $m**
Project Compass	3	3
Data platform to implement a modern, scale data platform	3	–
Next generation digital merchandising	1	–
Ground management rostering system	–	3
Optimisation of crew management system	3	3
Customer Identity and Access Management Phase II	–	3
Passenger Service System (PSS)	–	1
Digital initiative projects	5	8
Other IT transformation projects	1	6
IT transformation projects	**16**	**27**

The transformational IT projects that were included in H1FY24 (and H1FY25) include:

- Project Compass – a multi year initiative (expected to end in FY26) primarily focused on improving the fare and ancillary offer proposition for customers ($3 million cost in H1FY24 and $3 million in H1FY25). Centred principally on increasing price points associated with each of Virgin Australia's fare brands, providing an improved customer experience while also delivering a revenue increase by way of capturing customer willingness to pay. This program sets the foundation for future distribution and airline technology modernisation;
- Data platform program to implement a modern, scalable data platform for ingestion, transformation and provisioning of data which ended in H1FY25 ($3 million of costs in H1FY24); and
- The conclusion of the 'next generation' digital merchandising engine implementation, which modernised an inflexible and slow legacy system that limited selling capability ($1 million of costs in H1FY24) and ended in FY24.
- The transformational IT projects that commenced or expanded in H1FY25 include:
  - The ramp up of the Ground Management Rostering System – optimising the scheduling system for airport agents and maintenance engineers to improve operational efficiency and maximise EBA work rules to drive labour productivity ($3 million of cost in H1FY25). The project is expected to be completed by December 2026 and replaces ShiftLogic, a critical but unstable 15+ year-old unsupported management system;
  - Significant investment in building an end-to-end crew management system ($3 million of costs in H1FY24 and $3 million in H1FY25), a project to transform crew management, drive productivity, ensure compliance with EBAs and business rules, and support future growth and innovation. This project is expected to be completed by March 2026;
  - Customer Identity and Access Management Phase II – enhancing data security for customer data and managing all interfaces with customers ($3 million of cost in H1FY25), involving the replacement of unsupported legacy systems with security vulnerabilities that have been in place since the early 2000s. This projected completed in March 2025;
  - Passenger Service System (PSS) – Next generation solution to modernise the airline's retailing capabilities to enable the business to deliver personalised, dynamic travel experiences and enhance guest interactions ($1 million of cost in H1FY25), replacing a legacy PSS architecture; and
  - Other various projects including across digital initiatives to support Virgin Australia's integrated digital ecosystem including across the Velocity App, book capabilities and customer engagement ($5 million of costs in H1FY24 and $8 million in H1FY25).

3. Impairment of assets and accelerated depreciation incurring $7 million in of costs in H1FY24 compared to $4 million in H1FY25, relating primarily to the accelerated depreciation of the VARA Fokker 100 aircraft, which are due to exit service by December 2025.
4. Foreign exchange revaluation of USD denominated aircraft leases resulting in a gain of $15 million in H1FY24, compared to a loss of $57 million in H1FY25. This movement was due to an unfavourable movement in the average AUD/USD exchange rate during H1FY25 as compared to a favourable movement in H1FY24.

4.11.5.1.7 Airlines pro forma underlying EBIT (H1FY24 and H1FY25)

Airlines segment pro forma underlying EBIT increased by $110 million, or 43.5%, from $252 million in H1FY24 to $362 million in H1FY25, driven primarily by the following:

- The 9.7% increase in pro forma Airlines segment revenue and income as explained in 4.11.5.1.1; and
- Underlying Airlines segment EBIT margins increasing from 9.5% to 12.4%, which reflects both revenue and cost benefits from the Transformation Program (see Section 3.4) flowing through both RASK (see Section 4.11.5.1.1) and CASK (which declined 0.4%) from certain initiatives including enhanced operational efficiency across flight operations, ground operations, engine and maintenance, improved direct labour productivity and reduced operational disruption costs.

4.11.5.1.8 Velocity pro forma underlying EBIT (H1FY24 and H1FY25)

Velocity segment pro forma underlying EBIT increased by $5 million, or 8.5%, from $60 million in H1FY24 to $65 million in H1FY25 driven primarily by the following:

- The 12.0% increase in pro forma Velocity revenue and income as explained in 4.11.5.1.1; and
- Reduction in EBIT margins from 30.2% to 29.3% from investment made in future growth initiatives, the costs associated with launching a new best in class credit card product in January 2025 and, as a result of higher member engagement, the actuarial value of unredeemed member points on Velocity's balance sheet increased resulting in a delay in the timing of revenue recognition associated with partner participation fees, lowering in period margins.

4.11.5.2 Pro Forma Historical Cash Flow Information (H1FY24 and H1FY25)

Table 49 sets out a summary of the Pro Forma Historical Cash Flow Information for H1FY24 and H1FY25.

Table 49

	Pro forma Historical		
	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Cash flows from operating activities			
Underlying EBITDA	478	631	*31.9%*
Non-cash movements	(1)	10	*nm*
Movement in adjusted net working capital	(39)	15	*nm*
Underlying operating cash flow	**439**	**656**	***49.5%***
Cash flows associated with Significant Items	(35)	(42)	*21.3%*
Net cash flow from operating activities	**404**	**614**	***52.0%***
Cash flows from investing activities			
Acquisition of PP&E	(149)	(216)	*45.4%*
Proceeds on disposal of PP&E	2	0	*(87.5%)*
Acquisition of intangible assets	–	(1)	*nm*
Interest income received	27	26	*(5.5%)*
Net payments and proceeds with term deposits at bank	(45)	61	*nm*
Net payments and proceeds with deposits in other financial assets	72	19	*(73.5%)*
Net cash (used in)/from investing activities	**(92)**	**(110)**	***19.9%***
Adjusted cash flows from financing activities			
Repayment of interest-bearing liabilities	(72)	(64)	*(10.6%)*
Interest paid on interest-bearing liabilities	(50)	(47)	*(4.6%)*
Proceeds from interest-bearing liabilities	–	22	*nm*
Repayment of lease liabilities	(88)	(111)	*25.5%*
Interest paid on lease liabilities	(28)	(36)	*27.1%*
Proceeds from share issuance	–	–	*nm*
Adjusted net cash used in financing activities	**(238)**	**(237)**	***(0.5%)***
Adjusted net cash flow before dividends	**74**	**267**	***261.3%***
Adjusted free cash flow reconciliation			
Net cash flow from operating activities	404	614	52.0%
Net cash (used in)/from investing activities	(92)	(110)	19.9%
Less net payments and proceeds with term deposits at bank	45	(61)	nm
Repayment of lease liabilities	(88)	(111)	*25.5%*
Interest paid on lease liabilities	(28)	(36)	*27.1%*
Adjusted free cash flows	**241**	**296**	**23.0%**

4.11.5.2.1 *Pro forma underlying operating cash flow (H1FY24 and H1FY25)*

Pro forma underlying operating cash flow increased by $217 million, or 49.5%, from $439 million in H1FY24 to $656 million in H1FY25. The increase in pro forma underlying operating cash flow was primarily driven by an increase in underlying EBITDA from H1FY24 to H1FY25 and an increase in net working capital from an outflow of $39 million in H1FY24 to an inflow of $15 million in H1FY25 driven by an increase in heavy maintenance provisions and revenue and income growth.

Non-cash movements primarily related to revaluations of the USD denominated investing/financing balance sheet items and changes in the cash flow hedge reserve.

4.11.5.3 Pro forma net cash flow from operating activities (H1FY24 and H1FY25)

Pro forma net cash flow from operating activities increased by $210 million, or 52.0%, from $404 million in H1FY24 to $614 million in H1FY25. The movements in pro forma net cash flow from operating activities are the result of the same drivers as the movements in pro forma underlying operating cash flow discussed in Section 4.11.5.2.1 other than of the cash flow impact associated with Significant Items. The cash flows for Significant Items relates to the Significant Items discussed in Section 4.11.5.1.6, except for foreign exchange revaluation of aircraft leases and impairment of assets and accelerated depreciation which do not have a cash flow impact. The variances between the amounts recognised in the Income Statement and the Statement of Cashflows is due to timing differences.

4.11.5.3.1 *Pro forma net cash (used in)/from investing activities (H1FY24 and H1FY25)*

Pro forma net cash (used in)/from investing activities increased $18 million, or 19.9%, from a $92 million cash outflow in H1FY24 to a $110 million cash outflow in H1FY25.

The increase in pro forma net cash (used in)/from investing activities were primarily driven by an increase in the number of scheduled maintenance shop visits along with an increase in induction capex (one new Boeing 737-8 aircraft and two leased Boeing 737-800 aircraft entering service) with acquisition of PP&E increasing from $149 million in H1FY24 to $216 million in H1FY25. Increase was also driven by more pre-delivery payments made for aircraft and spare engines in H1FY25 compared to H1FY24.

4.11.5.3.2 *Pro forma adjusted net cash used in financing activities (H1FY24 and H1FY25)*

Pro forma adjusted net cash used in financing activities increased by $1 million, or 0.5%, from a $238 million outflow in H1FY24 to a $237 million outflow in H1FY25.

The movement in pro forma adjusted net cash used in financing activities is primarily the result of the movements in repayments and interest paid on lease liabilities which are more than offset by a reduction in repayment of interest-bearing liabilities from $72 million in H1FY24 to $64 million in H1FY25, a reduction in interest paid on interesting-bearing liabilities from $50 million in H1FY24 to $47 million in H1FY25 and $22 million in proceeds from interest-bearing liabilities in H1FY25 related to financing of a Boeing 737-8 LEAP spare engine.

4.11.6 Statutory Historical Statements and Cash Flow Information (FY23 and FY24)

4.11.6.1 Statutory Historical Income Statements (FY23 and FY24)

Table 50 sets out a summary of the Statutory Historical Income Statement for FY23 and FY24

Table 50

	Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Revenue and income	**5,011**	**5,634**	12.4%
Expenditure			
Aircraft variable leases	(90)	(91)	1.8%
Direct operating variable	(1,555)	(1,714)	10.2%
Fuel and oil	(1,226)	(1,196)	(2.4%)
Labour and staff related	(1,117)	(1,213)	8.5%
Other	(474)	(397)	(16.4%)
Depreciation and amortisation	(309)	(341)	10.5%
Expenditure	**(4,771)**	**(4,951)**	**3.8%**
Profit before net finance costs and tax	**241**	**683**	**183.6%**
Net finance costs	(105)	(137)	30.4%
Net profit before tax	**135**	**545**	**302.8%**
Income tax benefit/(expense)	(6)	–	(100.0%)
Net profit	**129**	**545**	**322.5%**
Financial metrics			
EBITDA	**549**	**1,024**	**86.4%**
EBITDA margin (%)	*11.0%*	*18.2%*	
EBIT	**241**	**683**	**183.6%**
EBIT margin (%)	*4.8%*	*12.1%*	
Net profit	**129**	**545**	**322.5%**

Table 51 sets out a summary of the statutory historical financial and operating metrics for FY23 and FY24.

Table 51

	Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Airlines			
Operating Metrics			
Passengers carried (m)	18.9	19.2	1.6%
ASK (m)	30,030	32,374	7.8%
Load factor (%)	84.0	83.0	(1.2%)
RASK (cents per ASK)	16.2	15.9	(2.1%)
CASK (cents per ASK)	15.0	14.7	(2.2%)
Statutory financial metrics			
Underlying revenue and income ($m)	4,873	5,146	5.6%
Underlying EBITDA	652	716	9.8%
Underlying EBITDA margin (%)	13.4%	13.9%	
Underlying EBIT	362	392	8.2%
Underlying EBIT margin (%)	7.4%	7.6%	
Velocity			
Member numbers at period end (m)	11.5	12.3	7.2%
Points earned (m)	40,161	50,370	25.4%
Points redeemed (m)	30,635	36,058	17.7%
Statutory financial metrics			
Underlying revenue and income ($m)	330	409	23.8%
Underlying EBITDA	84	120	42.2%
Underlying EBITDA margin (%)	25.6%	29.3%	
Underlying EBIT	77	115	48.8%
Underlying EBIT margin (%)	23.4%	28.2%	

4.11.6.1.1 Statutory revenue and income (FY23 and FY24)

Total statutory revenue and income increased by $623 million, or 12.4%, from $5,011 million in FY23 to $5,634 million in FY24, reflecting the change in revenue and income in the Airlines and Velocity segment explained below:

Airlines segment underlying revenue and income

Airlines segment underlying revenue and income increased by $273 million, or 5.6%, from $4,873 million in FY23 to $5,146 million in FY24, due primarily to the reasons described in Section 4.11.4.1.1. There was no difference between statutory and pro forma Airlines underlying revenue and income for FY23 and FY24.

Velocity segment underlying revenue and income

Velocity segment underlying revenue and income increased by $79 million, or 23.8%, from $330 million in FY23 to $409 million in FY24, due primarily to reasons described above in Section 4.11.4.1.1. There was no difference between statutory and pro forma Velocity underlying revenue and income for FY23 and FY24.

Statutory revenue and income compared to pro forma underlying revenue and income

The primary difference between statutory revenue and income and pro forma underlying revenue and income in FY24 was the inclusion of $280.7 million of revenue from expired future flight credits in statutory revenue and income which was excluded from pro forma underlying revenue and income in FY24. The statutory revenue and income and pro forma underlying revenue and income for FY23 were the same.

4.11.6.1.2 Statutory aircraft variable lease costs (FY23 and FY24)

Total statutory aircraft variable lease costs increased by $1 million, or 1.8%, from $90 million in FY23 to $91 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.2.

There was no difference between statutory and pro forma aircraft variable lease costs for FY23 and FY24.

4.11.6.1.3 Statutory direct operating variable costs (FY23 and FY24)

Total statutory direct operating variable costs increased by $159 million, or 10.2%, from $1,555 million in FY23 to $1,714 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.2.

Items that are included in statutory direct operating variable costs but excluded from pro forma direct operating variable costs are the following Significant Items:

- For FY23, $2 million of restructuring costs, $4 million of impairment of assets, and $1 million of other Significant Items; and
- For FY24, $3 million of costs relating to the expiry of future flight credits, $1 million of restructuring costs and $2 million in impairment of assets.

4.11.6.1.4 Statutory fuel and oil costs (FY23 and FY24)

Total statutory fuel and oil costs decreased by $30 million, or 2.4%, from $1,226 million in FY23 to $1,196 million in FY24, due primarily to reasons described above in Section 4.11.4.1.2.

There was no difference between statutory and pro forma fuel and oil costs for FY23 and FY24.

4.11.6.1.5 Statutory labour and staff related costs (FY23 and FY24)

Total statutory labour and staff related costs increased by $95 million, or 8.5%, from $1,117 million in FY23 to $1,213 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.2.

Items that are included in statutory labour and staff related costs but excluded from pro forma labour and staff related costs are the following Significant Items:

- For FY23, $47 million in restructuring costs, $29 million in IT transformation projects costs and $1 million in IPO planning and preparation costs; and
- For FY24, $15 million in restructuring costs, $27 million in IT transformation projects costs and $1 million in IPO planning and preparation costs.

Refer to Section 4.11.4.1.6 for further explanation of these movements.

Additionally, pro forma labour and staff related costs include incremental pro forma public company costs amounting to $16 million in FY23 and $15 million in FY24. These incremental costs are not included in statutory labour and staff related costs. This is offset by transaction related remuneration of $6 million in FY23 and $1 million in FY24 relating to the Legacy Incentive Schemes that is included in the statutory labour and staff related costs, but not included in the pro forma labour and staff related costs.

4.11.6.1.6 Statutory other costs (FY23 and FY24)

Total statutory other costs decreased by $78 million, or 16.4%, from $474 million in FY23 to $397 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.2.

Items that are included in statutory other costs but excluded from pro forma other costs, driving the majority of the remaining decrease in statutory other costs, are:

- For FY23, $44 million in restructuring costs, $25 million in IT transformation projects, $5 million in impairment of assets and accelerated depreciation, a $20 million loss on foreign exchange revaluation on aircraft leases, $8 million in IPO planning and preparation costs and $1 million in other costs; and
- For FY24, $42 million in restructuring costs, $9 million in IT transformation projects, a $3 million gain on foreign exchange revaluation on aircraft leases, $2 million in IPO planning and preparation costs and $6 million in other costs.

Refer to Section 4.11.4.1.6 for further explanation of these movements.

Additionally, included in the pro forma other costs but not included in the statutory other costs are incremental pro forma public company costs amounting to $4 million in FY23 and $4 million in FY24.

4.11.6.1.7 Statutory depreciation and amortisation (FY23 and FY24)

Total statutory depreciation and amortisation increased by $33 million, or 10.5%, from $309 million in FY23 to $341 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.3.

Items that are included in statutory depreciation and amortisation but excluded from pro forma depreciation and amortisation are:

- For FY23, $12 million in impairment of assets and accelerated depreciation; and
- For FY24, $13 million in impairment of assets and accelerated depreciation.

4.11.6.1.8 Statutory net finance costs (FY23 and FY24)

Total statutory net finance costs increased by $32 million, or 30.4%, from $105 million in FY23 to $137 million in FY24, due primarily to the reasons described above in Section 4.11.4.1.4.

Items that are included in statutory net finance costs but excluded from pro forma net finance costs, driving the majority of the remaining increase in statutory net finance costs are:

- In FY23, there was $3 million net finance costs on a bridging loan drawn in May 2023, relating to the amortisation of related borrowing costs; and
- In FY24, there was a further $11 million net finance costs on this bridging loan, relating to the amortisation of related borrowing costs. This bridging loan was repaid in FY24.

Additionally, included in the pro forma net finance costs but excluded from statutory finance costs are the pro forma inclusion of $4 million in FY23 and $5 million in FY24 of net finance costs resulting from the removal of the finance costs associated with the QIC Loan and the inclusion of finance costs associated with the New Corporate Facility as if the refinancing had been in place throughout the disclosure periods.

4.11.6.1.9 Statutory Income tax expense (FY23 and FY24)

Virgin Australia's statutory income tax expense decreased from $6 million in FY23 to nil in FY24.

In FY23, $6 million of statutory income tax expense was recognised to reverse the deferred tax assets recognised on hedging reserves in equity in FY21 ($4 million) and FY22 ($2 million).

In FY24, no income tax expense was recognised due to the utilisation of carry forward tax losses, which reduced FY24 taxable profits to zero. Additionally, movements in deferred tax balances were recorded against the balance sheet, rather than impacting the statutory income tax expense, as a result of the requirements of AASB 112 *Income taxes*.

4.11.6.1.10 Airlines statutory underlying EBIT (FY23 and FY24)

Airlines statutory underlying EBIT increased by $30 million, or 8.2%, from $362 million in FY23 to $392 million in FY24, due primarily to reasons described above in Section 4.11.4.1.7.

In addition, there are the following differences between Airlines statutory underlying EBIT and Airlines pro forma underlying EBIT:

- Incremental public company costs amounting to $20 million in FY23 and $19 million in FY24 are included in Airlines pro forma underlying EBIT but excluded from Airlines statutory underlying EBIT; and
- Transaction related remuneration amounting to $6 million in FY23 and $1 million in FY24 is excluded from Airlines pro forma underlying EBIT but included in Airlines statutory underlying EBIT.

4.11.6.1.11 Velocity statutory underlying EBIT (FY23 and FY24)

Velocity statutory underlying EBIT increased by $38 million, or 48.8%, from $77 million in FY23 to $115 million in FY24, due primarily to reasons described above in Section 4.11.4.1.8. There was no difference between statutory and pro forma Velocity underlying EBIT for FY23 and FY24.

4.11.6.2 Statutory Historical Cash Flow Information (FY23 and FY24)

Table 52 sets out a summary of the Statutory Historical Cash Flow Information for FY23 and FY24.

Table 52

	Historical		
	FY23 $m	FY24 $m	Change from FY23 to FY24 %
Cash flows from operating activities			
EBITDA	549	1,024	86.4%
Non-cash movements	5	(3)	nm
Movement in adjusted net working capital	489	(121)	nm
Net cash flow from operating activities	**1,043**	**900**	**(13.7%)**
Cash flows from investing activities			
Acquisition of PP&E	(149)	(329)	121.6%
Proceeds on disposal of PP&E	–	7	nm
Acquisition of intangible assets	(1)	(2)	283.3%
Interest income received	34	56	63.7%
Net payments and proceeds with term deposits at bank	–	(129)	nm
Net payments and proceeds with deposits in other financial assets	169	73	(56.7%)
Net cash (used in)/from investing activities	**54**	**(325)**	**nm**
Cash flows from financing activities			
Repayment of interest-bearing liabilities	(153)	(536)	250.0%
Interest paid on interest-bearing liabilities	(59)	(86)	44.8%
Proceeds from interest-bearing liabilities	299	450	50.8%
Repayment of lease liabilities	(154)	(182)	17.6%
Interest paid on lease liabilities	(50)	(61)	22.4%
Proceeds from share issuance	–	–	nm
Capital return to shareholders	(730)	–	nm
Dividends paid	–	(367)	nm
Net cash used in financing activities	**(848)**	**(781)**	**(7.9%)**
Net increase/(decrease) in cash and cash equivalents	**249**	**(206)**	**nm**

4.11.6.2.1 Statutory net cash flow from operating activities (FY23 and FY24)

Statutory net cash flow from operating activities decreased by $143 million, or 13.7%, from $1,043 million in FY23 to $900 million in FY24, due primarily to reasons described above in Section 4.11.5.3.

Additionally, there are the following differences between statutory net cash flow from operating activities and pro forma net cash flow from operating activities:

- $8 million net cash impact from the transaction costs of the proposed IPO and listing included in FY23 ($6 million in FY24) are excluded from pro forma net cash flow from operating activities but included in statutory net cash flow from operating activities; and
- $6 million net cash impact of incremental public company costs in FY23 ($7 million in FY24) are included in pro forma net cash flow from operating activities but excluded from statutory net cash flow from operating activities.

4.11.6.2.2 Statutory net cash (used in)/from investing activities (FY23 and FY24)

Statutory net cash (used in)/from investing activities decreased by $379 million, from a $54 million cash inflow in FY23 to a $325 million cash outflow in FY24, due primarily to reasons described above in Section 4.11.4.2.3. There was no difference between statutory and pro forma net cash (used in)/from investing activities for FY23 and FY24.

4.11.6.2.3 Statutory net cash used in financing activities (FY23 and FY24)

Statutory net cash used in financing activities increased by $67 million, or 7.9%, from a $848 million cash outflow in FY23 to a $781 million cash outflow in FY24, due partly to the reasons described above in Section 4.11.4.2.4.

Additionally, statutory net cash used in financing activities includes the impact of the following items that are excluded from pro forma adjusted net cash used in financing activities:

- A $730 million cash outflow in FY23 related to a capital return to BC Hart, the sole ordinary shareholder; and
- A $367 million cash outflow in FY24 related to a dividend paid to BC Hart, the sole ordinary shareholder.

Additionally, included in the pro forma adjusted net cash used in financing activities but not included in statutory net cash used in financing activities is $4 million of interest in FY23 and $5 million of interest in FY24 related to the net finance costs arising from the removal of the finance costs associated with the QIC Loan and the inclusion of financing costs associated with the New Corporate Facility as if the refinancing had been in place throughout the disclosure periods.

4.11.6.2.4 Statutory net increase/(decrease) in cash and cash equivalents (FY23 and FY24)

Statutory net cash flow decreased by $455 million from a $249 million cash inflow in FY23 to a $206 million cash outflow in FY24.

The movements in statutory net cash flow were primarily driven by the movements in statutory net cash flow from operating activities described above in Section 4.11.6.3.1 the movements in statutory net cash (used in)/from investing activities described above in Section 4.11.6.3.2 and the movements in statutory net cash used in financing activities described above in Section 4.11.6.3.3.

4.11.7 Statutory Historical Income Statements and Cash Flow Information (H1FY24 and H1FY25)

4.11.7.1 Statutory Historical Income Statements (H1FY24 and H1FY25)

Table 53 sets out a summary of the Statutory Historical Income Statements for H1FY24 and H1FY25.

Table 53

	Historical		
	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Revenue and income	**3,030**	**3,039**	**0.3%**
Expenditure			
Aircraft variable leases	(47)	(46)	(2.3%)
Direct operating variable	(860)	(946)	10.1%
Fuel and oil	(617)	(568)	***(7.9%)***
Labour and staff related	(601)	(666)	10.8%
Other	(173)	(279)	***61.0%***
Depreciation and amortisation	(160)	(204)	27.4%
Expenditure	**(2,458)**	**(2,709)**	**10.2%**
Profit before net finance costs and tax	**572**	**330**	**(42.3%)**
Net finance costs	(71)	(82)	15.3%
Net profit before tax	**501**	**248**	**(50.4%)**
Income tax benefit/(expense)	–	225	nm
Net profit	**501**	**473**	**(5.6%)**
Financial metrics			
EBITDA	**732**	**534**	**(27.0%)**
EBITDA margin (%)	*24.2%*	*17.6%*	
EBIT	**572**	**330**	**(42.3%)**
EBIT margin (%)	*18.9%*	*10.9%*	
Net profit	**501**	**473**	**(5.6%)**
Profit margin (%)	*16.5%*	*15.6%*	

Table 54 sets out a summary of the statutory historical financial and operating metrics for H1FY24 and H1FY25.

Table 54

	Historical		
	H1FY24	H1FY25	Change from H1FY24 to H1FY25
Airlines			
Operating Metrics			
Passengers carried (m)	9.9	10.8	8.9%
ASK (m)	16,329	17,410	6.6%
Load factor (%)	85.0	86.4	1.7%
RASK (cents per ASK)	16.3	16.8	2.9%
CASK (cents per ASK)	14.7	14.6	(0.3%)
Statutory financial metrics			
Underlying revenue and income ($m)	2,660	2,919	9.7%
Underlying EBITDA ($m)	412	567	37.8%
Underlying EBITDA margin (%)	15.5%	19.4%	
Underlying EBIT ($m)	261	369	41.5%
Underlying EBIT margin (%)	9.8%	12.7%	
Velocity			
Member numbers at period end (m)	11.9	12.9	8.6%
Points earned (m)	23,925	28,983	21.1%
Points redeemed (m)	17,106	20,490	19.8%
Statutory financial metrics			
Underlying revenue and income ($m)	198	221	12.0%
Underlying EBITDA ($m)	62	67	7.7%
Underlying EBITDA margin (%)	31.4%	30.2%	
Underlying EBIT ($m)	60	65	8.5%
Underlying EBIT margin (%)	30.2%	29.3%	

4.11.7.1.1 Statutory revenue and income (H1FY24 and H1FY25)

Total statutory revenue and income increased by $9 million, or 0.3%, from $3,030 million in H1FY24 to $3,039 million in H1FY25, reflecting the change in revenue and income in the Airlines and Velocity segment explained below:

Airlines segment underlying revenue and income

Airlines segment underlying revenue and income increased by $259 million, or 9.7%, from $2,660 million in H1FY24 to $2,919 million in H1FY25, due primarily to the reasons described in Section 4.11.5.1.1. There was no difference between statutory and pro forma Airlines underlying revenue and income for H1FY24 and H1FY25.

Velocity segment underlying revenue and income

Velocity segment underlying revenue and income increased by $23 million, or 12.0%, from $198 million in H1FY24 to $221 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.1. There was no difference between statutory and pro forma Velocity underlying revenue and income for H1FY24 and H1FY25.

Statutory revenue and income compared to pro forma underlying revenue and income

The primary difference between statutory revenue and income and pro forma underlying revenue and income in H1FY24 was the inclusion of $267 million of revenue from expired future flight credits which are included in Group statutory revenue and income in H1FY24 but excluded from Group pro forma underlying revenue and income in H1FY24. The statutory revenue and income and pro forma underlying revenue and income for H1FY25 were the same.

4.11.7.1.2 Statutory aircraft variable lease costs (H1FY24 and H1FY25)

Total statutory aircraft variable lease costs decreased by $1 million, or 2.3%, from $47 million in H1FY24 to $46 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.2.

There was no difference between statutory and pro forma aircraft variable lease costs for H1FY24 and H1FY25.

4.11.7.1.3 Statutory direct operating variable costs (H1FY24 and H1FY25)

Total statutory direct operating variable costs increased by $87 million, or 10.1%, from $860 million in H1FY24 to $946 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.2.

Included in statutory direct operating variable costs which are not included in pro forma direct operating variable costs are:

- In H1FY24, there was $1 million of costs related to the expiry of future flight credits; and
- In H1FY25, there was $1 million in IT transformation project costs.

4.11.7.1.4 Statutory fuel and oil costs (H1FY24 and H1FY25)

Total statutory fuel and oil costs decreased by $49 million, or 7.9%, from $617 million in H1FY24 to $568 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.2.

There was no difference between statutory and pro forma fuel and oil costs for H1FY24 and H1FY25.

4.11.7.1.5 Statutory labour and staff related costs (H1FY24 and H1FY25)

Total statutory labour and staff related costs increased by $65 million, or 10.8%, from $601 million in H1FY24 to $666 million in H1FY25, due primarily to the reasons described in Section 4.11.5.1.2.

Items that are included in statutory labour and staff related costs but excluded from pro forma labour and staff related costs are the following Significant Items:

- For H1FY24, $4 million in restructuring costs, $12 million in IT transformation projects and $1 million in IPO planning and preparation costs; and
- For H1FY25, $4 million in restructuring costs and $20 million in IT transformation projects.

Refer to Section 4.11.5.1.6 for further explanation of these movements.

Additionally, items that are included in the pro forma labour and staff related costs but excluded from the statutory labour and staff related costs are:

- Incremental pro forma public company costs of $8 million in H1FY24 and $8 million in H1FY25; and
- The removal of pro forma transaction related remuneration amounting to $1 million in H1FY24 and $2 million in H1FY25.

4.11.7.1.6 Statutory other costs (H1FY24 and H1FY25)

Total statutory other costs increased by $106 million, or 61.0%, from $173 million in H1FY24 to $279 million in H1FY25, due primarily to the reasons described in Section 4.11.5.1.2.

Items which are included in statutory other costs which are excluded from pro forma other costs, driving the majority of the remaining increase in statutory other costs, are the following Significant Items:

- In H1FY24, there was $14 million in restructuring costs, $4 million in IT transformation projects costs, $15 million gain on foreign exchange revaluation of USD denominated aircraft leases and $1 million in IPO planning and preparation costs; and
- In H1FY25, there was $16 million in restructuring costs, $7 million in IT transformation projects costs, $57 million loss on foreign exchange revaluation of USD denominated aircraft leases and $1 million in IPO planning and preparation costs.

Refer to Section 4.11.5.1.6 for further explanation of these movements.

Additionally, items which are included in the pro forma other costs but excluded from statutory other costs are incremental pro forma public company costs amounting to $2 million in H1FY24 and $2 million in H1FY25.

4.11.7.1.7 Statutory depreciation and amortisation (H1FY24 and H1FY25)

Total statutory depreciation and amortisation increased by $44 million, or 27.4%, from $160 million in H1FY24 to $204 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.3.

Items which are included in statutory depreciation and amortisation but excluded from pro forma depreciation and amortisation are the following Significant Items:

- For H1FY24, $7 million in impairment of assets and accelerated depreciation; and
- For H1FY25, $4 million in impairment of assets and accelerated depreciation.

4.11.7.1.8 Statutory net finance costs (H1FY24 and H1FY25)

Total statutory net finance costs increased by $11 million, or 15.3% from $71 million in H1FY24 to $82 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.4.

Included in statutory net finance costs which are not included in pro forma net finance costs in H1FY24 is $10 million of net finance costs on a bridging loan obtained during FY23, relating to the amortisation of related borrowing costs.

Additionally, included in the pro forma net finance costs but not included in the statutory finance costs are the pro forma inclusion of $3 million in H1FY24 and $3 million in H1FY25 of net finance costs arising from the removal of the finance costs associated with the QIC Loan and the inclusion of financing costs associated with the New Corporate Facility as if the refinancing had been in place throughout the disclosure periods.

4.11.7.1.9 Statutory Income tax benefit (H1FY24 and H1FY25)

Total statutory income tax benefit increased by $225 million from nil in H1FY24 to $225 million in H1FY25 due to the recognition of a previously unrecognised deferred tax asset.

4.11.7.1.10 Airlines statutory underlying EBIT (H1FY24 and H1FY25)

Airlines statutory underlying EBIT increased by $108 million, or 41.5%, from $261 million in H1FY24 to $369 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.7.

Additionally, there are the following differences between pro forma Airlines underlying EBIT and statutory Airlines underlying EBIT:

- Incremental public company costs amounting to $10 million in H1FY24 and $10 million in H1FY25 are included in pro forma Airlines underlying EBIT but excluded from statutory Airlines underlying EBIT; and
- Transaction related remuneration amounting to $1 million in H1FY24 and $2 million in H1FY25 is included in statutory Airlines underlying EBIT but excluded from pro forma Airlines underlying EBIT.

4.11.7.1.11 Velocity statutory underlying EBIT (H1FY24 and H1FY25)

Velocity statutory underlying EBIT increased by $5 million, or 8.5%, from $60 million in H1FY24 to $65 million in H1FY25, due primarily to the reasons described above in Section 4.11.5.1.8. There was no difference between statutory and pro forma Velocity underlying EBIT for H1FY24 and H1FY25.

4.11.7.2 Statutory Historical Cash Flow Information (H1FY24 and H1FY25)

Table 55 Sets out a summary of the Statutory Historical Cash Flow Information for H1FY24 and H1FY25.

Table 55

	Historical		
	H1FY24 $m	H1FY25 $m	Change from H1FY24 to H1FY25 %
Cash flows from operating activities			
EBITDA	732	534	*(27.0%)*
Non-cash movements	(23)	63	*nm*
Movement in adjusted net working capital	(313)	7	*nm*
Net cash flow from operating activities	**397**	**604**	***52.2%***
Cash flows from investing activities			
Acquisition of PP&E	(149)	(216)	*45.4%*
Proceeds on disposal of PP&E	2	0	*(87.5%)*
Acquisition of intangible assets	–	(1)	*nm*
Interest income received	27	26	*(5.5%)*
Net payments and proceeds with term deposits at bank	(45)	61	*nm*
Net payments and proceeds in other financial assets	72	19	*(73.5%)*
Net cash (used in)/from investing activities	**(92)**	**(110)**	***19.9%***
Cash flows from financing activities			
Repayment of interest-bearing liabilities	(72)	(64)	*(10.6%)*
Interest paid on interest-bearing liabilities	(47)	(45)	*(5.1%)*
Proceeds from interest-bearing liabilities	–	22	*nm*
Repayment of lease liabilities	(88)	(111)	*25.5%*
Interest paid on lease liabilities	(28)	(36)	*27.1%*
Proceeds from share issuance	–	–	*Nm*
Capital return to shareholders	–	–	*Nm*
Dividends paid	–	(109)	*Nm*
Net cash used in financing activities	**(236)**	**(343)**	***45.6%***
Net increase/(decrease) in cash and cash equivalents	**69**	**151**	***117.6%***

4.11.7.2.1 Statutory net cash flow from operating activities (H1FY24 and H1FY25)

Statutory net cash flow from operating activities increased by $207 million, or 52.2%, from $397 million in H1FY24 to $604 million in H1FY25, due primarily to reasons described above in Section 4.11.5.2.1

Additionally, there are the following differences between pro forma net cash flow from operating activities and statutory net cash flow from operating activities:

- $2 million net cash impact from IPO planning and preparation costs in H1FY24 ($5 million in H1FY25) are excluded from pro forma net cash flow from operating activities but included in statutory net cash flow from operating activities; and
- $5 million net cash impact from incremental public company costs in H1FY24 ($6 million in H1FY25) are included in pro forma net cash flow from operating activities but excluded from statutory net cash flow from operating activities.

4.11.7.2.2 Statutory net cash (used in)/from investing activities (H1FY24 and H1FY25)

Statutory net cash (used in)/from investing activities decreased by $18 million, or 19.9%, from a $92 million outflow in H1FY24 to $110 million outflow in H1FY25, due primarily to the reasons described above in Section 4.11.5.3.1. There was no difference between statutory and pro forma cash flows from investing activities for H1FY24 and H1FY25.

4.11.7.2.3 Statutory net cash used in financing activities (H1FY24 and H1FY25)

Statutory net cash used in financing activities decreased by $107 million, or 45.6%, from a $236 million cash outflow in H1FY24 to a $343 million cash outflow in H1FY25, due primarily to reasons described above in Section 4.11.5.3.2.

Additionally, statutory net cash used in financing activities includes the impact of the following items that are not included in pro forma adjusted net cash used in financing activities:

- A $109 million cash outflow in H1FY25 related to a $100 million dividend paid to BC Hart, the sole ordinary shareholder and $9 million in payments to Class A shareholders that are treated as dividends for accounting purposes.

Additionally, included in the pro forma adjusted net cash used in financing activities but not included in statutory net cash used in financing activities is $3 million of interest in H1FY24 and $3 million of interest in H1FY25 related to the net finance costs arising from the removal of the finance costs associated with the QIC Loan and the inclusion of financing costs associated with the New Corporate Facility as if the refinancing had been in place throughout the disclosure periods.

4.11.7.2.4 Statutory net increase/(decrease) in cash and cash equivalents (H1FY24 and H1FY25)

Statutory net cash flows increased by $82 million, or 117.6%, from $69 million in H1FY24 to $151 million in H1FY25.

The movements in statutory net cash flows were primarily driven by the movements in statutory net cash flow from operating activities described above in Section 4.11.7.2.1 the movements in statutory net cash (used in)/from investing activities described above in Section 4.11.7.2.2 and the movements in statutory net cash used in financing activities described above in Section 4.11.7.2.3.

4.12 Forecast financial information

The basis of preparation of the Forecast Financial Information is described in Section 4.2.3.

The Forecast Financial Information is based on various specific and general assumptions including those set out in this Section 4.12. Assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Virgin Australia and its Directors and are not reliably predictable. Accordingly, no assurance can be given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The general and specific assumptions described in Sections 4.12.1 and 4.12.2 should be read in conjunction with the sensitivity analysis set out in Section 4.14 and this Prospectus as a whole, including (without limitation) the risk factors set out in Section 5 and the Limited Assurance Investigating Accountant's Report on the Forecast Financial Information set out in Section 8.

4.12.1 General Assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- No material change in the competitive environment in which Virgin Australia operates including the capacity outlook for the Domestic market;
- No significant change to the domestic or global economic conditions relevant to Virgin Australia, including business confidence, consumer sentiment, economic growth, inflation, fiscal and taxation policies in Australia;
- No new domestic or international travel restrictions as a result of the emergence of pandemics, epidemics or for any other reason;
- No material industrial actions or other disturbances or litigation and other legal claims;
- No material changes in key personnel, including key management personnel and Virgin Australia being able to continue to recruit and retain personnel who will be required to support the future growth of Virgin Australia;
- No material industry disturbances, disruptions to the continuity of operations of Virgin Australia or other material changes in its business, including acquisitions, disposals, restructurings or investments or change in the corporate and funding structure of Virgin Australia other than as contemplated by this Prospectus;
- There are no major weather events that materially impact on the operations of Virgin Australia;
- No material amendment to any material contract, agreement or arrangement relating to Virgin Australia's business;
- There are no material changes in government regulation, policy, legislation, or tax legislation, that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of Virgin Australia;
- No material devaluation of the Australian dollar against the US dollar;
- The Offer proceeds are received in accordance with the timetable set out in the Key Offer Details Section of this Prospectus (refer to Section 7);
- Virgin Australia will have access to the New Corporate Facility[7] on Completion or shortly thereafter;
- No material changes in applicable AASB, IFRS or other mandatory professional reporting requirements which have a material effect on the financial performance or cash flows of Virgin Australia, its financial position, accounting policies, or financial reporting or disclosures other than those set out in this Section 4; and
- None of the key risks listed in Section 5 occurs and, if they do occur, has a material adverse impact on Virgin Australia's operations, financial position or performance.

4.12.2 Specific Assumptions

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below. The specific assumptions set out below are a summary only and do not represent all factors that may affect Virgin Australia's pro forma forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

In preparing the Forecast Financial Information, Virgin Australia has analysed historical performance, including the current rates of revenue and expenses and applied assumptions where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.14, the risk factors set out in Section 5, the Limited Assurance Investigating Accountant's Report on the Forecast Financial Information set out in Section 8 and other information contained in this Prospectus. The Limited Assurance Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the offer of Shares in Australia and has been omitted from the Institutional Offering Memorandum being distributed in the United States.

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[7] See Section 9.6.1 for further details.

The specific assumptions used for the FY25F Pro Forma Forecast Financial Information are set out below.

Revenue and income	• Assumes that demand for air travel and market supply grows in line with GDP; and sustained RASK growth supported by the Transformation Program benefits along with expected inflation during the period. • Airlines segment assumes: – Domestic RASK improvement driven by market supply and demand relatively in line with GDP growth, and the impact of Transformation Program and inflation recovery; and – Reduction in international capacity due to the exit from the Cairns-Haneda (Japan) route with international RASK growth from the impact of Transformation Program and inflation recovery. • Velocity segment assumes: – Existing partner billings growth assumed to be predominantly generated by financial services partners; and – That Virgin Australia has long term relationships with its key partners with all major contracts continuing, except for Etihad Airways (following Qatar's investment in Virgin Australia). • Group eliminations based on expected transactions between the Airlines and Velocity segments.
Expenditure	• Assumed that expenditure grows in line with underlying drivers and adjusted for inflation and impact of AUD/USD exchange rate where applicable. • Group expenditure assumes: – Aircraft variable leases reflecting expected use of wet lease services; – Direct operating and variable lease cost incorporates costs related to airport fees, landing and navigation and other variable costs and reflecting a combination of contracted and estimated uncontracted rate increases; – Fuel costs assumes an effective AUD SingJet fuel rate of $137/bbl (inclusive of hedging and before handling), of which underlying crude is hedged via options and forward contracts through the forecast period to moderate the EBIT impact of adverse movement in fuel prices for FY25F. Refer to Section 4.14 for details on the sensitivity to movements in fuel price; and – Labour and staff related costs are inclusive of the latest EBA award rates, forecast productivity and indirect labour requirements. • Depreciation and amortisation costs are based on depreciation schedules including assumed capital expenditure.
Fleet	• Assumed addition of two leased Boeing 737-800 aircraft and the return of one leased Boeing 737-800 as well as the return of two leased A320 aircraft and the retirement of two F100 aircraft as part of the Group's fleet transition from January 2025 to June 2025. This will result in an assumed owned and leased fleet at period end of 101 narrowbody planes, of which 70% of the fleet are operating under a lease agreement and 30% of the fleet are owned by Virgin Australia. • See Section 3.5.2 for further details on the fleet assumptions.
Capital expenditure	• Assumed acquisition of PP&E, an increase in scheduled maintenance events, and pre-delivery payments on future deliveries for Boeing and Embraer aircrafts.
Net finance costs	• Assumed net finance costs reflecting the interest expense on heavy maintenance provisions, interest bearing-liabilities and lease liabilities based on detail maintenance, loan and lease registers.
Tax	• Pro forma forecast income statement assumes a 30% corporate tax rate.
Foreign exchange	• Assumed AUD/USD exchange rate of 1 AUD = 0.63 USD. • 100% of Virgin Australia's underlying EBIT exposure to the movements in AUD/USD hedged for the remainder of FY25F.

4.12.3 Management discussion and analysis of forecast Income Statements and Cash Flow Information (FY24 and FY25F)

4.12.3.1 Pro Forma Historical and Forecast Income Statements (FY24 and FY25F)

Table 56 sets out a summary of the Pro Forma Historical and Forecast Income Statements for FY24 and FY25F.

Table 56

	Pro Forma Historical and Forecast		
	FY24 $m	FY25F $m	Change from FY24 to FY25F %
Underlying revenue and income	**5,353**	**5,804**	**8.4%**
Expenditure			
Aircraft variable leases	(91)	(85)	(7.2%)
Direct operating variable	(1,708)	(1,861)	9.0%
Fuel and oil	(1,196)	(1,097)	(8.3%)
Labour and staff related	(1,184)	(1,301)	9.9%
Other	(344)	(401)	16.5%
Expenditure	**(4,524)**	**(4,745)**	**4.9%**
Underlying EBITDA	**830**	**1,059**	**27.7%**
Depreciation and amortisation	(328)	(416)	26.6%
Underlying EBIT	**501**	**644**	**28.4%**
Net finance costs	(131)	(173)	31.4%
Underlying net profit before tax	**370**	**471**	**27.3%**
Income tax benefit/(expense)	(111)	(140)	26.1%
Underlying net profit	**259**	**331**	**27.8%**
Significant items	(72)	(112)	55.2%
Net profit	**187**	**219**	**17.1%**
Financial metrics			
Underlying EBITDA	**830**	**1,059**	**27.7%**
Underlying EBITDA margin (%)	*15.5%*	*18.2%*	
Underlying EBIT	**501**	**644**	**28.4%**
Underlying EBIT margin (%)	*9.4%*	*11.1%*	
Underlying net profit	**259**	**331**	**27.8%**
Underlying net profit margin (%)	*4.8%*	*5.7%*	

Table 57 sets out a summary of the pro forma historical and forecast key operating and financial metrics for FY24 and FY25F.

Table 57

	Pro Forma Historical and Forecast		
	FY24	FY25F	Change from FY24 to FY25F
Airlines			
Operating Metrics			
Passengers carried (m)	19.2	20.8	8.4%
ASK (m)	32,374	33,630	3.9%
Load factor (%)	83.0	85.5	3.0%
RASK (cents per ASK)	15.9	16.5	4.1%
CASK (cents per ASK)	14.7	15.0	2.0%
Pro forma financial metrics			
Underlying revenue and income ($m)	5,146	5,565	8.1%
Underlying EBITDA ($m)	698	922	32.2%
Underlying EBITDA margin (%)	13.6%	16.6%	
Underlying EBIT ($m)	374	510	36.4%
Underlying EBIT margin (%)	7.3%	9.2%	
Velocity			
Member numbers at period end (m)	12.3	13.3	7.8%
Points earned (m)	50,370	56,735	12.6%
Points redeemed (m)	36,058	40,422	12.1%
Pro forma financial metrics			
Underlying revenue and income ($m)	409	457	11.8%
Underlying EBITDA ($m)	120	130	8.3%
Underlying EBITDA margin (%)	29.3%	28.4%	
Underlying EBIT ($m)	115	126	9.5%
Underlying EBIT margin (%)	28.2%	27.6%	

4.12.3.1.1 Pro forma underlying revenue and income (FY24 and FY25F)

Total pro forma underlying revenue and income is expected to increase by $451 million, or 8.4%, from $5,353 million in FY24 to $5,804 million in FY25F, reflecting the increase in revenue and income in the following segments:

Airlines segment pro forma underlying revenue and income

Airlines segment pro forma underlying revenue and income is expected to increase by $419 million, or 8.1%, from $5,146 million in FY24 to $5,565 million in FY25F, driven primarily by the following:

- An expected 3.9% increase in ASKs and 8.4% increase in passengers carried, reflecting the expected growth in passenger demand;
- A 4.1% increase in RASK, expected to be driven by:
  - Load factors expected to increase from 83.0% in FY24 to 85.5% in FY25F, driven partly by a reduction of market capacity from Rex exiting certain routes and otherwise market capacity increasing in line with passenger demand; and
  - Passenger yields expected to increase in line with domestic GDP growth and benefit from the Transformation Program, including demand optimisation, improved calibration of revenue management systems, the implementation of automated pricing tools across fare brands (Flex, Choice, Lite) and continued growth into the higher yielding SME and Corporate customer segment.
- Expected ancillary revenue per passenger increasing by 7.8% through the existing products optimisation across pricing, digital test and learn and marketing; and
- Furthermore, FY25F Airlines pro forma underlying revenue and income includes $2 million in estimated reimbursement revenue from Qatar Airways for expenses incurred by Virgin Australia on behalf of Qatar Airways related to Virgin Australia flights operated through a wet lease arrangement with Qatar Airways commencing in June 2025. This revenue is included in the Airlines segment. This expected reimbursement revenue is equal to the costs expected to be incurred by the Airlines segment on behalf of Qatar Airways related to flights operated by Virgin Australia under the wet lease with Qatar Airways (see Section 4.12.3.1.2). Actual revenue (and related expenses incurred by Virgin Australia) may vary significantly as Virgin Australia and Qatar Airways are working together to facilitate the direct billing of Qatar Airways by airports and vendors for these expenses.

Velocity segment pro forma underlying revenue and income

Velocity segment pro forma underlying revenue and income is expected to increase by $48 million, or 11.8%, from $409 million in FY24 to $457 million in FY25F, driven primarily by the following:

- A 12.6% increase in points earned expected reflecting strong growth in current member activity combined with growth of the member base through investment in brand campaigns and growing the partner ecosystem by launching new partnerships in existing verticals and new verticals (e.g. AGL and DiDi);
- A 12.1% increase in points redeemed expected reflecting increased member engagement levels by adding more attractive redemption options with new partners as well as continuing to drive member value in existing redemption options such as Virgin Australia and third party airline redemptions; and
- Velocity is continuing to invest in business development to drive growth, including adding new partners in FY25F, launching refreshed financial services products and increasing total member numbers by 7.8%.

4.12.3.1.2 Pro forma expenditure (FY24 and FY25F)

Total pro forma expenditure is expected to increase by $221 million, or 4.9%, from $4,524 million in FY24 to $4,745 million in FY25F. This is explained by the following assumed key expenditure items:

Pro forma aircraft variable lease costs

Total pro forma aircraft variable lease cost is expected to decrease by $7 million, or 7.2%, from $91 million in FY24 to $85 million in FY25F. This decrease is primarily driven by the planned reduction in wet lease flying as a result of new Boeing 737-8 aircraft deliveries that will allow Virgin Australia to fulfil routes that were serviced through wet-lease arrangements in FY24.

Pro forma direct operating variable costs

Total pro forma direct operating variable costs are expected to increase by $153 million, or 9.0%, from $1,708 million in FY24 to $1,861 million in FY25F. This increase primarily reflects growth in flying activity expected for this period (with passengers carried and block hours expected to be up 8.4% and 2.9%, respectively).

FY25F airport, navigation and station operations costs are expected to increase by $107 million as a result of passenger growth and expected airport fee increases as compared to FY24. Major airports including Brisbane, Sydney, Melbourne and Perth, have increased passenger-based fees in FY25F to fund their internal airport capital projects. Additionally, the FY25F period is expected to see an increase in contract and other maintenance costs of $46 million due to the timing of heaving maintenance checks, contractual and inflationary increases and fleet additions, and commissions, marketing and reservations of $1 million reflecting the expected growth in flying activity offset by improved rates. FY25F is also expected to see a 30.0% increase in heavy maintenance provision costs due to higher block hours, contractual and inflationary increases and increase in leased aircraft units and leased spare engines.

The increase in direct operating variable costs is expected to be partially offset by operational resilience measures implemented in FY24 that continue to improve operational reliability and minimise disruption costs in FY25F.

FY25F direct variable costs includes $2 million in estimated expenses incurred by Virgin Australia on behalf of Qatar Airways for Virgin Australia flights operated through a wet lease arrangement with Qatar Airways. These expenses incurred by Virgin Australia on behalf of Qatar Airways will be fully reimbursed as reimbursement revenue included in underlying revenue and income (see Section 4.12.3.1.1). As a result, the impact on net profit is expected to be nil. Actual expenses (and related revenue and income recognised by Virgin Australia) may vary significantly as Virgin Australia and Qatar Airways are working together to have airports and vendors bill Qatar Airways directly.

Pro forma fuel and oil costs

Total pro forma fuel and oil costs are expected to decrease by $99 million, or 8.3%, from $1,196 million in FY24 to $1,097 million in FY25F. The expected decline in net fuel costs (after hedging and FX movements) is primarily driven by the expected decline in the all-in cost per barrel from $182 in FY24 to $162 in FY25F, the continued intake of fuel efficient Boeing 737-8 aircraft and expected ongoing fuel conservation transformation initiatives (see Section 3.8), partially offset by an expected 2.9% increase in block hours.

Virgin Australia has hedged its exposure to materially adverse movements in fuel and oil unit costs through a mixture of forwards and options for FY25F. See Sections 3.11.4 and 4.8 for further information on fuel hedging.

Pro forma labour and staff related costs

Total pro forma labour and staff related costs are expected to increase by $117 million, or 9.9%, from $1,184 million in FY24 to $1,301 million in FY25F. The forecast increase in labour and staff related costs is driven primarily by an increase in indirect staff to continue supporting operational growth and the ongoing Transformation Program initiatives and the projected increase in direct labour to serve growth in VA operated flying activity inclusive of new flights previously operated by wet lease carriers. The FY25F period also includes the impact of higher EBA rates as compared to FY24. FY25F reflects the nine months with new flight crew EBA rates (the flight crew EBA was in effect from 30 September 2024 (see Section 9.11.3)).

Offsetting a part of the above are Transformation Program benefits that are expected to flow through including the benefits of the impact of productivity enabled through implementation of revised EBA provisions, improved process automation and continuous efficiency improvements of operations (see Sections 3.4.3 and 3.8.3).

Pro forma other costs

Total pro forma other costs are expected to increase by $57 million, or 16.5%, from $344 million in FY24 to $401 million in FY25F. The expected increase in other costs reflects an expected $13 million unfavourable foreign exchange movement following a declining AUD/USD exchange rate in FY25F, $7 million expected increase in catering costs and a $6 million expected movement in gain/loss on disposal of assets.

Pro forma other costs also include $107 million and $127 million of IT costs incurred in FY24 and expected to be incurred in FY25F, respectively. Including labour and staff related costs, total technology operating costs were $145 million in FY24 and expected to be $184 million in FY25F, reflecting increased consumption usage and IT infrastructure run costs post the Transformation Program related projects.

4.12.3.1.3 Pro forma depreciation and amortisation (FY24 and FY25F)

Table 58 sets out a summary of the historical and forecast pro forma depreciation and amortisation for FY24 and FY25F.

Table 58

	Pro forma Historical and Forecast		
Depreciation	FY24 $m	FY25F $m	Change from FY24 to FY25F %
Aircraft and aeronautic	150	195	29.3%
Plant and equipment	9	14	57.3%
Buildings and property	0	0	50.0%
Computer equipment	6	8	37.7%
Right of use assets	155	191	23.6%
Total Depreciation	**320**	**408**	**27.5%**
Amortisation	8	7	(11.0%)
Total Depreciation and Amortisation	**328**	**416**	**26.6%**

Total pro forma depreciation and amortisation is expected to increase by $87 million, or 26.6%, from $328 million in FY24 to $416 million in FY25F. The expected increase in depreciation and amortisation is primarily driven by an expected increase in depreciation on aircraft and aeronautic due to new Boeing 737-8 deliveries, planned Boeing 737-800 aircraft lease extensions, additional spare engines purchases and increased capitalised heavy maintenance events.

4.12.3.1.4 Pro forma net finance costs (FY24 and FY25F)

Table 59 sets out a summary of the historical and forecast pro forma net finance costs for FY24 and FY25F.

Table 59

	Pro forma Historical and Forecast		
Net finance costs	FY24 $m	FY25 $m	Change from FY24 to FY25F %
Net interest expense	70	99	41.3%
Interest on lease liabilities	61	73	20.1%
Net finance costs	**131**	**173**	**31.4%**

Total pro forma net finance costs are expected to increase by $41 million, or 31.4%, from $131 million in FY24 to $173 million in FY25F. The expected increase in pro forma net finance costs reflects higher interest expense on heavy maintenance provisions due to the increase in the number of leased aircraft and higher provision balances.

The expected increase in pro forma interest on lease liabilities is due to the expected delivery of four leased Boeing 737-800 aircraft along with the annualised impact of six leased Boeing 737-8 aircraft that were delivered in FY24.

4.12.3.1.5 Pro forma income tax benefit/(expense) (FY24 and FY25F)

Total pro forma income tax expense is expected to increase by $29 million, or 26.1%, from $111 million in FY24 to $140 million in FY25F.

The forecast increase in pro forma income tax expense is primarily driven by the forecast increase in pro forma underlying net profit before tax by $101 million from $370 million in FY24 to $471 million in FY25F, applying an effective tax rate of 30% which is consistent with the tax rate Virgin Australia expects to pay going forward.

4.12.3.1.6 Pro forma Significant Items (FY24 and FY25F)

Refer to Section 4.2.2 for a description of each of the Significant Items.

Table 60 sets out a summary of the historical and forecast pro forma Significant items for FY24 and FY25F.

Table 60

	Pro forma Historical and Forecast		
Pro forma Significant Items costs/(revenue)	**FY24 $m**	**FY25F $m**	**Change from FY24 to FY25F %**
Restructuring and transformation costs	50	37	(25.8%)
IT transformation projects	36	54	51.1%
Impairment of assets and accelerated depreciation	15	12	(20.9%)
Foreign exchange revaluation on aircraft leases	(3)	49	nm
Other	6	9	58.2%
Tax impact of Significant Items	(31)	(48)	55.2%
Total Significant Items	**72**	**112**	**55.2%**

Virgin Australia's total Significant Items costs (see Section 4.3.5 for a further explanation) was $72 million in FY24 and expected to be $112 million for FY25F, driven primarily by the following:

1. Restructuring and transformation costs of $50 million in FY24 compared to $37 million expected in FY25F, driven by multiple projects including the Current Transformation Program Initiatives (see Section 3.4.3) such as:

   Table 61 sets out a summary of the pro forma historical restructuring and transformation costs for FY24 and FY25F.

Table 61

	Pro forma Historical and Forecast	
Restructuring and transformation costs	**FY24 $m**	**FY25F $m**
VARA fleet replacement	–	6
Project Rubik (optimising scheduling and direct labour)	11	6
Transformation project team	6	6
Indirect labour restructuring	8	3
Virgin Australia and Qatar Airways reservation integration	–	10
One-off discretionary bonus	9	–
Finance costs related to a bridge loan previously in place	11	–
Other restructuring and transformation costs	5	6
Total Restructuring and transformation costs	**50**	**37**

- VARA Fleet replacement of Fokker 100 aircraft with the Embraer E2 regional jet aircraft resulting in one-off startup costs incurred including certification, crew training, and related labour requirements ($6 million of costs expected in FY25F);
- Commencement and continuation of Project Rubik, ($11 million of non-recurring startup costs in FY24 and $6 million expected in FY25F) which is a multi-year transformation project that aims to optimise scheduling by maximising profit in peak demand and minimising the impact of troughs and drive direct labour productivity. This project is expected to be complete by June 2026;
- Dedicated transformation project team that continues to identify, manage and track more than 50 workstreams to permanently reduce costs from the business ($6 million of costs in FY24 and $6 million expected in FY25F). This workstream set up should be substantially complete by end of June 2026;
- Company-wide indirect labour restructuring and optimisation to drive efficiency, including targeted headcount reduction ($8 million of costs in FY24 and $3 million expected in FY25F in redundancy related costs);
- Program Implementation for the Virgin Australia flights operated through a wet lease arrangement with Qatar Airways – Initiative to integrate carrier reservation systems, operations systems and commercial efforts to launch the flights in June 2025 (FY25F expected cost $10 million); and
- Included in FY24 is also:
  - a one-off $9 million discretionary bonus paid to MEP holders employed by VA at the time, under Bain Capital's ownership; and
  - finance costs of $11 million associated with the amortisation of borrowing costs on a bridge loan that was previously in place but later refinanced with the Velocity Syndicated Facility.

2. IT transformation projects of $36 million in FY24 compared to $54 million expected for FY25F. As explained in Section 4.11.4.1.6, IT transformation projects in Significant Items relate to projects that are transformational in nature and/or introduce new capabilities to the business (as opposed to ongoing IT costs, which are included in pro forma other costs, which were $145 million in FY24 and expected to be $184 million in FY25F (including labour and staff related costs)), including as part of Virgin Australia's investment into rebuilding outdated IT systems under Bain Capital's ownership (discussed in Section 3.9).

Table 62 IT transformation projects costs (FY24 and FY25F)

	Pro forma Historical and Forecast	
IT transformation projects	**FY24 $m**	**FY25F $m**
Project Compass	6	7
Crew management system optimisation	5	4
Ground management rostering system	1	8
Customer Identity and Access Management Phase II	1	3
Digital initiative projects	10	15
Passenger Service System	–	3
OneStream enterprise performance management system	–	2
Other IT transformation projects	13	12
IT transformation projects	**36**	**54**

- The transformational IT projects that were included in FY24 (and FY25F) include:
  - Project Compass – a multi year initiative (expected to end in FY26) primarily focused on improving the fare and ancillary offer proposition for customers ($6 million of cost in FY24 and $7 million of costs expected in FY25F). Centred principally on increasing price points associated with each of Virgin Australia's fare families, providing an improved customer experience while also delivering a revenue increase by way of capturing customer willingness to pay. This program sets the foundation for future distribution and airline technology modernisation;
  - Significant investment in building an end-to-end crew management system ($5 million of costs in FY24 and $4 million of costs expected in FY25F), a project to transform crew management, drive productivity, ensure compliance with EBAs and business rules, and support future growth and innovation. This project is expected to be completed by March 2026;

    - Ramp-up of the ground management rostering system to optimise labour scheduling ($1 million of cost in FY24 and $8 million of costs expected in FY25F), replacing ShiftLogic, a critical but unstable 15+ year-old unsupported workforce management system. This project is expected to end by December 2026 and benefit the organisation over the next decade;
    - Customer Identity and Access Management Phase II – enhancing data security for customer data and managing all interfaces with customers ($1 million of costs in FY24 and $3 million of costs expected in FY25F). This project was completed in March 2025 and involved replacing unsupported legacy systems with security vulnerabilities that have been in place since the early 2000s; and
    - Other digital initiatives supporting Virgin Australia's integrated digital ecosystem (e.g. across web build and Velocity App to focus on enhancing the customer experience and booking capabilities) (total $10 million in FY24 and $15 million of costs expected in FY25F).
  - The transformational IT projects that commenced or expanded in FY25F include:
    - Passenger Service System (PSS) – Next generation solution to modernise the airline's retailing capabilities to enable the business to deliver personalised, dynamic travel experiences and enhance guest interactions ($3 million of costs expected in FY25F), replacing a legacy PSS architecture; and
    - Implementing the OneStream enterprise performance management system as part of Virgin Australia's finance transformation program to optimise financial planning & analysis processes ($2 million of costs expected in FY25F). This project is expected to end November 2025.
  - In executing these IT projects, Virgin Australia utilised temporary labour that are primarily contract/external labour to help the IT digital transformation projects ($6 million of costs in FY24 and $14 million of costs expected in FY25F).
  - As Virgin Australia starts to finalise the substantial technology investment program (as discussed in Section 3.9), IT transformation projects going forward are expected to reduce. However, Virgin Australia remains committed in uplifting and investing in technology capabilities where it makes financial and strategic sense to create long-term value for Virgin Australia.

3. Impairment of assets and accelerated depreciation of $15 million in FY24 compared to $12 million expected in FY25F, relating to the accelerated depreciation of the VARA Fokker 100 aircraft, which are expected to exit service by December 2025.
4. Foreign exchange revaluation on aircraft leases from a $3 million gain in FY24 compared to a $49 million loss expected for FY25F due to an expected decrease in the average AUD/USD exchange rate during this period which is applied to the USD denominated aircraft lease liabilities.

4.12.3.1.7 Airlines pro forma underlying EBIT (FY24 and FY25F)

Airlines segment pro forma underlying EBIT is expected to increase by $137 million, or 36.6%, from $374 million in FY24 to $511 million in FY25F driven primarily by the following:

- An expected 8.1% increase in Airlines segment pro forma underlying revenue and income as explained in Section 4.12.3.1.1; and
- Airlines segment pro forma underlying EBIT margins expected to increase from 7.3% to 9.2% primarily due to passenger demand, favourable fuel and Transformation Program initiatives described in Sections 4.12.3.1 and 4.12.3.2 including:
  - Revenue initiatives through inventory management and pricing enhancements, targeted SME and corporate share growth and new ancillary products and price optimisation supporting yields; and
  - Cost initiatives including operational resilience measures, addition of new fuel efficient Boeing 737-8 aircraft, targeted fuel conservation measures and leveraging labour scheduling optimisation systems and EBA work rules that are expected to drive productivity, which are expected to partially offset inflationary costs, with CASK growth of 2.0% during the period less than RASK growth of 4.1% (as explained in Section 4.12.3.1.1).

4.12.3.1.8 Velocity pro forma underlying EBIT (FY24 and FY25F)

Velocity segment pro forma underlying EBIT is expected to increase by $11 million, or 9.5%, from $115 million in FY24 to $126 million in FY25F driven primarily by the following:

- A 11.8% increase in Velocity segment underlying revenue and income as explained in Section 4.12.3.1.1; and
- Velocity segment pro forma underlying EBIT margin is expected to decrease from 28.2% to 27.6%, primarily driven by the higher expected cost of redemptions on partner airlines for long-haul services. In addition, Velocity is expected to increase investments in marketing and technology to support additional services and partnerships to drive long term sustainable program growth allowing it to continue to leverage its relatively fixed cost base.

4.12.3.2 Pro Forma Historical and Forecast Cash Flow Information (FY24 and FY25F)

Table 63 sets out a summary of the Pro Forma Historical and Forecast Cash Flow Information for FY24 and FY25F.

Table 63

	Pro Forma Historical and Forecast		
	FY24 $m	FY25F $m	Change from FY24 to FY25F %
Cash flows from operating activities			
Underlying EBITDA	830	1,059	27.7%
Non-cash movements	12	44	261.4%
Movement in adjusted net working capital	142	196	37.9%
Underlying operating cash flow	**984**	**1,299**	**32.0%**
Cash flows associated with significant items	(70)	(107)	52.1%
Net cash flow from operating activities	**914**	**1,192**	**30.5%**
Cash flows from investing activities			
Acquisition of PP&E	(329)	(511)	55.2%
Proceeds on disposal of PP&E	7	0	(96.9%)
Acquisition of intangible assets	(2)	–	nm
Interest income received	56	51	(8.5%)
Net payments and proceeds with term deposits at bank	(129)	61	nm
Net payments and proceeds in other financial assets	73	17	(77.2%)
Net cash (used in)/from investing activities	**(325)**	**(382)**	**17.5%**
Adjusted cash flows from financing activities			
Repayment of interest-bearing liabilities	(536)	(205)	(61.7%)
Interest paid on interest-bearing liabilities	(91)	(99)	8.4%
Proceeds from interest-bearing liabilities	450	131	(70.9%)
Repayment of lease liabilities	(182)	(231)	27.3%
Interest paid on lease liabilities	(61)	(72)	17.8%
Proceeds from share issuance	–	–	
Adjusted net cash used in financing activities	**(420)**	**(476)**	**13.5%**
Net cash flow before dividends	**169**	**334**	**97.9%**
Adjusted free cash flow reconciliation			
Net cash flow from operating activities	914	1,192	30.5%
Net cash (used in)/from investing activities	(325)	(382)	17.5%
Less net payments and proceeds with term deposits at bank	129	(61)	nm
Repayment of lease liabilities	(182)	(231)	27.3%
Interest paid on lease liabilities	(61)	(72)	17.8%
Adjusted free cash flows	**475**	**446**	**(6.1%)**

4.12.3.2.1 Pro forma underlying operating cash flow (FY24 and FY25F)

Pro forma underlying operating cash flow is expected to increase by $315 million, or 32.0%, from $984 million in FY24 to $1,299 million in FY25F. This increase is driven primarily by the expected increase in underlying EBITDA. The movement in underlying operating cash flow is also expected to be impacted by an increase in non-cash movements from an inflow of $12 million in FY24 to an inflow of $44 million in FY25F, driven primarily by differences in the revaluation of financing and investing balance sheet accounts and changes in the hedge reserve. Working capital is also expected to increase by $54 million in FY25F with an increase in heavy maintenance provisions and growth in revenue.

4.12.3.2.2 Pro forma net cash flow from operating activities (FY24 and FY25F)

Pro forma net cash flow from operating activities is expected to increase by $278 million, or 30.5%, from $914 million in FY24 to $1,192 million in FY25F. The movements in pro forma net cash flow from operating activities are expected to be the result of the same drivers as the movements in pro forma underlying operating cash flow discussed in Section 4.12.3.2.1 other than for the cash flow impact of Significant Items which are expected to be as follows:

- A $70 million cash outflow in FY24 which primarily relates to IT transformation projects and Transformation Program Initiatives; and
- An expected $107 million cash outflow in FY25F consisting primarily of the VARA fleet replacement program, IT transformation projects and Transformation Program Initiatives.

4.12.3.2.3 Pro forma net cash (used in)/from investing activities (FY24 and FY25F)

Pro forma net cash used in investing activities is expected to increase by $57 million, or 17.5%, from $325 million in FY24 to $382 million in FY25F.

This increase in net cash used in investing activities is primarily driven by an expected:

- Increase in outflows related to the acquisition of PP&E from $329 million in FY24 to $511 million in FY25F driven by an expected increase in scheduled maintenance events and pre-delivery payments for Boeing and Embraer aircraft purchases;
- Decrease in net payments and proceeds in other financial assets from a $73 million inflow in FY24 to $17 million inflow in FY25F driven by a higher portion of forward sales collateral and lessor security deposits returned in FY24, along with an expected increase in maintenance reserve payments to lessors in FY25F.
- Offset by a decrease in net payments and proceeds with term deposits at bank from a $129 million outflow in FY24 to a $61 million inflow in FY25F due to a lower amount of term deposits expected to be placed for greater than three months.

4.12.3.2.4 Pro forma adjusted net cash used in financing activities (FY24 and FY25F)

Pro forma adjusted net cash flows used in financing activities is expected to increase by $57 million, or 13.5%, from a $420 million outflow in FY24 to a $476 million outflow in FY25F. This increase in cash outflows reflects a $60 million increase in repayments and interest paid on lease liabilities driven by the expected delivery of four leased Boeing 737-800 aircraft and one Boeing 737-8 aircraft along with the annualised impact of six leased Boeing 737-8 aircraft that were delivered in FY24.

4.13 FY26 OUTLOOK

Virgin Australia expects continued growth in both revenue and underlying profit for FY26, driven by continued growth in demand for air travel, the impact of Virgin Australia's Transformation Program (as outlined in Section 3.4) and continued growth in Velocity.

It is important to note, however, that recent U.S. Administration tariff announcements have created market volatility affecting Virgin Australia's cost base. These impacts include fluctuations in fuel prices and foreign exchange rates, as well as potential indirect cost increases for products and services used by the airline. Should these conditions persist, Virgin Australia expects, where possible, to take actions to attempt to mitigate or offset these effects. However, the potential net financial impact of these factors cannot be predicted with precision. Refer to Section 5.2.7 for further information of the risks to Virgin Australia from the impact of recent increases in tariffs.

In relation to the FY26 outlook, Virgin Australia expects the following for each of its operating segments:

- For the Airlines segment:
  - Demand for air travel is expected to grow broadly in line with GDP growth;
  - Fleet and ASK growth are expected to align with demand growth, including the addition of 12 new Boeing 737-8 aircraft and four new Embraer E2 aircraft expected to be delivered by June 2026 (see Section 3.5.2 for further details of the fleet outlook), noting that the majority of new aircraft will be used to replace exiting aircraft;
  - The ongoing impact of the Transformation Program is expected to contribute to further growth in RASK. Virgin Australia expects that RASK for H1FY26 will increase by approximately 3-5% compared to H1FY25;
  - Fuel costs being managed through an active hedging program, typically up to six months forward. Virgin Australia has material hedging in place against adverse movements in fuel prices until December 2025 (but retains significant exposure to upside from reductions in prices);
  - Growth in labour and staff-related unit costs compared to FY25 are expected to be modestly above inflation, reflecting the annualised net effect of the latest EBA award rates and productivity initiatives; and
  - Airport and maintenance costs are expected to grow at above the rate of inflation.
- For the Velocity segment, we expect double digit growth in partner billings driven by continued membership growth (both Velocity and VABF) and growth in financial services.

At the group level, the underlying EBIT margin is expected to continue to improve, supported by the impact of the Transformation Program initiatives which are expected to deliver a gross benefit of approximately $400 million in FY26 (as outlined in Sections 3.4 and 3.8). It is expected that Significant Items expenditure in FY26 related to the Transformation Program will be less than $70 million, compared to $91 million in FY25.

Gross capital expenditure (including maintenance of existing fleet, purchase of additional aircraft and engines, and non-aircraft related capital expenditure) is expected to be approximately $1.1 billion in FY26. After net proceeds from pre-committed sale and leaseback of aircraft, net capital expenditure is expected to be approximately $900 million in FY26 compared to $511 million in FY25, driven by the increase in fleet deliveries and scheduled maintenance. This is expected to primarily be funded through operating free cash flow along with a modest increase in net debt (inclusive of capitalised lease liabilities).

4.14 Sensitivity analysis of forecast financial information

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Virgin Australia, and depend upon assumptions with respect to future business developments, which may be subject to change. Key general and specific assumptions adopted for the purposes of the Forecast Financial Information are set out in Section 4.12.2.

Investors should be aware that future events in both the Australian commercial airline industry and Virgin Australia cannot be predicted with certainty, and as a result, deviations from the amounts forecast in the Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the pro forma forecast information, a summary of the sensitivity of the forecast FY25F pro forma underlying net profit before tax and pro forma underlying EBIT to changes in a number of key variables is set out below.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Additionally, the sensitivities have been calculated in isolation and do not account for potential interactions between variables.

The sensitivity analysis is intended as a guide only, and variations in actual performance could exceed the ranges shown. It is also important to note that changes in some variables may have non-linear effects on the forecast financial information, meaning that the impact of changes may not be proportional to the size of the change.

Table 64 sets out the FY25F pro forma net underlying net profit before tax and FY25F pro forma underlying EBIT sensitivities to RASK, CASK, ASK, USD Brent, and foreign exchange movement in AUD/USD exchange rate. The sensitivity for the three (3) months April 2025 through June 2025, as the July 2024 through March 2025 period included in the forecast is based on actual results.

Table 64

Assumption	Note	Increase/ Decrease	FY25F Pro Forma underlying net profit after tax impact	FY25F Pro Forma Underlying EBIT
RASK	1	**+/- 1%**	+/- A$8 million	+/- A$11 million
CASK	2	**+/- 1%**	-/+ A$9 million	-/+ A$12 million
ASK	3	**+/- 1%**	+/- A$3 million	+/- A$4 million
USD BRENT	4			
		+ US$10/BBL	(A$2 million)	(A$3 million)
		- US$10/BBL	A$9 million	A$13 million
Foreign Exchange – Movement in AUD/USD Exchange Rate	5			
		+ 5 cents	A$7 million	A$10 million
		- 5 cents	(A$2 million)	(A$3 million)

Notes:

1. RASK sensitivity reflects 50% of the variance driven by load factor (passengers) and the remaining 50% from yield, together with the associated impact on Airlines segment the direct operating costs including of cost of sales, fuel, and airport fees.
2. CASK sensitivity based on the costs that impact EBIT for the Airlines segment. The sensitivity assumes that interest costs are not impacted.
3. ASK sensitivity takes into consideration the fixed and variable nature of the Airlines segment costs base. The sensitivity assumes market demand and supply adjust in line with the ASK variance.
4. USD Brent sensitivity takes into consideration the hedging that has been put in place by Virgin Australia, resulting in a level of protection against higher fuel costs and participation in the benefits from lower fuel costs.
5. AUD/USD exchange rate sensitivity takes into consideration the hedging that has been put in place by Virgin Australia. The sensitivity presents the impact on the underlying results, and so excludes the impact of revaluing USD denominated lease liabilities.

05

Key Risks

5.1 Introduction

This Section describes potential risks associated with Virgin Australia's businesses and the industries and markets in which Virgin Australia operates, and risks associated with an investment in Shares. An investment in Virgin Australia is subject to a number of risks, both specific to Virgin Australia's business activities and of a general nature. Each of these risks could, either individually or in combination, have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

This Section does not purport to list every risk faced by Virgin Australia now or in the future and Virgin Australia may be adversely impacted by risks that are not described below. Many of these risks, or the consequences of such risks, are outside the control of Virgin Australia, the Directors and management.

The selection of risks outlined in this Section is based on an assessment of the probability of the risk occurring, the anticipated impact of the risk on Virgin Australia should the risk materialise and Virgin Australia's ability to mitigate the risk. This assessment is based on the knowledge of Directors and management as at the Original Prospectus Date. There is no guarantee or assurance that the importance of the risks will not change, or that other risks will not emerge, that may have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

There can be no guarantee that Virgin Australia will achieve its stated objectives or successfully implement its business strategies, or that the Forecast Financial Information or any other forward-looking statement contained in this Prospectus will be achieved or eventuate. You should note that past performance may not be a reliable indicator of future performance and should not be considered as such.

An investment in Virgin Australia is not risk free. Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Virgin Australia and whether Shares are a suitable investment for you having regard to your investment objectives, financial circumstances and taxation position. Before deciding whether to apply for Shares, you should read this Prospectus in its entirety and seek professional guidance from your stockbroker, solicitor, accountant, taxation adviser, financial adviser or other independent and qualified professional adviser.

5.2 Specific risks to an investment in Virgin Australia

5.2.1 Virgin Australia operates in a highly competitive environment

The Australian commercial airline industry is highly competitive, and Virgin Australia competes directly and indirectly against a number of other airlines as well as against a number of airline and other loyalty programs. Section 2 of this Prospectus describes the competitive landscapes of the markets in which Virgin Australia operates.

Virgin Australia has no control over the actions of its competitors, who may seek to protect or gain market share through matching its fare price points or aggressive discounting, by introducing new routes, or by placing large orders for new aircraft and transferring excess capacity to markets and routes already served by Virgin Australia or markets that Virgin Australia is contemplating serving. Aggressive pricing or capacity increases by Virgin Australia's competitors in the Australian domestic and international airline markets and any expansion in the operations of Virgin Australia's existing competitors within them, has the potential to adversely affect Virgin Australia's revenue and financial performance. A change in the number of passengers or in fare pricing or fare mix in response to, or because of, competitive activity, may have a material adverse effect on Virgin Australia's operating and financial results.

Competitive intensity varies across different routes depending on the number and nature of competitors operating on such routes, the nature of passenger demand, capacity levels, infrastructure availability and the availability of take-off and landing slots at airports. Airlines compete on a range of factors including fare levels, frequency of flights, network breadth, quality and reliability of service, brand recognition, passenger amenities, frequent flyer programmes, safety record and operational performance, and the availability and convenience of other passenger services. Airlines also seek to compete by growing their virtual international network through entry into partnerships and alliances with international carriers, such as Virgin Australia's partnership with Qatar Airways, Singapore Airlines, United Airlines, ANA and Air Canada.

In the Australian domestic airline RPT industry, Qantas Group is the largest operator and Virgin Australia's ability to attract, retain or capture segments of the Australian domestic airline market is impacted by Qantas Group. Qantas Group has a more extensive fleet and more extensive route network than Virgin Australia and a strong position servicing international routes from Australia and, like Virgin Australia, is able to leverage alliances and partnerships with a number of international airline partners to further strengthen its reach and add value to its loyalty program. Qantas Group's relative size, brand strategy, loyalty programs and international position, amongst other factors, may make it more difficult for Virgin Australia to attract, retain or capture segments of the airline markets in which it operates. Qantas Group's relative size also allows it to increase capacity levels at a scale that Virgin Australia may be unable to compete with. In addition, Qantas Group may also have benefits from economies of scale unavailable to Virgin Australia due to its size, including for example, the ability to operate more efficiently and cost-effectively than Virgin Australia by purchasing aircraft, fuel, and other supplies in larger quantities, allowing it to negotiate better terms with suppliers and obtain more favourable pricing than Virgin Australia. Accordingly, Qantas Group's business strategies and actions in the markets in which Virgin Australia operates have a greater impact on Virgin Australia in comparison to the impact that Virgin Australia's business strategy and actions have on Qantas Group.

Qantas Group also operates in the Australian domestic airline RPT industry with a dual-brand strategy via full-service carrier Qantas and low-cost carrier Jetstar. Qantas is a full-service carrier that tends to target the large corporates and premium leisure passengers that value a premium offering, whilst Jetstar is a low-cost carrier that tends to target budget leisure passengers who are looking for the cheapest airfare. Virgin Australia is a value carrier that aims to capture the widest selection of passengers, but tends to target the premium leisure, SMEs and value conscious corporate passengers, who are price conscious but prepared to pay more for additional services they value (see Section 2.2.4 for more information). Virgin Australia faces competition from both Qantas and Jetstar as there is some substitutability between these customer segments, and Virgin Australia's target customers may choose to fly on Qantas Group services if for example, Qantas were to lower its price of fares without lowering its full-service offering, or on Jetstar, if for example, Jetstar were to increase its service offering without raising its price of fares. If Virgin Australia is unable to respond to this competitive pressure, its business, operating and financial performance may be materially adversely impacted.

Virgin Australia also faces competition in the Australian international airline market. There are 64 passenger airlines that operate international RPT passenger services to and from Australia.[1] Virgin Australia may face new competition from these airlines if it expands its SHI routes in the future or if airlines who presently do not operate on Virgin Australia's 12 SHI routes across 5 international ports do so in the future. Similarly, VARA faces competition from other established providers of charter services, including large participants and smaller, regionally specialised participants (see Section 2.2.8 for more information). In addition, new competitors, such as ultra-low-cost carriers, may also enter the markets in which Virgin Australia operates and existing competitors may gain more market share, including in each case through acquiring existing airlines or aviation assets or by relocating fleet from overseas to Australia. For example, in 2023, Qantas Group attempted to acquire Alliance Airlines, however, the acquisition was blocked by the Australian Competition and Consumer Commission due to concerns regarding the impact of the acquisition on competition in the Australian airline industry. While this particular transaction was blocked, should other transactions like it be completed, such transactions may strengthen the offering of Virgin Australia's competitors, diminish Virgin Australia's market share and adversely impact Virgin Australia's business, market position and financial performance. If Virgin Australia is unable to respond to new competition and maintain its market share, this could have a material adverse effect on Virgin Australia's business and financial performance and financial condition, as well as the price or value of the Shares.

The establishment of new airports may also increase competition in the airline industry. For example, the construction of the Western Sydney International Airport (expected to be completed by 2026) will increase the number of slots available in the Sydney basin for domestic and international airlines, which may make it easier for existing or new airlines to expand into Virgin Australia's markets. Virgin Australia may also continue to face increasing competition from other modes of transportation, including road and rail travel, particularly if transport infrastructure facilities improve.

Velocity also operates in a highly competitive market, with over 120 loyalty programs operating in Australia (see Section 2.5 for more information).[2] Velocity is vulnerable to competition from existing and emerging loyalty programs. Qantas Frequent Flyer has more members and partners than Velocity which gives Qantas Group the ability to attract customers to fly with Qantas or Jetstar and increases the competitive pressure that Virgin Australia faces. If other loyalty programs were to offer more attractive rewards or redemption partners, this may have an adverse impact on the number of members choosing to engage in the earning and redemption of Velocity Points and the renewal of Velocity's partner agreements, which in turn may have an adverse impact on the profitability of the loyalty segment.

Any of the above factors, alone or in combination, including any inability for Virgin Australia to respond to these and similar competitive challenges, could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

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[1] Based on scheduled flights in November 2024. Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 'International airline activity November 2024' Statistical Report.

[2] Australian Loyalty Association, 2024.

5.2.2 Failure to execute on growth strategy or deliver benefits from the current phase of the Transformation Program

Virgin Australia has developed growth strategies and drivers for its business, including the Transformation Program (as described in Sections 3.4.3.1 and 3.8). There is no guarantee that Virgin Australia will successfully execute on its growth strategy or deliver the benefits from the current phase of the Transformation Program.

Business Growth

Virgin Australia intends to grow its business through the growth initiatives described in Section 3.8.1 of this Prospectus, which include executing its fleet growth strategy, increasing the utilisation and seat density of its existing fleet assets, monitoring the SHI market for financially accretive SHI opportunities, growing VARA in the Australian resources sector, and benefits derived from the enhanced Qatar Airways relationship.

In addition, the ability of Virgin Australia to grow its business is also dependent on the successful implementation of the Transformation Program strategies and initiatives, which is based on assumptions and subject to additional risks as discussed below. These strategies and initiatives may be subject to unexpected delays and interruptions, and additional costs, and their success may be impacted by the actions of other participants, in the airline industry, regulators and general economic conditions. These strategies and initiatives may also be impacted by several other disclosed risks, which were they to eventuate, would impact Virgin Australia's growth strategy.

Transformation Program

Virgin Australia commenced the current phase of the Transformation Program in CY24. The program is based on the implementation of certain revenue, cost and Velocity initiatives (**Initiatives**) across the Virgin Australia business which are targeted to deliver benefits by December 2026 as disclosed in Section 3.4.3.1.

There can be no assurance that Virgin Australia will deliver the targeted benefits of the current phase of the Transformation Program in the expected timeframe or at all. In particular, the targeted benefits are based on certain assumptions that may prove to be incorrect and that are beyond the control of Virgin Australia, including that:

- each of the Initiatives take place on time and on budget, and there are no unexpected delays or interruptions, including for example, due to delays in receipt of new aircraft; and
- there are no material disruptions to the Virgin Australia business or Velocity business, that Virgin Australia's costs remain as estimated and that customers are receptive to Virgin Australia's revenue initiatives.

In addition, gross transformation benefits disclosed in Section 3.4.3.1 are stated before the impact of cost escalation, one-off implementation costs, potential competitor or market-based impacts on Virgin Australia's revenue, and cost escalation and their associated impact on Virgin Australia's revenue and contribution to profitability. The actual net earnings impact from gross transformation benefits are reduced by one-off implementation costs, potential competitor or market-based impacts on Virgin Australia's revenue, and cost escalation, where higher cost escalation incurred can erode benefits to EBIT margin to the extent that those higher costs cannot be passed on in the form of higher prices. Management expectations of improvements to EBIT margin in the future are also subject to certain assumptions that may prove to be incorrect, including that the competitive landscape within Virgin Australia's markets remains broadly consistent, that there is no material change in existing political, legal, fiscal, market or economic conditions or in applicable laws and regulation, that domestic and international air travel continues to grow in line with GDP growth and that jet fuel prices and foreign currency exchange rates remain in line with management expectations or adverse movements are adequately hedged. For the above reasons, transformation benefits are not guaranteed to translate into profit or margin improvements and the extent to which they do so may not be predicted in advance.

Other risks to achievement of growth strategy

In addition, there is a risk that Virgin Australia's growth initiatives outside of the transformation strategy are ineffective, difficult to implement and/or more costly than expected. Virgin Australia may also be unable to develop and grow additional revenue streams from these growth initiatives, or the development of these initiatives may be slower than expected, or the cost initiatives are insufficient, each of which may cause reputational damage to Virgin Australia, and adversely impact its operating and financial performance, and future growth.

Virgin Australia's growth strategies also depend partly on its ability to retain personnel that are key to the implementation of those initiatives (see Section 5.2.13 for a discussion of this risk) and may be hampered by if Virgin Australia wishes to expand its activities beyond the permitted licensed activities using the "Virgin" brand and consent is not forthcoming on acceptable terms or at all (see Section 5.2.26).

In addition, as set out in Section 3.9, Virgin Australia has committed to a substantial technology investment program with spend totalling approximately $300 million since 2021. This substantial technology investment program is still underway with certain parts of the program still in the process of being implemented or in the planning phase. Significant IT projects are subject to a number of inherent risks including the risk of cost overruns, delays and failure to achieve specified functionality. To the extent these risks eventuate, they may render it more difficult for Virgin Australia to implement the transformation and growth programs, which in turn may adversely impact Virgin Australia's business, growth levels and financial performance.

Furthermore, the Velocity business is a key part of Virgin Australia's overall growth strategy and a disruption to the Velocity business, damage to the Velocity brand or a failure to effectively promote Velocity, to retain and attract Velocity partners and members, to increase revenue per member or an inability to leverage member data could adversely impact Virgin Australia's growth prospects and the ability to execute its growth strategy. Certain participation agreements that the Velocity business has with its partners may also restrict the growth or development of that business in the future. For example, Velocity has exclusivity arrangements with certain partners for the term of the relevant participation agreement, which restrict it from appointing other partners who provide a similar product or service to that partner or entering into a participation agreement with a third-party which allows members to earn points by purchasing the third party's products or services which are similar to those offered by an existing partner.

5.2.3 Failure to meet forecasts and other forward-looking statements

The Forecast Financial Information and other forward-looking statements, opinions and estimates in this Prospectus rely upon various assumptions, some of which are described in Section 4.12.1 and 4.12.2. These assumptions are based upon matters which may be inherently volatile and uncertain, and over which Virgin Australia has no or limited control, including as to the costs of fuel, foreign exchange rates, the macro-economic environment, geopolitical circumstances and the actions of competitors. If any of these or other assumptions do not eventuate or prove to be inaccurate or incorrect, the actual results, performance and achievements of Virgin Australia may be different (potentially materially) from any future results, performance or achievements expressed or implied by such forward-looking statements including the Forecast Financial Information. Various factors, both known and unknown, may impact upon the performance of Virgin Australia's performance and cause its actual performance to vary significantly from expected results. The risks associated with these forward-looking statements and forecasts may be exacerbated by geopolitical developments, including those referred to in Section 5.2.4 below. There can be no guarantee that Virgin Australia will achieve its stated objectives or that any forward-looking statement (including the Forecast Financial Information) will eventuate, which could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.4 Increased jet fuel prices and shortages in jet fuel availability

Jet fuel costs constitute one of the largest operating costs of Virgin Australia.

The price for jet fuel is volatile and correlated to the price of crude oil which is influenced by a number of factors including global economic growth, geopolitical events (including war and terrorism or the threat of war), increased demand from emerging countries, reductions in stockpiles or reserves, speculative trading in crude oil, damage to or availability of production facilities (for example, due to natural catastrophes, labour strikes, accidents), changes in supply and availability of alternative energy sources such as natural gas, renewables, and the impact on pricing of coordinated supply decisions of producer cartels, such as the Organization of Petroleum Exporting Countries (for example, the oil production cut announced by OPEC in April 2023, which put upwards pressure on oil prices).

The price of jet fuel is also impacted by the cost of converting the crude oil to jet fuel (refining margin) which is again influenced by availability of refining capacity and impacted by all of the factors outlined in the paragraph above. For example, the invasion of Ukraine and subsequent sanctions on exports of Russian crude oil and refined products caused significant volatility in jet fuel prices in 2022, and the ongoing conflict continues to impact supply and availability of crude oil globally.

Jet fuel costs are also impacted by the cost of transporting the fuel from the refinery (which are primarily located overseas) to the airport and into the aircraft (referred to as ‘into-plane costs’). These into-plane costs are borne by the airlines and negotiated with the suppliers at each airport and are in turn influenced by a number of factors including the supplier’s cost of shipping, transporting, storing and distributing jet fuel into the aircraft as well as relative market competitiveness. Jet fuel prices have been volatile over the last few years as a result of factors such as significantly increased costs of shipping, uncertain volume demand and inflationary pressure on input costs. Furthermore, there can be limited effective competition for the supply of jet fuel at most of the locations that Virgin Australia operates to and constrained supply chains. Although Virgin Australia has strategies to mitigate some of the exposure relating to these costs, significant increases in jet fuel costs will have a direct adverse impact on Virgin Australia’s financial result and financial condition.

Virgin Australia has in place hedging aligned with its Treasury Risk Management policies to help manage price risks relating to fuel and oil. These policies allow the management of fuel price risk out to two years but with most hedging focused in the 0-6 month time horizon. The policy also sets out permitted derivatives that can be used within permitted ranges of % hedging levels to manage price risk. If Virgin Australia is exposed to significant price volatility or changes in prices for jet fuel, there can be no assurance that Virgin Australia’s hedging practices will fully protect against these price risks or that Virgin Australia will be able to partially or fully offset these costs by passing on some or all of these costs to passengers and/or by cost reductions. The majority of hedging undertaken by Virgin Australia is in crude oil as a proxy for the jet fuel exposure due to lower liquidity in (or high cost of) jet fuel refining derivatives. To the extent Virgin Australia is unable to effectively hedge or offset these price risks, its financial performance and financial condition could be negatively impacted.

In addition to this commodity price risk, the price of jet fuel is predominately purchased in United States dollars (**USD**) meaning a fall in the value of Australian dollars (**AUD**) relative to USD will also increase Virgin Australia’s fuel costs. See Section 5.2.5 below for a discussion of Virgin Australia’s risk of fluctuations in currency exchange rates.

The cost and future availability of jet fuel is unpredictable. There can be no assurance that Virgin Australia’s hedging practices and policies will be effective in managing price risks. If jet fuel prices increase and Virgin Australia is unable to offset such increases with fare increases or make the necessary adjustments to its network or cost structure, its future profitability may be negatively impacted. These factors may therefore have a material adverse effect on Virgin Australia’s financial results and financial condition to the extent Virgin Australia is unable to pass on these increases to passengers or otherwise make up for these higher costs through savings elsewhere. The use of SAF as a viable alternative fuel to traditional jet fuel is also subject to risks (as discussed in Section 5.2.18 below).

5.2.5 Fluctuations in currency exchange rates

Virgin Australia is exposed to currency risk on purchases and borrowings that are denominated in a currency other than AUD. Virgin Australia undertakes transactions in a number of foreign currencies (most commonly in USD) for the purchase of items such as jet fuel, aircraft, aircraft lease payments and aircraft maintenance and its operating costs in USD are significantly higher than its revenues in USD. Virgin Australia also has debt denominated in currencies other than AUD (principally USD and a small quantity of Japanese yen), which can impact the value of those liabilities in AUD and cause volatility in Virgin Australia's financial results. The value of the AUD relative to the USD and several other currencies has fallen in recent years, which has had adverse impacts on Virgin Australia's cash costs. In particular, uncertainty with respect to the impact of tariffs introduced by the United States and retaliatory tariffs have impacted and may continue to impact exchange rates. A significant change in the value of the Australian dollar or any other currency in which Virgin Australia operates, to the extent Virgin Australia is unable to protect against such changes through hedging or otherwise, could have a material adverse effect on Virgin Australia's financial performance and financial condition, as well as the price or value of the Shares.

In addition, Virgin Australia translates foreign currency denominated financial assets and liabilities into AUD for the purposes of preparing and presenting its financial accounts, including fleet costs. Virgin Australia's financial results may therefore be impacted by adverse changes in the exchange rate (particularly the AUD:USD exchange rate).

Virgin Australia has certain hedging strategies designed to protect against exchange rate movements (in addition to borrowing in AUD when economical to do so to reduce the level of USD and other non-AUD liabilities); however, there is no assurance that such practices will fully protect Virgin Australia against such movements. Also, such hedging strategies may prevent Virgin Australia from fully benefitting from favourable movements in AUD relative to other currencies.

To the extent Virgin Australia is unable to effectively hedge or offset these currency risks, this could have a material adverse effect on Virgin Australia's financial performance and financial condition, as well as the price or value of the Shares.

5.2.6 Impact of economic conditions

Virgin Australia's business, operating and financial performance is affected by domestic and global economic conditions.

Ticket sales (for business or leisure air travel) and resulting profitability have a strong correlation with gross domestic product, business confidence and consumer discretionary spending. Business spending and consumer discretionary spending on air travel is impacted by domestic and global economic conditions and the political climate, including economic performance, interest rates, currency exchange rates, political uncertainty, inflation, the imposition of protectionist trade policies, unemployment levels, availability of customer credit, taxation rates, stock market performance and consumer confidence.

This risk has been heightened in recent years due to a sustained period of increased inflation and higher interest rates both domestically and globally, and there is a risk that this period of sustained inflation and higher interest rates will remain for a period of time and may be exacerbated by increases in tariffs and the imposition of other trade barriers. Higher inflation increases Virgin Australia's cost base – key inputs such as aircraft purchases (which are subject to escalation clauses), jet fuel, labour, parts, servicing and other operating costs and currency are all impacted by rising inflation. Increases in interest rates intended to combat inflation, may have a dampening effect on customer demand for travel. Higher interest rates can also result in greater debt servicing costs for Virgin Australia and increase Virgin Australia's costs of accessing new debt finance. Virgin Australia primarily invests its unrestricted cash in short-term instruments, including floating rate deposits, that may provide a partial offset to rising costs of debt service. Where Virgin Australia cannot off-set cost increases through productivity initiatives, or where Virgin Australia cannot pass on cost increases to passengers by way of fare increases without losing those passengers, its flown capacity, revenue and profitability will be reduced.

Economic conditions have also been recently impacted by the war in the Middle East and Ukraine and the residual effects of the COVID-19 pandemic.

A prolonged deterioration in economic conditions, including a resulting decrease in consumer and business demand, is likely to have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares. In addition, due to the long lead-times associated with purchasing aircraft, changes in economic conditions may result in Virgin Australia having either too much or too little capacity at the time future aircraft orders are delivered.

5.2.7 Impact of recent increases in tariffs

In April 2025, the United States announced new tariffs on goods originating from outside the United States, with goods imported from specified nations, including China and those in the European Union, taxed at higher rates. These tariffs, ongoing changes to tariffs and the retaliatory tariffs announced by many other countries, including China, have resulted in significant volatility in financial markets and economic uncertainty, including with respect to the extent and duration of tariffs. If these announced tariffs remain in place, which, along with the timing and rates of such tariffs, is uncertain at the time of this prospectus, they may negatively impact economic conditions including GDP, business and consumer confidence and consumer discretionary spending which in turn may have an adverse impact on Virgin Australia by reducing demand for Virgin Australia's flights and Velocity's loyalty points. Furthermore, if the categories of the goods to which these tariffs apply are expanded, this is likely to further adversely impact general economic conditions, which may have further negative impacts on demand for Virgin Australia's flights and Velocity's loyalty points.

These tariffs also have the potential to have other impacts (both direct and indirect) on Virgin Australia, including creating volatile fuel prices and exchange rates (the latter of which moved adversely against the Australian dollar in the immediate aftermath of the announcement in early April by the United States of higher tariffs) as well as increasing the costs or availability of certain products and services used by Virgin Australia in its business such as aircraft and related parts and maintenance services. Virgin Australia has been notified by certain of its suppliers that they will be seeking to pass on increases in costs of their products and services arising from specific tariffs (or more generally from the overall increases in costs caused by the implementation of tariffs) and there is a risk that Virgin Australia may receive additional notifications from other suppliers resulting in further increased costs to Virgin Australia. There can be no assurance that Virgin Australia will be able to avoid increases in the costs of certain of the products and services it purchases as a result of these tariffs (even where Virgin Australia considers it may have a reasonable basis to dispute cost increases) nor that Virgin Australia will be successful in mitigating the impact of those increases through other measures that it may seek to put in place. The direct and indirect impacts of higher tariffs could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.8 Failure to attract new and retain existing customers

Virgin Australia focuses on three core customer segments: premium leisure, SME and value-conscious corporates. Virgin Australia's ability to attract and retain these customers is impacted by the significant competition for passengers that characterise the airline industry, as well as macroeconomic conditions (see Sections 5.2.1 and 5.2.6 for a discussion on the risks relating to the competitive landscape and economic conditions).

The attraction and retention of customers, and the ongoing success and growth of Virgin Australia depends largely on customer experience which is reflected through customer satisfaction and loyalty. Customer satisfaction and loyalty may be hampered by a range of factors, including for example, operational issues due to staff shortages and supply chain issues, which in turn have previously affected operational metrics such as on time performance and flight cancellation rates. Virgin Australia also relies in part upon third parties such as suppliers to provide its services, meaning there is a risk that the quality of its customer service and experience may be adversely impacted by the actions of such third parties (which Virgin Australia may have no, or limited, control over). See Section 5.2.21 for further discussion on the risks associated with Virgin Australia's dependence on key suppliers.

In addition, customer satisfaction and loyalty may also be impacted by the success of Velocity. The Velocity program plays a key role in attracting and retaining customers for Virgin Australia by incentivising customers to purchase Virgin Australia flights, products or services (or those of its partners) through offering the reward of Velocity Points which can in turn be used to purchase flights or other products and services. If the Velocity business, including the VABF, is unable to attract and retain members, including corporate and SME travellers, it may have a flow-on effect to, and adversely impact, Virgin Australia's airline business and its ability to execute its growth strategy.

In addition, Virgin Australia is vulnerable to longer-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer sentiment towards leisure and business travel. For example, Virgin Australia is vulnerable to an ongoing reduction in demand for business travel following structural changes made during the COVID-19 pandemic, such as the rise in the use of telecommunication conferences that has reduced face-to-face meetings. Additionally, as explained in Section 5.2.18, changing community values in response to climate change concerns may also prompt a shift away from non-essential air travel, leading to lower demand for Virgin Australia's services.

Any failure by Virgin Australia to attract or retain new customers, including to predict or respond to changes in customer preferences in a timely and cost-effective manner, could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.9 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, including terrorist incidents, could have a material adverse effect on Virgin Australia's reputation, business, operating and financial performance and financial condition, as well as the price or value of the Shares.

The International Air Transport Association reported a significant increase in fatal airline accidents in 2024 with seven accidents causing 244 deaths compared to one accident causing 72 deaths in 2023. In the last few years, there have also been a number of high-profile aviation accidents involving commercial airline carriers. The occurrence of safety and security incidents relating to Virgin Australia's business has the potential to cause significant harm to customers and employees and to materially adversely impact its operations and financial performance. Furthermore, safety and security incidents involving any airline carrier may adversely impact consumer confidence in the airline industry, which could negatively impact our business and our ability to generate revenue.

Similarly, safety or security incidents, including those arising from hijacking or other terrorist incidents anywhere in the world, including on other airline carriers, or the threat of such incidents, can significantly harm public confidence in the aviation industry, reduce passenger traffic or affect general political, economic or business conditions in ways that could result in reduced demand for airline transport services, increased costs or reduced passenger revenue.

Financial 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, as well as the impact of any operating restrictions subsequently imposed by regulators. While Virgin Australia maintains certain levels of liability insurance, there can be no assurance that Virgin Australia's insurance coverage will be sufficient to cover any or all such losses. In addition, Virgin Australia's reputation for safety may be harmed by a safety or security incident, which could impact its ability to attract new or retain existing new customers (see Section 5.2.8 for an explanation of this risk). Further, if the Australian or other relevant international aviation safety regulatory bodies determine that Virgin Australia could not operate its services safely as a result of a safety or security incident, Virgin Australia could lose, or have conditions imposed on, its regulatory approval or operational licences which, in an extreme case, could result in the grounding of Virgin Australia's fleet (see Section 5.2.10 for information of this risk).

Virgin Australia also operates part of its operations under wet lease arrangements, including its strategic alliance with Qatar Airways. Under a wet lease arrangement, Virgin Australia relies upon a third-party to provide aircraft, crew, maintenance and insurance services to operate a flight under a Virgin Australia flight number. While Virgin Australia maintains oversight over flights operated under wet lease arrangements, Virgin Australia may have very limited control over these third parties. For example, Virgin Australia has no oversight over the maintenance procedures these carriers implement with respect to servicing their fleets. An aircraft accident or any security or safety related incident involving a flight operated by Virgin Australia under a wet lease arrangement will be associated with Virgin Australia by the public (given such flights are operated under Virgin Australia flight numbers) and could therefore adversely impact passenger confidence in Virgin Australia and Virgin Australia's reputation and financial condition, even if none of its aircraft or crew are involved.

In addition, any aircraft accident or any security or safety-related incident involving Qatar Airways, or any other partner airline with which Virgin Australia has a codeshare arrangement might be associated with Virgin Australia by the public, could harm Virgin Australia's customers travelling on these services, and could similarly potentially cause Virgin Australia 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 reduced demand for air travel, which in turn could adversely impact Virgin Australia, particularly if the accident or incident involved an aircraft type used by Virgin Australia. An airworthiness directive issued by a regulator in respect of, or a manufacturing design fault identified in, an aircraft type operated by Virgin Australia has the potential to impact the operations of that fleet.

The occurrence of, or failure to mitigate or respond effectively to a safety or security incident, especially a major safety or security incident, could have a material adverse effect on Virgin Australia's reputation, business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.10 Grounding of an aircraft type

As at the date of the Original Prospectus, Virgin Australia operates a single fleet of Boeing 737 aircraft across its domestic and SHI airline business and three aircraft types across its entire airline business (that is, including VARA). If one or more of these aircraft models, or one or more of the aircraft models that Virgin Australia expects to take delivery of, such as the Boeing 737-10 aircraft, encounter technical or other difficulties, the affected aircraft models may be subject to mandatory regulatory groundings or Virgin Australia may choose to ground the aircraft until the difficulties have been resolved. For example, in March 2019, aviation authorities around the globe issued emergency orders prohibiting the operation of Boeing 737 MAX series aircraft (which are also referred to as Boeing 737-7, Boeing 737-8, Boeing 737-9 and Boeing 737-10 aircraft, depending on the model).

If the aircraft operated by Virgin Australia were subject to mandatory or optional grounding, it is unlikely that Virgin Australia would be able to lease or otherwise obtain the right to use a sufficient number of aircraft to maintain its flight schedule, which would have a material adverse effect on its reputation, business, operating and financial performance and financial condition, as well as the price or value of Shares.

Furthermore, in recent years, faults have been identified on several engines of Boeing aircraft models, that have had several impacts on the operations of airlines, including delaying receipt of aircraft, increasing the frequency of engine maintenance, increasing aircraft downtime and increasing costs. If such issues affect Virgin Australia's operations in the future, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

In addition, should the Boeing 737 family of aircraft be grounded, the impact of such a grounding will be exacerbated in Virgin Australia's circumstances given it is operating a single fleet of Boeing 737 aircraft across its RPT business and this risk may not apply to the same extent to Virgin Australia's competitors including Qantas Group, which operate a wider range of different aircraft.

5.2.11 Risks associated with the introduction of new aircraft

Virgin Australia plans to further simplify its fleet in the future, including by consolidating to two narrowbody types with the Boeing 737 family at the core for domestic and SHI travel operated by VA Airlines and Embraer E2 for regional travel operated by VARA. This simplification will involve phasing out Airbus 320s and Fokker 100s in VARA, in each case, by December 2026, while at the same time introducing the Embraer E2 to VARA. For an overview of Virgin Australia's fleet overview and future plans, refer to Section 3.5.2 of this Prospectus.

Typically, when introducing a new aircraft model or type into the fleet there are risks associated with service delays or cost overruns. Such delays or cost overruns can be due to aircraft manufacturing or supplier delays, the supply of buyer-furnished equipment and seller-purchased equipment, regulatory approvals, personnel training and licensing, provisioning of spare parts and special tooling, acquisition of ground support equipment, and delays regarding entry into on-going support and maintenance contracts. In the case of the Boeing 737-10, it is awaiting certification from the FAA and Boeing is not permitted to deliver any Boeing 737-10s until such certification is given. If there is a delay in receiving this certification, or if certification is not provided at all, it may have an adverse impact on Virgin Australia's capacity levels and ability to execute its growth strategy, and could also impact its costs, which would adversely impact its financial performance. VARA is also awaiting delivery of 8 new Embraer E2 aircraft and is dependent on Embraer's ability to deliver these on time, which remains an inherent risk in accepting new aircraft. There is no guarantee that Embraer will deliver these aircraft on time, and to the extent these aircraft are not delivered on time or there are delays associated with the certification process, VARA's business may be adversely impacted.

There can also be additional risk associated with the travelling public's perception of the safety of aircraft. For example, in 2018 and 2019, there were fatal incidents involving Boeing 737-8 aircraft on flights operated by Lion Air and Ethiopian Airlines and in 2024 there was a mid-air incident involving a Boeing 737-9 aircraft operated by Alaskan Airlines. These incidents led to the worldwide grounding of those aircraft models. Although the Boeing 737-8 aircraft has been cleared to return to service by the FAA and for operation in Australia by Civil Aviation Safety Authority (**CASA**) (with Bonza having operated a fleet of Boeing 737-8s in Australia until 2024), there remains a risk that, if similar events were to occur in the future, the travelling public may form the view that these aircraft are unsafe and avoid travel on them or with airlines that operate them. Furthermore, there is a risk that future incidents could ground Virgin Australia's aircraft (see Section 5.2.10 for a discussion of this risk) or otherwise harm Virgin Australia's reputation as a safe carrier, which could have a material adverse impact on its business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.12 Labour, industrial action and compliance with employment laws

Several trade unions represent many of Virgin Australia's staff members. As outlined in Section 9.11, Virgin Australia's employees currently operate under eleven EBAs, covering approximately 77% of its total workforce. Employees that are covered include flight crew, cabin crew, ground crew and engineering. EBA negotiations with trade unions and employees over renewal of employee terms and conditions (including pay and working conditions) take place on a regular basis. Amendments to employment laws in Australia effective from 6 June 2023 have made it possible for trade unions to negotiate an EBA with multiple employers. Each of the Virgin Australia's eleven EBAs will in due course require renegotiation as they come to the end of their term and the nominal term of two of the Virgin Australia's EBAs (which cover 109 employees in aggregate) have expired and negotiations for new EBAs have in each case commenced. The nominal term of a further seven EBAs will expire in the next 18 months, the earliest in June 2025. There can be no certainty over the final outcome of those negotiations and there is a risk that they may be agreed on terms less favourable to Virgin Australia compared to the current agreements or not agreed at all. In addition, as described in Section 3.8.3.1, Virgin Australia's cost Initiatives as part of the Transformation Program include productivity improvement initiatives across its front-line workgroup that are interdependent with the new EBAs (among other things). Accordingly, to the extent that Virgin Australia does not achieve the desired outcomes with the EBA negotiations, it may adversely impact on Virgin Australia's ability to implement its cost reduction strategy and, in turn, its financial performance and financial condition.

In addition, labour conflicts, protracted negotiations or a breakdown in the bargaining process with Virgin Australia's employees, including flight crew, cabin crew, engineering and ground operations employees, such as over the issue of pay or compensation, could disrupt operations and adversely affect Virgin Australia's business performance and financial condition. For example, in 2011 Qantas Group grounded its entire fleet in response to industrial action. If Virgin Australia is forced to also take such action, or if there were widespread protected industrial action as part of future enterprise agreement negotiations, it will have a material adverse impact on Virgin Australia's reputation, operations and financial position. See Section 9.11 of this Prospectus for an outline of the regulation of industrial relations in Australia.

Any drawn-out industrial dispute which involves the prospect of industrial action could have a material adverse effect on Virgin Australia's reputation and cause passengers to fly with competitor airlines. In addition, if a trade union were to allege that safety could be adversely impacted by any proposed measures as part of an industrial dispute with Virgin Australia, Virgin Australia could be exposed to reputational damage.

Virgin Australia also faces the risk of an increase in labour costs, including as a result of enterprise agreement negotiations, award wage increases or trade union action. For example, on 26 May 2025, the Flight Attendants' Association of Australia filed an application to vary the Cabin Crew Award, including to increase base salary costs. Any increase in labour costs, including because of enterprise agreement negotiations, award wage increases or trade union action, could have a material adverse effect on Virgin Australia's financial performance from what has been forecast or otherwise and financial condition.

Virgin Australia is also exposed to the risk of industrial action along its supply chain as its operations are dependent on a number of third parties to provide certain principal material business needs and services in a timely manner. Certain sectors of the Australian airline industry are unionised and prone to industrial action. For example, proposed strike action by airport baggage handlers servicing other airlines in January 2025 threatened to cause major disruptions across Australian airports. In addition, strikes or other industrial action associated with Virgin Australia's strategic alliances could also negatively reflect on Virgin Australia to the extent that passengers booked on Virgin Australia's codeshare or partner's flights are affected by such strikes.

In addition, if Virgin Australia fails to comply with a modern award, an enterprise agreement or any other workplace standard or law, it may be exposed to enforcement action by applicable regulators as well as adverse media exposure. Significant non-compliance or enforcement action taken by regulators may have an adverse effect on Virgin Australia's reputation and financial performance. Employment laws are also subject to change from time to time and such changes could result in greater costs of labour for Virgin Australia. Virgin Australia may also be exposed to changes in the law (including through decisions of courts or tribunals) or regulatory intervention that may make it more challenging to roster staff and heighten the risk to Virgin Australia's operational stability and costs.

5.2.13 Risk of failing to attract and retain qualified employees

Virgin Australia's business is labour intensive and requires a significant number of personnel, some with specific skill sets and technical qualifications. For the six months ended 31 December 2024, labour and staff related expenses represented approximately 27% of Virgin Australia's operating expenses. Virgin Australia may face pressure on its skilled labour pipelines, in particular, pilot shortages or shortages of licensed aircraft maintenance engineers may emerge in future which may result in an increase in the costs associated with recruiting and training labour and, to the extent the shortages are unable to be addressed, may cause flight cancellations and disruptions to Virgin Australia's operations which would in turn adversely impact Virgin Australia's competitive position, financial performance and condition and reputation. Virgin Australia also relies on its ability to attract and retain highly skilled employees, including IT personnel to implement IT and other transformation projects. Given the tight labour market conditions in Australia and the high level of demand for skilled employees, particularly IT staff, globally there is a risk that Virgin Australia will be unable to secure the staff that it requires, which may have adverse impacts on Virgin Australia's operational stability and performance and the speed with which it is able to implement planned digitalisation and technological upgrades.

There can be no assurance that Virgin Australia will be able to retain employees in key positions or recruit new employees with appropriate technical qualifications to compensate for the loss of employees or to accommodate its future growth. If Virgin Australia is unable to attract and retain a sufficient number of qualified employees at reasonable costs, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.14 Dependence on information technology systems and changes in technology

Virgin Australia relies heavily on technology, including computer and telecommunications equipment and infrastructure and software and internet-based systems, to operate its business, generate revenues and reduce costs. Virgin Australia'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 online reservation and ticketing system used by Virgin Australia and the airport provided common use technology that assists with check-in, bag-drop, identity management, security access and boarding. Damage to, disruption of or failure of these systems, including through an outage, or another system on which Virgin Australia is substantially dependent could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

Virgin Australia is dependent on third parties to deliver many core application services for the uninterrupted operation of its business. Any failure by a third party to deliver information technology services or a failure in the systems connected with third parties may have a material adverse effect on Virgin Australia's information technology systems and therefore on its business, operations and reputation. For example, Virgin Australia uses Sabre for its commercial and passenger systems, which are utilised to sell tickets and service customers (see Section 3.9 for further information). If there is any prolonged disruption to these systems, or if Sabre ceases to provide its systems to Virgin Australia altogether, Virgin Australia's airline operations would be significantly disrupted until a replacement supplier is secured and there is also no assurance that a replacement system can be implemented quickly (see Section 5.2.21 for further information on the risks associated with Virgin Australia's reliance on key suppliers). Virgin Australia is also reliant upon staff to deliver and manage its information technology systems, making it vulnerable to inadvertent disruptions caused by human error, the occurrence of which may have a material adverse effect on Virgin Australia's business and operations.

In the years prior to its acquisition by Bain Capital, Virgin Australia underinvested in ageing applications and its infrastructure network. Although Virgin Australia has invested substantially in upgrading its information technology (see Section 3.9), and it has programs in place to address and remediate outdated systems, legacy issues remain including with respect to those legacy systems that no longer have vendor support and the ability of Virgin Australia to retain suitably qualified personnel. The legacy issues could lead to disruption or outages of key systems or an inability to develop functionality to retain and win target customers and market share and impact costs and profit of Virgin Australia.

Furthermore, the emergence of new technologies, such as artificial intelligence (**AI**) may present new opportunities but also new threats to Virgin Australia's business. Airlines, such as Air Canada and Southwest, have already begun to use generative AI in their business, particularly to improve customer service and to drive lower cost. However, Air Canada was recently held liable for its AI 'chatbot' giving passengers the wrong advice. The emergence of AI also increases the threat of cybersecurity attacks (see Section 5.2.16 for more information).

5.2.15 Cybersecurity incidents

Virgin Australia's success depends, in a large part, on the security of its information technology systems and associated processes. Such systems and associated infrastructure, including telecommunications infrastructure, are vulnerable to acts of sabotage, cyberattacks (including state-sponsored cyberattacks), ransomware attacks, data security breaches, a loss or unauthorised release of data, computer viruses, denial of service attacks and other events. The threat and sophistication of such attacks and breaches increases regularly. There can be no assurance of efficient and uninterrupted operation of Virgin Australia's information technology systems and associated infrastructure or any assurance that data security measures will not be breached resulting in a loss or the unauthorised release of data. Cybersecurity incidents may also be caused, or contributed to, by human error including accidents (and not necessarily by intentional malfeasance) by personnel (including internal and of third parties) who have a role in the operation of Virgin Australia's information technology systems.

In addition, the availability, reliability and cybersecurity of Virgin Australia's systems depends in part on the cybersecurity of a number of third-party systems and processes. Virgin Australia has no, or in some instances very limited, control over these systems and processes. There is a risk that third-party systems and processes could be subject to security breaches resulting in the unauthorised disclosure, misuse, destruction or loss of data or other sensitive information of Virgin Australia, its customers and members. This in turn may have a negative reputational impact on Virgin Australia (even in circumstances in which Virgin Australia is not at fault) and could adversely impact Virgin Australia's financial and operating performance and financial condition.

Any such cybersecurity incidents may result in a significant disruption to Virgin Australia's systems and operations, loss of personal, confidential or proprietary information or intellectual property, a loss of confidence in Virgin Australia, a loss of customers, reputational harm, significant legal and financial exposure, potential breaches of applicable laws and regulatory scrutiny or actions, all of which could adversely affect Virgin Australia's operations and have a material adverse effect on its financial condition and results of operations. Such risks may be exacerbated by any legacy issues that remain as a result of Virgin Australia's historic underinvestment in its information technology systems (see Section 5.2.14) or by an inability to update or implement new technology systems as planned (including as part of Virgin Australia's growth initiatives as described in Section 3.8). Virgin Australia may also incur costs to rectify concerns, including system vulnerabilities or in introducing additional safeguards to minimise the risk of future events of this nature, which may have a material adverse impact on Virgin Australia's financial position.

Virgin Australia is also a critical infrastructure provider and therefore may be more likely to be the target of such attacks described above. As a critical infrastructure provider, Virgin Australia is also subject to further security obligations as described in Section 9.9.3.1 and any failure to comply with these obligations may have a material adverse effect on Virgin Australia. Section 5.2.31 contains information on the risk of failing to comply with applicable laws and regulations.

5.2.16 Failure to safeguard database and customer privacy or to comply with marketing restrictions

Virgin Australia collects and stores some information of customers, members, partners and information relating to account transactions in the ordinary course of its business (including its Velocity business), all of which may be confidential and some of which is subject to applicable regulatory requirements (including because it is sensitive information), such as under the *Privacy Act 1988* (Cth) (**Privacy Act**). Although Virgin Australia has an established information security program including procedures designed to manage information security and prevent and detect data security and privacy breaches, there is still a risk that information held by Virgin Australia about its customers, members and partners, including personal and sensitive information, may be exposed to potential unauthorised access, use or disclosure (including inadvertently through accidents and human error). In addition, certain third-party suppliers and partners of Virgin Australia (including its Velocity business) also collect, or have access to, information about Virgin Australia's customers and members. There is a risk that measures taken by Virgin Australia or its third-party providers and partners to prevent privacy related breaches (either on Virgin Australia's systems or those of its third-party providers and partners) may be inadequate and there is no guarantee that unauthorised access to, or disclosure of, personal and confidential information will be detected and prevented. Such privacy related breaches may result in investigations or enforcement action (including penalties being imposed on Virgin Australia by regulators, litigation in the form of class actions, individual or representative complaints being lodged with relevant regulators, or individual action under the new statutory tort for serious invasions of privacy (commencing 10 June 2025)) or otherwise may have a negative reputational impact on Virgin Australia even in circumstances in which Virgin Australia is not at fault and could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

Any unauthorised access, use or disclosure of confidential or personal information of Virgin Australia's customers, members and partners could have a material adverse effect on Virgin Australia's reputation, operations and financial performance and could also result in the violation of certain laws and regulations related to the collection and storage of information. Data breaches or data security incidents could result in a loss of information and system integrity, misappropriation of funds or accessed data, including for fraudulent purposes, disruptions to Virgin Australia's services, breaches of applicable laws or agreements and the triggering of mandatory data breach notification obligations, both under statute and FIRB conditions of its foreign owners. Losses associated with these types of incidents may involve not only the costs associated with the repair of systems and their temporary or permanent loss from service, but also claims by affected customers, members or other third parties or loss of reputation and fines for regulatory breaches. Any of these events could require Virgin Australia to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach or to cover the losses, even when Virgin Australia is not at fault. If Virgin Australia's reputation is significantly damaged by such incidents, it may also have a material adverse effect on Virgin Australia's ability to retain or attract new customers, members and partners, and therefore its business, operating and financial performance and financial condition, as well as the price or value of the Shares.

Virgin Australia is also subject to restrictions in relation to the conduct of marketing via email, SMS (or other electronic message) or telephone under the *Spam Act 2003* (Cth) and the *Do Not Call Register Act 2006* (Cth). In the ordinary course of its business, Virgin Australia engages in direct marketing and sends a high number of marketing communications by email, SMS, and other means. Virgin Australia has policies, processes and procedures in place that are designed to enable it to comply with these restrictions when conducting its business. However, there can be no assurance that such policies, processes and procedures are able to be followed in all circumstances or are adequate to comply with these restrictions, and Virgin Australia is aware of potential instances in the past where, due to technical and systems limitations or errors, it may not have fully complied with such policies, processes and procedures. Virgin Australia may be subject to investigations or enforcement actions by the Australian Communications and Media Authority for non-compliance with these restrictions, as well as reputational harm, each of which could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition.

5.2.17 Physical risks associated with climate change

Virgin Australia is subject to short-term and long-term climate-related physical and transition risks, the occurrence of one or more of which could have a material adverse effect on the operational and financial performance of Virgin Australia. See Section 5.2.18 for an outline of the key transitional risks.

Virgin Australia cannot predict with any certainty the potential direct physical consequences of climate change on its operations. While those impacts are likely to be geographically specific, these could include, particularly in the short-term, increases in the occurrence and intensity of extreme weather events (including bushfires, storms and floods). Any increase in the occurrence and intensity of weather events could interrupt flight schedules, supply chains, critical infrastructure and workforce productivity, as well as directly cause damage to Virgin Australia's fleet and other equipment and pose a greater risk to the safety of Virgin Australia's employees who have to operate in these adverse conditions (for example, higher temperatures increase the risk of ground crew suffering heat stroke).

In the longer term, increased variability in weather patterns caused by climate change, such as changes in wind patterns, heat extremities, sea level rises and drought conditions, could also impact operations, including restricting runway utilisation and airport capacity, requiring more power to take off in extreme heat, network disruptions and airport closures, and the implementation of alternative water-saving practices. Severe weather events, such as cyclones, can significantly impact the ability of flights to take off and land, deteriorate visibility, restrict available flight paths or even require operations to be suspended. Several cyclones in recent years, including Ex-Tropical Cyclone Alfred in March 2025, have brought significant flooding and damage particularly to parts of Queensland, suspending Virgin Australia's flights for several days, resulting in less revenue and profitability.

These climate-related physical risks may also have associated passenger inconvenience and reputational impacts, increase the use of fuel, result in aircraft damage, as well as higher maintenance costs and increased insurance premiums.

Any one of the above short-term and long-term climate-related physical risks could separately or in the aggregate materially adversely affect Virgin Australia's business, reputation, results of operations and financial position, as well the price or value of the Shares.

5.2.18 Regulatory and other transition risks associated with climate change

Transitioning to a lower-carbon economy is expected to entail extensive regulatory, technology and market changes to address mitigation and adaptation requirements related to climate change. There are also evolving reputational risks associated with how Virgin Australia responds to these requirements.

Regulatory responses to climate change may include the introduction of, or variations to measures such as emissions trading or carbon pricing schemes and/or mandated upgrades to technology to increase fuel efficiency and/or imposition of fuel standards or a SAF mandate. Virgin Australia may be materially adversely impacted by increased costs of complying with carbon pricing schemes and performance standards. There are also increasing policy and legal requirements on Virgin Australia to be monitoring, reporting and disclosing its carbon emissions.

Virgin Australia is currently liable under the Australian Government's Safeguard Mechanism[3] to keep its carbon emissions at or below a baseline limit set by the Clean Energy Regulator, which declines year on year by approximately 4.9% (**Baseline Limit**). Virgin Australia's Baseline Limit for the 2024 reporting period was 2,170,511 tCO2-e. If Virgin Australia fails to keep emissions below its Baseline Limit, it will need to manage any excess emissions by purchasing and surrendering Australian Carbon Credit Units (**ACCUs**) and/or Safeguard Mechanism Credits (**SMCs**) which may impose a material cost on operations.

Virgin Australia has undertaken modelling of its liability under the declining baseline. Based on the current modelling, which is subject to a large number of general assumptions[4] and may be liable to change, Virgin Australia forecasts that its emissions will be below the Baseline Limit in the short-term but that compliance costs will increase over time. Factoring in banking of SMCs in the short-term, Virgin Australia's liability is currently estimated to be $5.6 million in the 2027 financial year and increase to $24 million in the 2029 financial year.
If Virgin Australia fails to comply with the Safeguard Mechanism, it may be exposed to certain enforcement actions (such as infringement notices, injunctions or civil penalties) by the Clean Energy Regulator. The existing measures and any measures under a reformed Safeguard Mechanism, may restrict Virgin Australia's operational flexibility and will increase compliance and operating costs.

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[3] See Section 9.12.2 for further details about the Safeguard Mechanism.

[4] Material assumptions underlying VA's CORSIA and Safeguard Mechanism forecast modelling include fleet plan, ASK growth, network (domestic and SHI routes) allocation of fleet and ASK, Load factors, sectoral growth factor and forward carbon offset price.

Virgin Australia's international flights are also required to comply with the CORSIA, a market-based measure adopted by ICAO in 2016 to cap GHG emissions from international aviation.[5] Australia has opted-in to participate in mandatory offsetting requirements from 1 January 2025. Where Virgin Australia is operating international flights between Australia and other CORSIA participating countries, including under wet lease arrangements, it will be required to monitor and report on the emissions of those flights and offset any emissions that exceed the baseline (calculated on the basis of a sectoral and individual baseline of 85% of FY19 emissions). Virgin Australia's first compliance period will be for 2024 to 2026, with offsetting requirements to be fulfilled in 2028. The purchase of eligible offsets will impose additional operational costs on the business. As of the Original Prospectus Date, only six Emissions Units Programmes have been approved to supply CORSIA Eligible Emissions Units (high integrity carbon offsets) for the 2024-2026 CORSIA compliance period. Virgin Australia has undertaken CORSIA forecast modelling, which currently estimates that the Virgin Australia's annual CORSIA exposure will be approximately $3.9 million over the next five years; however, this is only based on low aviation sectoral growth and demand pressures may increase the price of eligible carbon offsets. This modelling also does not take into account Virgin Australia's increased reporting and compliance requirements in connection with the new international LHI services that Virgin Australia will commence from June 2025 under its wet lease arrangements with Qatar Airways, however, the commercial agreement in place between Qatar Airways and Virgin Australia is expected to fully address any CORSIA liabilities from these flights. In all cases, modelling has been undertaken based on current information and a range of general assumptions. It is liable to change due to a variety of factors, including regulatory changes, availability of CORSIA eligible carbon offsets and the scope of international long-haul flights Virgin Australia undertakes. If Virgin Australia fails to meet the mandatory requirements under CORSIA, it may be exposed to certain enforcement actions such as enforcement notices or fines.

Carbon offsets are currently an important part of Virgin Australia's strategy to address carbon emissions due to aviation being a hard to abate industry and regulatory obligations such as the Safeguard Mechanism and CORSIA. Virgin Australia is exposed to changes in the price and supply of carbon offsets to meet requirements. There is also scrutiny around the carbon offsetting market and regulation in Australian and internationally including around offset integrity (see Section 5.2.20 for more information).

The development of new technology to address environmental sustainability concerns may impact the value of Virgin Australia's existing assets as well as adversely affect its financial position and performance. Virgin Australia has already started renewing its fleet of aircraft in order to lower greenhouse gas emissions. Virgin Australia expects about 85% of its 2030 emissions reduction ambition to come from fleet renewal and fuel efficiency improvements. Virgin Australia's incoming fleet of more fuel-efficient aircraft has already been delayed for various reasons outside of the Virgin Australia's control, including production delays at Boeing. Additionally, SAF is the most viable alternative fuel to traditional jet fuel to achieve low emissions flying; however, there is currently no commercially viable supply of SAF in Australia and very limited availability internationally, which is significantly more expensive than the current price of jet fuel. Demand pressures may increase prices further as a result of the competitive landscape and any potential regulations or mandates for greater uptake. This is coupled with the supply challenges domestically and internationally, including limited availability as well as land-use change issues associated with the bio-feedstocks. It is uncertain when (or if) SAF will be reliably available for use by Australian airlines and how expensive it will be. Virgin Australia is supporting innovative solutions to help unlock access to SAF, including through 'Book and Claim' models, which enable airlines to purchase SAF through a chain of custody accounting model, without having to be physically connected to a SAF supply site. However, there is currently no domestic or globally recognised Book and Claim accounting model, and in the absence of a recognised standard, claims may still carry a risk of greenwashing allegations (see Section 5.2.19 for further details on management of ESG stakeholder and consumer expectations).

The use of SAF is not currently envisaged to be necessary for Virgin Australia to meet its GHG emission reduction target for 2030[6]; however, is anticipated to be central for achieving its longer term GHG emissions reduction ambitions. As SAF is currently significantly more expensive than other fuels, the use of SAF, at least in the short to medium term, may increase the cost of achieving decarbonisation goals. In addition, if increased costs are passed on to customers, this could result in reduced demand for air travel, which would adversely impact Virgin Australia's business. Changing community values in response to climate change concerns may also prompt a shift away from non-essential air travel or towards alternative modes of travel, leading to lower demand for Virgin Australia's services.

Any one of the above regulatory and other transition risks could separately or in the aggregate materially adversely affect Virgin Australia's business, reputation, results of operations and financial position, as well the price or value of the Shares.

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[5] See Section 9.12.3 for further details about CORSIA.

[6] On the basis that the 2030 target is limited to domestic and short-haul international flights and, as currently stated, does not extend to the new international long-haul flights scheduled to commence later this year.

5.2.19 Management of ESG Stakeholder and Consumer Expectations

Public perception of how Virgin Australia responds to climate change and environmental sustainability may also impact its reputation and consumer and corporate behaviour, and ultimately its business, operations and financial position. Virgin Australia has set a short to medium term commitment to achieve emissions reductions and to target net zero by 2050 (see Section 3.10.2 for more information). Virgin Australia also makes other commitments and statements in relation to other sustainability matters, including waste and environmental protection initiatives. While these commitments have been set based on reasonable expectations, circumstances over which Virgin Australia has no or limited control may change these expectations. There is no guarantee that Virgin Australia's sustainability commitments and forward-looking statements will eventuate, which could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition.

There are increasing expectations on Virgin Australia to transparently disclose on its climate change and sustainability strategies. From 1 July 2025, Virgin Australia will be required to publicly disclose its climate-related financial risks and opportunities in an annual sustainability report. This will require greater transparency over Virgin Australia's climate-related financial risk management and decarbonisation efforts, including with respect to its supply chain, which may come under heightened scrutiny from regulators and third parties. Certain forward-looking statements will be protected from third-party claims for the first 3 years of reporting; however, there will still be a risk of ASIC bringing claims and third parties interrogating the validity of these statements. There is a risk that if Virgin Australia fails to comply with the mandatory disclosure requirements, or includes information that is not sufficiently validated, it may be exposed to certain enforcement actions, civil penalties and reputational risks.

There has been significant scrutiny on the aviation sector with respect to net zero and other sustainability claims, in particular regarding the ability of airlines to achieve emissions reduction targets and the legitimacy of achieving those targets through the use of carbon credits and SAF. In October 2024, a complaint was made to the ACCC alleging that Qantas had engaged in greenwashing behaviour with respect to its sustainability claims and commitments. Some airlines have also had to withdraw previously made targets, including Air New Zealand who in July 2024, removed its 2030 science-based carbon intensity reduction target and withdrew from the Science Based Targets initiatives citing factors including the availability of new aircraft, the affordability and availability of alternative jet fuels, and global and domestic regulatory and policy support required to meet these targets remaining challenging. While Virgin Australia has taken steps to ensure its sustainability claims are verified, there is a risk that Virgin Australia's sustainability statements and climate-related financial disclosures may come under heightened scrutiny and could be subject to allegations of greenwashing. This could materially adversely affect Virgin Australia's business, reputation, results of operations and financial position, as well the price and value of the Shares.

5.2.20 Management of other ESG Governance and Reporting Risks

Virgin Australia has a range of other reporting and disclosure obligations under corporate governance frameworks, including the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**) and *Workplace Gender Equality Act 2012* (Cth) (**WGE Act**).

Virgin Australia is required to publish an annual modern slavery statement addressing its actions to assess and address modern slavery risks within their operations and supply chains. Failure to comply with the reporting requirements, or not implementing adequate processes to mitigate modern slavery risks, can materially harm Virgin Australia's reputation, undermine its ability to do business with other entities and damage investor confidence. The Government can also publicly name entities that fail to comply with certain requirements and can require noncompliant entities to take remedial action to ensure compliance. Following a recent statutory review of the Modern Slavery Act, there may be enhanced reporting and due diligence requirements introduced under the Modern Slavery Act in the future which, if implemented, would require Virgin Australia to further enhance its processes. The aviation sector is a higher-risk sector for modern slavery risks. Victims of human trafficking are likely to be transported across at least one international border, often through official border control points such as airports.

Virgin Australia also submits annual reports under the WGE Act, disclosing on gender information in the workplace, which is monitored and enforced by the Workplace Gender Equality Agency. Non-compliance can significantly harm a reporting entity's reputation and may constitute a criminal offence where false or misleading information is provided. The demographic profile of Virgin Australia's workforce currently involves more men in higher paying roles such as pilots and aircraft engineers and Virgin Australia may face reputational risks if it does not continue to take steps to materially improve gender representation in higher paying roles.

Non-compliance with evolving ESG governance and reporting frameworks could materially adversely affect Virgin Australia's business and reputation and may also impose additional costs which may be material.

5.2.21 Virgin Australia is dependent on key suppliers and service providers including aircraft manufacturers

Virgin Australia is dependent on a number of third parties to provide certain material business needs and services in a timely manner, 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. This risk is increased in situations where there is a limited number of third party suppliers and service providers. For example, Virgin Australia is dependent on Boeing and Embraer as its primary suppliers of aircraft and aircraft-related items which may impact its introduction of aircraft as described in Section 5.2.11 above. Virgin Australia takes steps to mitigate these risks, including through commercial negotiation, however the efficiency and timeliness of such third party suppliers and service providers, as well as the quality of their contract performance, is beyond Virgin Australia's direct control.

In particular, some of those third party suppliers have been subject to ongoing supply chain disruptions and delays due to the conflicts in the Middle East and the war in the Ukraine (including any further escalation) as well as other geopolitical developments (such as the deterioration of relations between China, Taiwan and the United States and the imposition by the United States of export controls on certain technologies to China and tariffs and other protectionist measures against a range of countries) could have a direct, or indirect, impact on Virgin Australia's supply chain, including through increased costs. Failure to adequately manage the performance of third-party suppliers or service providers and any failure by such suppliers or service providers to perform their obligations, such as the delayed delivery of aircraft under contracts with Boeing, as a result of global supply chain issues or through the bankruptcy of a lessor resulting in the need for Virgin Australia to return leased aircraft, could adversely affect Virgin Australia's reputation and its operational and financial performance.

If a third party is unable for any reason to continue to supply goods and services on terms acceptable to Virgin Australia, or at all, Virgin Australia may not be able to replace such third parties immediately or, in some circumstances, may be required to provide in-house capability to deliver such services. In addition, Virgin Australia may be unable to source or internally develop 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 or unfavourable terms, if a service provider failed to provide services to the standard expected by Virgin Australia, 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, Virgin Australia's business, reputation, financial performance and financial condition could be materially impacted.

5.2.22 Operational disruptions due to maintenance of its fleet, airport security incidents or other events

Virgin Australia'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, such as industrial action by workers not employed by Virgin Australia, including baggage handlers, security or customs personnel or air traffic controllers, could have a material adverse impact on Virgin Australia's business, results of operations and financial condition.

Virgin Australia's fleet requires regularly scheduled maintenance work and, from time to time, unscheduled maintenance work, which may cause operational disruption. On occasion, airframe manufacturers and regulatory authorities 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. This may cause operational disruption to, and impose significant costs on Virgin Australia, especially if the modifications are required on an aircraft type on which Virgin Australia is highly dependent. There is also a risk of delays caused by third parties upon whom Virgin Australia relies on to perform its maintenance and has limited control over (such as aircraft parts providers). Such delays could result in aircraft being unable to be utilised until that maintenance is carried out, which could result in reduced available capacity and have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

In addition, Virgin Australia's fleet will require more maintenance as it ages and its maintenance and repair expenses for each of its aircraft may fluctuate depending on the inspection results for each aircraft and engine in its fleet. Although Virgin Australia records provisions for certain of these estimated maintenance costs, if there is a significant increase to these expenses, Virgin Australia's financial performance and financial condition may be adversely affected.

5.2.23 Slot allocations

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 can affect the competitiveness and financial condition of airlines and 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. At certain airports, including those in Australian capital cities, an important factor in slot allocation is historic slots and whether or not a series of slots has been used by an air carrier at least 80% of the time in the previous comparable season. This is based on the 'use it or lose it test' principle, also known as the 80/20 rule (which is described in more detail in Section 9.9.3.2 of this Prospectus). In addition, at Sydney Airport, slots are constrained due to air traffic congestion and subject to a formal slot management scheme.

A material diminution in demand for air travel or a high rate of cancellations, with a material reduction in capacity could place Virgin Australia at risk of not satisfying the 80/20 rule in respect of certain slots and result in a suboptimal slot portfolio if other airlines contest these slots. A failure of Virgin Australia to secure slots for current and future flights could affect its ability to add additional flights to its existing schedules at desired times and airports and could lead to changes in flight schedules or reduced aircraft utilisation, which in turn could adversely affect its operating and financial performance.

5.2.24 Airport, air navigation and related costs

Virgin Australia is exposed to increases in airport, air navigation 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 of Virgin Australia and increases in these fees can have a financial impact on its operations.

Australia's major airports are privatised, and airport operators are often monopolies which hold significant market power in negotiating prices for airport services. While airport charges are monitored, pricing is not regulated under the Australian Government's framework for the economic regulation of airport services, which instead provides for a negotiate-arbitrate model. Because airport charges represent one of Virgin Australia's largest expenditures (approximately 18.7% of operating expenses in the six months to 31 December 2024), there is a risk that Virgin Australia's cost base will be negatively impacted in the future if airport operators significantly increase prices (for example, at the time of contract renewals), and the current economic regulatory framework remains in place. To the extent Virgin Australia is unable to pass on any increases in charges, fees or other costs to its passengers in the short term, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.25 External events including pandemics, natural disasters and weather events

External events, such as epidemics and pandemics (for example, the COVID-19 pandemic), natural disasters, severe weather events or other catastrophic events (for example, the 2019 Bali Mount Agung volcano eruption) have in the past, and may in the future, cause a significant network disruption to the airline industry, resulting in reductions in, or cancellations of bookings and flights in the affected region and, more generally, reducing overall demand for Virgin Australia's services. More generally, if external events were to weaken the demand for air travel or materially affect airline operations for a period of time, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

For example, the COVID-19 pandemic caused major disruption to the airline industry through unprecedented restrictions being placed on domestic and international air travel. In response, Virgin Australia had to significantly reduce its services. This could not be offset by cost reduction measures as Virgin Australia has high fixed overhead costs, which made it difficult to reduce costs in line with the significant decline in passenger revenue. This ultimately led to Virgin Australia being placed into voluntary administration.

5.2.26 Brand risk

Virgin Australia licences certain brands from Virgin Group, including "Virgin Australia" under long-term agreements with Virgin Group (see Section 9.5.1 for further details about the licence arrangements and limitations). Virgin Australia's brands have significant commercial value and damage to these brands could adversely impact Virgin Australia's reputation and business as Virgin Australia relies on the positive recognition of its brands to help attract and retain passengers, employees and investors. If Virgin Australia breaches a material term of a brand licence and the breach is not remedied, the relevant brand licence could be terminated. From time to time, Virgin Australia seeks to broaden its right to use the "Virgin" brand but there is no guarantee that Virgin Group (or its other exclusive licensees of the brand) will provide consents to permit this activity.

In addition, since the "Virgin" brand is not owned and controlled by Virgin Australia, the strength of the "Virgin" brand can be damaged by the actions of members of Virgin Group or other licensees that are not affiliated with or controlled by Virgin Australia. In addition, due to the profile of the "Virgin" brand internationally, Virgin Australia is susceptible to negative or inaccurate commentary on the "Virgin" brand and international and Australian domestic organisations associated with the "Virgin" brand, which may, in turn, harm Virgin Australia's image and reputation.

Losing the right to use the "Virgin" brand, being required to modify its use of the "Virgin" brand, a change in the perception of the "Virgin" brand or damage to the "Virgin" brand could each have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

In addition, the "Velocity" brand also provides significant commercial value to Virgin Australia and damage to this brand, and those associated with it, could adversely impact Virgin Australia's reputation and business.

Further, Virgin Australia uses social media to communicate news and events. The inappropriate and/or unauthorised use of certain media vehicles could cause brand damage or information leakage or could lead to legal implications, including from the improper collection and/or dissemination of personally identifiable information from employees, customers or other stakeholders. In addition, negative or inaccurate posts or comments about Virgin Australia on any social networking website could damage its reputation, brand image and goodwill.

Virgin Australia's brand and business may also be negatively impacted by damage to the brands of its partner airlines, including due to operational or non-operational events. This may arise by Virgin Australia's association with such partner airlines, even where Virgin Australia was not involved or responsible for such events. See Section 5.2.9 above for further information of this risk with respect to Virgin Australia's partners and wet lease arrangements.

5.2.27 Strategic alliances and partnerships

Virgin Australia has a form of strategic alliance with the following major international airlines: Qatar Airways (for traffic flows to Europe, the Middle East and Africa), Singapore Airlines (Asia and the Indian subcontinent), United Airlines (USA), Air Canada (Canada), Air New Zealand (New Zealand) and ANA (Japan). These strategic partnerships form the foundation of Virgin Australia's airline partnerships portfolio which includes over 50 interline partners, including 10 codeshare partners and 15 airline partners within the Velocity program.[7]

The development and maintenance of strategic alliances and other strategic partnerships is critical to Virgin Australia's business and strategy. These strategic alliances and partnerships provide a range of benefits to Virgin Australia, including playing an important role in attracting and retaining customers by:

- enabling Virgin Australia to efficiently offer an extensive network of international services on its code without the risks involved in operating those services;
- securing feeder traffic on Virgin Australia's domestic network after passengers arrive on in-bound international partner flights;
- improving the value of its Velocity rewards program by increasing opportunities to earn and redeem points on international and domestic services; and
- providing international travel options for corporate customers.

Strategic alliances and partnerships with other airlines also generate direct and indirect revenue for Virgin Australia. Direct revenue is generated by airline partners selling tickets on Virgin Australia operated flights and Virgin Australia earning commission from its sale of tickets on partner airlines. Indirect revenue is also generated by: (i) Virgin Australia selling tickets that include both a Virgin Australia operated flight and an airline partner operated flight; and (ii) corporate customers who have corporate deals on airline partner networks booking Australian domestic flights operated by Virgin Australia.

From time to time, airlines may choose to restructure or terminate their strategic alliance or partnership with Virgin Australia, including to form new strategic alliances or partnerships with other airlines. In addition, the terms of Virgin Australia's agreements with its partners are also generally subject to termination by either party upon the occurrence of certain events, including insolvency, material defaults and other specified events and conditions. There can be no assurance that Virgin Australia will successfully develop and maintain its strategic alliances and other strategic partnerships in the future and the modification, loss or non-renewal of such strategic alliances or partnerships may have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares. In addition, there can be no assurance that Virgin Australia will realise the expected benefits from such strategic alliances or partnerships in the future.

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[7] As at December 2024.

In addition, some elements of Virgin Australia's strategic alliances and partnerships require ongoing authorisation from the ACCC (as noted in Section 3.5.1.3) and in some circumstances, authorisation may also be required from the relevant regulator in the home country of the strategic alliance partner. Currently, Virgin Australia's arrangements with international partner airlines rely on ACCC authorisation to the following extent:

- Virgin Australia's integrated alliance with Qatar Airways was subject to ACCC authorisation which was received in final form on 28 March 2025 and will run until 23 April 2030. This alliance does not require authorisation from any competition regulator in any other jurisdiction.
- Virgin Australia's limited codeshare and marketing alliance with Air New Zealand for Australia-originating travel between Australia and New Zealand (excluding Queenstown) is subject to ACCC authorisation and authorisation by the New Zealand Ministry of Transport. Existing approvals expire from June 2029.
- General authorisation enabling Virgin Australia's codeshare pricing strategy with international airline partners who do not operate on overlapping routes is the subject of ACCC authorisation which applies until September 2027 and does not require authorisation in any other jurisdiction.

Virgin Australia's arrangements with international partner airlines are in all other respects conducted on an arm's length commercial basis and do not require authorisation. In general, there is a risk that the ACCC or the relevant regulator in the alliance partner's home jurisdiction could choose not to reauthorise such arrangements for a number of reasons, including if airline market conditions have changed since the previous authorisation was granted. It is also possible that the ACCC or the relevant regulator in the alliance partner's home jurisdiction could impose new or additional conditions on a partnership or alliance in connection with reauthorisation, which could add additional costs and operational burdens on Virgin Australia's business.

Further, no assurance can be given that Virgin Australia's strategic alliances or partnerships with airlines will perform in line, from an operational perspective, with Virgin Australia's expectations, which could result in a significant variation in the amount of transfer payments or receipts payable to Virgin Australia.

The non-reauthorisation of arrangements with partner airlines that require regulatory authorisation, could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.28 Financial indebtedness and inability to secure sufficient funds

The airline industry is capital intensive and, as a result, Virgin Australia has incurred indebtedness and capital commitments (primarily with respect to new aircraft) to ensure an ongoing supply of aircraft and to also finance its material capital expenditure requirements. Virgin Australia's aircraft leasing arrangements also give rise to material future financial commitments. This indebtedness could have important consequences if the business cannot generate sufficient liquidity to meet these future commitments and the cost of debt servicing. For example, it could reduce Virgin Australia's ability to grow its business through capital expenditures and acquisitions, reduce working capital, limit Virgin Australia's flexibility in planning for, or reacting to, changes in its business, industry or changes in economic conditions, place Virgin Australia at a disadvantage compared to its competitors that have less debt, limit Virgin Australia's ability to borrow additional funds or pay down existing debt and cause it to default on its debt obligations.

There is a risk that Virgin Australia's existing financing facilities and operating cash flows may not be adequate to fund its ongoing requirements due to the realisation of the risks outlined in this Prospectus or for other adverse events or developments. Virgin Australia's ability to meet its financing needs will be contingent on its operating performance, cash flow and ability to source capital, including indebtedness in the capital markets, on commercially acceptable terms. There can be no assurance that Virgin Australia will be able to obtain financing on commercially acceptable terms, or at all, to 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.

In addition, certain financing facilities that Virgin Australia has in place to support its operations, such as general corporate facilities and aircraft financing facilities, contain restrictive covenants which may affect, limit or prohibit the manner in which Virgin Australia may structure or operate its business. If Virgin Australia is unable to conduct its business as planned (including executing on its growth strategy) by these restrictions, that could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares. In addition, these and other limitations on the manner in which Virgin Australia may structure and operate its business may also impact on Virgin Australia's ability to grow and respond to changes to the airline market and could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.29 Failure to obtain sufficient insurance coverage

Virgin Australia seeks to insure its fleet in accordance with financing, contractual and legislative requirements. Virgin Australia'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 favourable terms. In addition, these policies stipulate a number of exclusions and conditions under which the insurers may terminate policies or deny coverage (such as in the event that nuclear weapons are detonated anywhere in the world). While there have been occasions where certain governments have been prepared to offer insurance when insurers have withdrawn cover in response to events such as acts of terrorism or war, there can be no assurance that this will be repeated. This means that Virgin Australia could suffer liability that is uninsurable or, at its most extreme, Virgin Australia may have to ground all of its aircraft and in the worst case, lead to a default on its debt obligations.

The airline industry is exposed to the risk that insurance coverage for aviation related risks will in the future become too expensive or too difficult to obtain. 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 aircraft accidents, aircraft groundings by aviation regulators, natural or man-made disasters, etc. could result in insurance coverage for aviation risks becoming more expensive or certain risks becoming uninsurable or both. For example, international aviation insurance markets introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, biohazard materials, electromagnetic pulsing and similar causes of loss. These exclusions apply to the insurance arrangements that Virgin Australia has in place. There can be no assurance that the amount of insurance coverage, if any, available to Virgin Australia will be adequate to cover the resulting losses. To the extent the insurance coverage is insufficient to cover the losses Virgin Australia incurs, Virgin Australia may need to operate at a reduced capacity and may need to change its scheduling. Any shortfall may there be material and could have an adverse effect on Virgin Australia's ability to operate, financial condition and results of operations.

5.2.30 Liquidity risks associated with credit card processing service providers and risk of changes to merchant card payment costs and surcharging

Virgin Australia has entered into certain card acceptance and merchant acquiring agreements in relation to customer credit card transactions for the sale of air travel and other services. Certain card acceptance and merchant acquiring agreements can require a material portion of forward sales to be cash collateralised. In certain circumstances under these agreements, the required level of cash collateral may be increased. Depending on the facility, the obligation to hold cash collateral may be increased if Virgin Australia's available cash falls below a specified threshold, if there is a failure to comply with specified reporting obligations, if there is a material deterioration in the financial condition of Virgin Australia, if there is a change of control of specified Virgin Australia entities which is not acceptable to the acquirer due to its impact on the risk profile of the business or if there is a withdrawal or unenforceability of any security. An increase in the cash collateral requirements could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

In addition, the Reserve Bank of Australia (**RBA**) is also conducting a Review of Retail Payments Regulation (**Review**) with the first phase of the Review focusing on merchant card payment costs and surcharging. On 15 October 2024, the RBA released an issues paper for consultation to assess whether further regulatory actions could lower merchant card payment costs and if the surcharging framework remains appropriate. The issues paper also sought feedback on possible changes to the RBA's surcharging framework, including potentially banning merchants from surcharging customers for debit transactions and capping surcharges. These changes, if made, could impact Velocity's credit card and merchant partners who may be financially impacted and in turn, have less funds available for marketing activities. This could impact the revenue and earnings of Velocity if those partners reduce marketing activities that involve offering more Velocity Points to their customers, which may have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.31 Virgin Australia is subject to extensive industry regulation

Airlines are subject to extensive regulatory requirements (see Section 9.9 for more information). Virgin Australia 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 includes, 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, consumer protection, privacy, data protection, corporate governance, employment and tax. Virgin Australia's ability to comply with such regulations is key to maintaining its operational and financial performance.

Moreover, additional laws, regulations, taxes and airport rates and charges, including significant increases in charges imposed directly on passengers, 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, on 26 August 2024, the Australian Government published the Aviation White Paper which sets the long-term policies to guide the next generation of growth and innovation in the aviation sector to 2050. 56 new initiatives are proposed to be implemented by the Federal Government under the Aviation White Paper and these could increase Virgin Australia's costs, for example, implementing new aviation-specific disability standards. The Aviation White Paper also proposes the establishment of an Aviation Industry Ombuds Scheme (**AIOS**) and an Aviation Customer Rights Charter (**Draft Charter**). The Draft Charter was released for feedback on 21 December 2024 and contained six proposed customer rights, including rights to prompt and fair remedies from airlines in the event of cancellations, delays and disruptions (refer to Section 9.9.2.1 for more Information). While Virgin Australia considers that customers are already entitled to similar remedies as those noted in the Draft Charter under the Australian Consumer Law, it cannot fully anticipate what the final changes to the Draft Charter (or what further changes from the Aviation White Paper) will be, and what impact they may have on its business, operating and financial performance and financial condition, as well as the price or value of the Shares. In addition, it is also likely that more customers will be aware of their rights once the Draft Charter is implemented, which may also lead to an increase in claims from Virgin Australia's customers and therefore, an increase in Virgin Australia's costs. The Draft Charter also introduces powers for the AIOS to resolve claims against airlines and refer matters to relevant regulators, which may present new challenges and costs to Virgin Australia.

If Virgin Australia is unable to fully comply with future laws or regulations (including without limitation, those arising from the Aviation White Paper), or if the cost of compliance with new regulations is significant and Virgin Australia is unable to pass such costs on to its passengers, Virgin Australia's financial performance and financial condition could be materially impacted.

Virgin Australia's future performance is also affected by bilateral air services agreements (**ASAs**) that Australia enters into with other countries. ASAs are agreements between two countries that regulate air services between them including matters such as the number of flights that can be operated between the two countries (i.e., capacity), the routes that can be flown, and the airlines that are permitted to operate on these routes. For further information on ASAs, see Section 9.9.3). Given the matters regulated by them, Bilateral Rights can affect Virgin Australia's future performance beyond the costs of regulatory compliance. For example, to the extent that Virgin Australia does not utilise its allocated usage rights under the ASAs (for example, to operate certain routes into the partner country), those rights may be re-allocated by the International Air Services Commission to other airlines. ASAs may also constrain future growth by limiting the expansion of Virgin Australia's SHI offering to the extent such expansion plans go beyond what is permitted under the applicable Bilateral Rights. The occurrence of any one of these circumstances may adversely impact Virgin Australia's future operational and financial performance.

Virgin Australia is also subject to other types of regulation that are not specific to the aviation industry, including privacy, data, competition, consumer, advertising and financial services legislation. For example, some of the products and services that Velocity offers to its frequent flyer members may fall within the category of providing financial services or engaging in consumer credit activities (for example, promoting financial products and consumer credit products offered by partners to Velocity frequent flyer members). In such cases, Velocity relies on exemptions from the requirement to hold an Australian Financial Services Licence (**AFSL**) or Australian Credit Licence. If changes are made to the financial services or credit licensing regimes, such that Velocity can no longer rely on the exemptions without holding an AFSL or Australian Credit Licence (and an AFSL or Australian Credit Licence is not obtained), the Velocity business could be negatively impacted as it may require changes to be made to the way certain partners' products and services are marketed or result in the cessation of those activities altogether. Further, any regulatory changes to interchange fees, the revenue from which credit card issuers have historically used to fund the issue of points to customers in connection with those cards, could adversely affect the number of points issued to members as a result of credit card related purchases. Consequently, such changes could diminish the attractiveness of Velocity's loyalty business to its partners and members, which would have an adverse effect on Velocity's (and therefore Virgin Australia's) business, revenue and profitability.

On 6 November 2023, the Treasurer directed the ACCC to recommence domestic air passenger transport monitoring (following the direction issued to the ACCC by the former Treasurer which expired in June 2023). Under this direction, the ACCC will monitor prices, costs and profits relating to the supply of domestic air passenger transport services for three years until December 2026. As part of this monitoring, the ACCC can also compel airlines to give information and produce documents relevant to its supply of domestic air passenger transport services. Consequently, Virgin Australia is subject to a level of ACCC scrutiny of its prices, costs and profits and the domestic monitoring programme may expose Virgin Australia to adverse media exposure, as well as investigations or enforcement actions should any of Virgin Australia's practices be alleged to contravene competition laws. The ACCC has also announced its 2025-26 enforcement priorities which include a continued focus on competition and consumer protection issues in the aviation sector, with a "*commitment to prioritise enforcement matters in sectors of critical importance – including... aviation*".

5.2.32 Virgin Australia is remediating a historic pricing issue

Virgin Australia has recently identified an issue in its booking system which has led to some customers being inadvertently charged more than they should have been when making a change to their booking.

Once the issue was discovered, Virgin Australia commenced an investigation (which included a comprehensive assessment of its systems, processes and policies) to identify the root cause of the issue and has now put in place measures to prevent the issue reoccurring through its booking channels. Virgin Australia has also proactively reported the matter to the ACCC, contacted all impacted customers and is in the process of refunding customers who were impacted between 21 April 2020 and 31 March 2025. Virgin Australia is also taking actions to improve its systems, conduct refresher training for its key employees and implement new reporting and monitoring processes with the aim of avoiding similar issues in the future. Virgin Australia currently expects that the cost of refunding passengers will be $3.1 million (excluding GST) and the cost of implementing the remediation program to be up to a further $2.3 million (excluding GST).

Despite Virgin Australia taking voluntary steps to refund its customers and proactively notifying the ACCC, there is a risk that Virgin Australia could be subject to an ACCC investigation and, potentially, ACCC enforcement action for a breach of the Australian Consumer Law. This could potentially include enforceable undertakings or proceedings seeking financial penalties. These outcomes could lead to adverse media publicity and reputational harm. It is possible, that the issue could give rise to class action risks, although damages are likely to be limited to the amount overcharged to each customer. Accordingly, the total costs to remediate this issue could be higher than the estimates outlined above.

Were these risks to eventuate, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.33 Impact of geopolitical conditions including terrorist incidents and military conflicts

Political instability or disagreement in or between markets served by Virgin Australia, as well as the occurrence of terrorist attacks, attempted terrorist attacks (whether domestic or international and whether involving Virgin Australia or another airline or no airline at all) or military conflicts worldwide, could adversely affect Virgin Australia. Customer demand and the viability of certain routes or destinations may be impacted by geopolitical tensions and disagreement, as well as military conflict. The adverse consequences of terrorist attacks, and the threat of such attacks, or government advisory alerts about such potential threats, could reduce demand for air travel, and could adversely impact the availability, amount and cost of insurance coverage.

Actual or threatened terrorist incidents could increase costs associated with preventative security measures or could add to fuel costs if alternative longer routes are required to be adopted for safety reasons. In addition, the incidence of terrorist attacks and military conflicts in oil producing regions may adversely impact fuel costs. Any resulting reduction in passenger revenues or increases in costs could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.34 Some contractual counterparties may have the right to terminate their contracts or may seek to renegotiate contract terms

Virgin Australia is a party to a substantial number of contracts and agreements with a broad range of counterparties. These include supply, revenue, partner airlines and airport contracts, which Virgin Australia is dependent on to operate its business. There is a risk such contracts may be terminated, impaired, reduced in scope through a variation, or renegotiated on less favourable terms.

Some of Virgin Australia's material contracts contain a right of the counterparty to terminate the contract if there is a change in the control of Virgin Australia (which may occur as a result of the Offer or changes in ownership of Shares or other events following the Offer) (refer to Section 9.5 for a discussion of Virgin Australia's material contracts). Virgin Australia cannot guarantee that necessary consents to change of control will be forthcoming or, if forthcoming, that such consents will not be subject to conditions that are unfavourable to Virgin Australia.

Virgin Australia is party to a number of material contracts that contain a right for the counterparty to terminate for convenience at any time during the contract term. Termination of such contracts before the end of a contract's term may reduce Virgin Australia's future revenue and/or result in disruptions to its business operations, which could adversely affect Virgin Australia's financial performance and financial position. In addition, certain material contracts such as supply contracts have expired (or have upcoming expiry dates), even though the parties may continue to operate on the terms of the expired contracts. There is a risk that the expired or expiring contracts will not be renewed or be renewed on less favourable terms.

From time to time, contract counterparties may seek to renegotiate existing contracts for various reasons during the term of the contract. To the extent such contract counterparties have a right to terminate a contract, they may seek to use this right as leverage in the renegotiation process, and may seek terms that are potentially less favourable to Virgin Australia. Although the frequency of contract renegotiations has historically been low, there is a risk that the frequency of such renegotiations may increase in the future. If contract renegotiations lead to the parties entering into new contracts on terms less favourable to Virgin Australia, or if the parties fail to reach an agreement and the counterparty terminates the existing contract, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.2.35 Protection and use of intellectual property and confidential information

Virgin Australia's intellectual property and confidential information has significant commercial value, and the successful operation of Virgin Australia's business depends partly on its ability to protect its intellectual property and confidential information, such as its trademarks and trade secrets. Virgin Australia relies on a range of measures to protect its intellectual property and confidential information, including for example, contractual measures (such as non-disclosure agreements and confidentiality protocols) and technological measures (such as data encryption and access controls). Virgin Australia also relies on laws and regulations to protect its intellectual property from unauthorised use or copying, including registered trademarks and copyright. There is a risk that Virgin Australia's measures to protect its intellectual property and confidential information may be inadequate or ineffective.

There is also a risk of Virgin Australia inadvertently infringing the intellectual property of third parties or third parties successfully challenging the validity, ownership, registration or authorised use of Virgin Australia's intellectual property. Defending, prosecuting and resolving intellectual property disputes can be challenging, expensive and time-consuming, and may divert managerial attention and resources from Virgin Australia's principal business objectives.

A failure by Virgin Australia to protect its intellectual property and confidential information could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

In addition, as discussed at Section 5.2.26, Virgin Australia relies upon trademark licences granted by Virgin Group to use the "Virgin" brand for certain licensed activities. Under such licences, the "Virgin" brand may only be used with respect to certain licensed activities. If Virgin Australia breaches a material term of a brand licence and the breach is not remedied, the relevant brand licence and the right to use the "Virgin" brands could be terminated, which would have a material adverse impact on Virgin Australia's business.

5.2.36 Risk of litigation, claims and disputes

Virgin Australia may, from time to time, be subject to claims or litigation by persons alleging they are owed fees, refunds or other contractual entitlements or by employees, regulatory bodies, competitors, creditors or other third parties. Even in instances where Virgin Australia may ultimately prevail on the merits of a dispute, it may face significant costs defending itself against a claim and suffer reputational damage as a result of its involvement. There can be no assurance as to the outcome of any litigation, arbitration or other legal proceeding, and the adverse determination of material litigation could have a materially adverse effect on Virgin Australia's reputation and business, as well as its operating and financial performance.

Virgin Australia is a party to class action proceedings commenced in 2022 in the Federal Court of Australia by noteholders in relation to the Virgin Australia business prior to its entry into voluntary administration in April 2020. Further details in relation to these proceedings are set out in Section 9.8.

5.2.37 Potential liability for any contamination at airport sites

Airport sites present certain contamination risks (including from the presence of per- and polyfluoroalkyl substances arising from historical and current operations. If Virgin Australia is responsible for contamination at an airport site, then it may be primarily liable under applicable contamination legislation for that contamination. If Virgin Australia occupies land contaminated by a third party, it may also be exposed to liability for that contamination in certain circumstances including regulatory action under contamination legislation where the polluter cannot be identified or is insolvent, liability under leases where there is no adequate baseline report, regulatory action under work, health and safety legislation and common law claims (nuisance or negligence). In addition, even if Virgin Australia is not found to be responsible or liable for any such contamination, it may still experience a disruption to its operations if these airport sites are inaccessible whilst remedial works are being carried out. The operational disruption may be substantial if it involves the closure of Virgin Australia's key airport sites.

If Virgin Australia is subject to any regulatory action or other claims or investigations in respect of any contamination, or if operational disruption occurs from contamination at airport sites that it operates to, this could have a material adverse effect on Virgin Australia's business, operating and financial performance and financial condition, as well as the price or value of the Shares.

5.3 General risks of an investment in Virgin Australia

5.3.1 Price of Shares may fluctuate

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of Virgin Australia's control. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on ASX, even if Virgin Australia's earnings increase.

Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Virgin Australia operates and general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Virgin Australia specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters.

Certain investor strategies may also have a material adverse effect on the Virgin Australia share price or otherwise impact Virgin Australia's business, including for example, a short selling campaign by an activist or hedge fund investor or environmental activists.

5.3.2 The trading in Shares may not be liquid

Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. This means that it may be difficult to sell Virgin Australia's shares even if there is liquidity in the market generally (including as a result of the retained shareholder of the Existing Shareholder, as described in Section 5.3.6 below). There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that the Shareholder paid.

5.3.3 There is a risk of Shareholder dilution

In the future, Virgin Australia may elect to issue Shares (or securities convertible into Shares) to raise further capital including in connection with fundraisings for acquisitions that it may decide to make. While Virgin Australia will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities.

5.3.4 No guarantee of future dividend payments

Virgin Australia may not be able to, or may choose not to, pay dividends in the future. The payment of future dividends will depend on Virgin Australia's future profit, financial position, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. Virgin Australia may choose not to pay dividends if for any reason the Directors conclude it will not be in the best interests of Virgin Australia. Further, if Virgin Australia decides to pay dividends, there can be no assurance of the amount of such dividends.

5.3.5 Taxation changes may occur

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the tax liabilities of Virgin Australia or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Virgin Australia.

5.3.6 Retained holdings by BC Hart and Qatar Airways

Immediately after Completion of the Offer, BC Hart will hold 40.0% of the Shares (and therefore, the votes for that percentage of Shares) on issue and Qatar Airways Group will hold 23.4% of the Shares (and therefore, the votes for that percentage of Shares) on issue.

As a result of its retained Shareholding, BC Hart may be in a position to exercise influence in relation to matters requiring approval of Virgin Australia Shareholders, including the election of directors, the outcome of takeover offers or similar transactions involving the acquisition of the Shares. Depending on voter turnout, it may be able to unilaterally decide or block ordinary resolutions (and will be able to block those with a 75% approval threshold) from being passed at shareholder meetings.

In addition, while BC Hart and Qatar Airways Group are free to vote their shares as they wish independently from one another, were they to vote on a shareholder resolution in the same way, they could, determine the outcome of both ordinary resolutions (those with a 50% approval threshold) and special resolutions (those with a 75% approval threshold), notwithstanding how other shareholders may vote on such matters.

Also, for so long as these entities hold a large stake in Virgin Australia, BC Hart and Qatar Airways Group may be able to determine or influence whether a takeover or similar control transaction is successful. In addition, the fact that a large number of Shares are held by only two Shareholders may discourage a bidder from making a takeover or similar control transaction where a bidder cannot acquire control (or full ownership) of Virgin Australia without the support of these Shareholders.

The interests of BC Hart and Qatar Airways Group, when exercising their rights as Shareholders may also differ from the interests of Virgin Australia and the interests of shareholders who purchase Shares under the Offer. In particular, Qatar Airways is a global airline that may have priorities for its business that differ to the best interests of Virgin Australia, including with respect to new opportunities that may overlap with those pursued by Virgin Australia.

Additionally, as disclosed in Section 6.4.7.10, each of BC Hart and Qatar Airways Group have appointed nominee directors to Virgin Australia's Board pursuant to rights under their respective Relationship Deeds, which rights will subsist whilst their Shareholdings remain above specified levels. BC Hart and Qatar Airways Group may therefore be able to exert considerable influence over Virgin Australia's future strategy and direction.

In addition, BC Hart has entered voluntary escrow arrangements in relation to its Escrowed Shares (see Section 9.7 for further details). The absence of any sale of Escrowed Shares by BC Hart during the Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which a shareholder is able to sell its Shares. It is important to recognise that a shareholder may receive a market price for its Shares that is less than the price that the shareholder paid. Following the end of the Escrow Period, a significant sale of Shares by BC Hart or the perception that such sales might occur, could adversely affect the market price of the Shares.

5.3.7 Australian Accounting Standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the control of either Virgin Australia or its Directors. The AASB may, from time to time, introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Virgin Australia's consolidated financial statements.

5.3.8 Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of Virgin Australia and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Virgin Australia's services and its ability to conduct business. Virgin Australia has only a limited ability to insure against some of these risks.

06

Key Individuals, Interests and Benefits

6.1 Board of Directors

6.1.1 Biography of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience and background
 **Peter Warne** *Independent Non-Executive Chairman*	Peter joined the Board in March 2025 as an independent Non-Executive Director, and became Chairman in June 2025. Peter has over 40 years' experience across executive and board leadership across the financial and investment banking sectors, including an executive career at Bankers Trust Australia Limited, where he headed the Global Financial Markets Group. Peter has over 20 years' experience as a director and currently serves on the board of ASX listed companies IPH Limited and Argo Investments Limited as chairman. He is a member of the UniSuper board and chair of the UniSuper investment committee. Peter also serves as Chair of St Andrews Cathedral School Foundation, is a non-executive director of law firm Allens and was a board member of NSW Net Zero Emissions and Clean Economy Board from its inception in 2022 until its disbandment in 2024. Peter's previous experience includes chair roles at Macquarie Group, ALE Property Group, OFX and T Corp as well as director roles at ASX Limited and the Securities Exchange Guarantee Corporation. Peter has a Bachelor of Arts (Actuarial Studies) from Macquarie University.
 **David (Dave) Emerson** *Chief Executive Officer and Managing Director*	Dave was appointed Chief Executive Officer in March 2025 and joined the Board as Managing Director in June 2025. Dave has over 25 years of experience in the aviation sector. Prior to his appointment, Dave was Virgin Australia's Chief Commercial Officer where he played a key role in the airline's commercial transformation and growth. Prior to Dave's positions at Virgin Australia, he led the Global Airline Practice at consulting firm Bain & Company based in Dallas, Texas. In this role with Bain, he advised dozens of major airlines (across all major geographies) undergoing substantial commercial and operational transformation. Dave has a Bachelor of Arts in Communication and Media from Stanford University, and a Masters of Business Administration from the University of Chicago Booth School of Business.
 **Pippa Downes** *Independent Non-Executive Director*	Pippa joined the Board in March 2025 as an independent Non-Executive Director. Pippa has over 25 years' experience across global financial services organisations, including executive roles as managing director and equity partner at Goldman Sachs JB Were. Pippa also currently serves as a director of ASX listed Ingenia Communities and Australian Technology Innovators (InfoTrack and LEAP Software). She is also a member of AustralianSuper's investment committee and is a member of Chief Executive Women. Pippa's previous experience includes director roles at ASX Clearing and Settlement companies, Zip Co, ALE Property Group and Windlab. Pippa has also served as a director of The Pinnacle Foundation, Swimming Australia and as a commissioner of Sport Australia. Pippa has a Bachelor of Science in Business Administration (Accounting/Finance) from the University of California, Berkeley and a Masters of Applied Finance from Macquarie University.

Director	Experience and background
 **Melinda Conrad** *Independent Non-Executive Director*	Melinda joined the Board in June 2025 as an independent Non-Executive Director. Melinda has over 25 years of experience in business strategy and marketing, bringing expertise from various industries including retail, financial services, energy, and technology. She has served as a strategy and marketing adviser, held executive roles at Colgate-Palmolive, and founded and managed a retail business. An experienced company director, Melinda is currently on the board of Ampol Limited, Stockland Corporation Limited, ASX Limited, and PentenAmio Pty Ltd. Her previous directorships include roles at OFX Group Limited, The Reject Shop Limited, and David Jones Limited. Melinda is also a director of the Centre for Independent Studies, a member of the AICD Corporate Governance Committee, and a former Advisory Board Member of Five V Capital. She is a Fellow of the Australian Institute of Company Directors and a Member of Chief Executive Women. Melinda holds a Bachelor of Arts from Wellesley College and a Masters of Business Administration from Harvard Business School.
 **Ryan Cotton** *Non-Executive Director* *BC Hart Nominee Director*	Ryan joined the Virgin Australia Board in 2020 as a Non-Executive Director and served as its Chair from November 2020 to June 2025. Ryan is a Partner at Bain Capital which he joined in 2003. He has served as the Global Head of Consumer Private Equity; he is currently the Head of Bain Capital Real Estate, a role he assumed in 2023. Throughout his tenure at Bain Capital, Ryan has helped steer a number of significant investments including Apple Leisure Group, Sundial Brands, International Market Centers, Varsity Brands and others. Before joining Bain Capital, Ryan was a consultant at Bain & Company, and prior to that, he worked in baseball operations at the Boston Red Sox. He is also a director of Canada Goose Holdings Inc. Ryan has a Masters of Business Administration from The Stanford Graduate School of Business and a Bachelor of Arts in Philosophy from Princeton University.
 **Michael (Mike) Murphy** *Non-Executive Director* *BC Hart Nominee Director*	Mike joined the Virgin Australia Board in November 2020 as a Non-Executive Director. Mike joined Bain Capital in 2015 and is a Partner on the Asia Pacific Private Equity team at Bain Capital. He played a leading role in opening and building the Australian business. Mike has served on several of Bain Capital's investee company boards and is currently also the Chairman of Estia Health. Previously he was an investment professional at Wolseley Private Equity and a consultant at Bain & Company. Mike has an MBA from Harvard Business School and a Bachelor of Laws (Honours) and Bachelor of Commerce from Bond University.

Director	Experience and background
 **Charles Lawson** *Non-Executive Director* *BC Hart Nominee Director*	Charles joined the Virgin Australia Board of Directors in November 2020 as a Non-Executive Director (alternate), and was appointed as a Non-Executive Director in March 2025. Charles joined Bain Capital in 2016 and is a Partner on the Asia Pacific Private Equity team, based in Sydney. Charles has served on a number of Bain Capital's investee company boards and is currently a Non-Executive Director of Estia Health. Previously, Charles was an investment professional at Advent International in New York. Prior to that, he was a management consultant with Bain & Company, and a lawyer. Charles has an MBA from The Wharton School of the University of Pennsylvania and holds a Bachelor of Laws (Honours) and Bachelor of Commerce (Finance) from the University of Sydney.
 **Warwick Negus** *Non-Executive Director* *Virgin Group Nominee Director*[1]	Warwick joined the Virgin Australia Board in January 2017 as a Non-Executive Director. Warwick has extensive experience spanning over 40 years in the finance industry. He is the currently the chairman of ASX listed Bank of Queensland and Dexus Funds Management. Prior executive roles include as chief executive of Colonial First State Global Asset Management, chief executive of 452 Capital, and a managing director of Goldman Sachs in Australia, London and Singapore. Warwick was also previously a director of ASX-listed Washington H Soul Pattinson and Century Investments Ltd and chairman of ASX-listed Pengana Capital and ASX-listed URB Investment Ltd. Warwick has a Bachelor of Business from the University of Technology Sydney and a Masters of Commerce from the University of New South Wales.
 **Dimitri Courtelis** *Non-Executive Director* *Qatar Airways Group Nominee Director*	Dimitri joined the Virgin Australia Board in May 2025 as a Non-Executive Director. Dimitri has extensive experience spanning over 25 years in the finance function in both professional services and corporate roles across several global jurisdictions. He is currently the group CFO of the ASX-listed SunRice Group, has previously worked in senior finance roles at Etihad Airways and held group CFO positions with Air Serbia and Air Berlin. Earlier in his career, Dimitri worked for EY and Deloitte. Dimitri has a Bachelor of Accounting Science from the University of South Africa. He is a qualified chartered accountant (ICAA), certified fraud examiner (ACFE) and a Graduate of the Australian Institute of Company Directors.

The composition of the Board committees and a summary of its key corporate governance policies are set out in Section 6.4.6.

Each Director has confirmed to the Board that they anticipate being able to perform their duties as a Non-Executive Director or Executive Director, as the case may be, without constraint having regard to their other commitments.

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[1] Virgin Group is entitled to appoint a Director pursuant to the terms of the Trade Mark Licence Agreements. Please see Section 9.5.1 for further details.

6.1.2 Director Disclosures

Warwick Negus has been a Non-executive Director of the Company since 3 January 2017, including whilst the Company was placed in voluntary administration on 20 April 2020. The Company and its then subsidiaries entered into a number of deeds of company arrangements with its creditors on 25 September 2020 and its shares were ultimately sold to BC Hart as a part of those arrangements. The Company then delisted from the ASX on 17 November 2020. The other Directors have considered the circumstances surrounding Warwick's involvement in the Company and are of the view that his directorship at the Company when it entered voluntary administration in 2020, in no way impacts his continuing duties and contribution as a Non-Executive Director of the same company.

Dimitri Courtelis was the chief financial officer of Air Berlin from 15 September 2016 to February 2018. Air Berlin filed for insolvency in self administration on 15 August 2017 in a District Court of Charlottenburg, in Germany and operated its last flight on 27 October 2017. These proceedings transitioned to insolvency proceedings, resulting in a court appointed insolvency administrator being appointed on 16 January 2018. Air Berlin no longer operates in any form and its assets, including its fleet, airport slots, the service of certain employees and its trade mark were sold to other airlines as a part of the insolvency proceedings. The other Directors have considered the circumstances surrounding Dimitri's involvement in Air Berlin and are of the view that his position at Air Berlin in no way impacts his duties and contribution as a Non-Executive Director of the Company.

6.2 Senior Executives

Profiles of the key members of the Company's executive management team are set out in the table below.

Executive	Experience and background
 **Dave Emerson** *Chief Executive Officer and Managing Director*	See Section 6.1.
 **Race Strauss** *Chief Financial Officer*	Race joined Virgin Australia in June 2022 and was appointed as Chief Financial Officer in March 2023. Race brings over 25 years of experience across financial leadership roles in the airline and consumer sectors. Prior to his appointment, Race was Chief Financial Officer of The a2 Milk Company and held various financial leadership roles at Qantas Group, including Chief Financial Officer of Qantas Airlines and was Group CFO of Jetstar Airlines. He also held a number of leadership roles at Unilever, including as Vice President of Finance South-East Asia and Australasia. Race has a Bachelor of Business (Double Major in Accounting and Hotel Management) from Griffith University.

Executive	Experience and background
 **Nick Rohrlach** *Chief Executive Officer – Velocity and Group Executive – VARA*	Nick joined Virgin Australia as Chief Executive Officer, Velocity Frequent Flyer, in September 2021. Prior to his appointment, Nick held several executive positions at Jetstar, including Co-CEO and Executive Director (Jetstar Japan) and Executive Manager of Customer and Strategy. He also directed the launch of Jetstar in Hong Kong. Before joining Jetstar, Nick was at The Boston Consulting Group for eight years working in the Sydney and Dubai offices. He was a management consultant, providing advice to a range of international clients, including several airlines. Nick has a Bachelor of Commerce (Honours) from the University of Western Australia.
 **Alistair Hartley** *Chief Strategy & Transformation Officer*	Alistair joined Virgin Australia as Chief Strategy and Transformation Officer in March 2021. Alistair has over 20 years of experience in strategy in the aviation sector, including executive roles at TACA (Central America), Virgin Atlantic Airways (UK) and Jetstar Airways. Before joining Virgin Australia, Alistair spent more than five years at International Airlines Group (IAG) in the United Kingdom, most recently as Director of Strategy. Prior to entering aviation, Alistair worked as a management consultant with Bain & Company working across a range of industries and clients based out of both the Sydney and San Francisco offices. Alistair has a Bachelor of Civil Engineering from the University of Sydney.
 **Libby Minogue** *Chief Marketing Officer*	Libby joined Virgin Australia as Chief Marketing Officer in April 2021. Libby has more than 25 years of extensive marketing and commercial experience spanning media, content, digital and technology businesses across Australia and United States markets. Prior to joining Virgin Australia, Libby held senior executive roles at various media and technology companies including REA Group, Foxtel Media and FOX Cable Networks in the United States. Libby has a Bachelor of Business from Charles Sturt University.
 **Stuart Aggs** *Chief Risk Officer*	Stuart joined Virgin Australia in 2004 and was appointed Chief Risk Officer in March 2025. From 2004 to 2019, Stuart held a wide range of operational roles at Virgin Australia across compliance and regulation, safety, and flight operations including serving as Director of Group Flight Operations. In 2019, Stuart was appointed Chief Operations Officer and led the operations group through the COVID-19 pandemic, the recovery, and relaunch of the airline post administration. Prior to joining Virgin Australia, he held roles at REX and Hazleton Airlines, focused on flight operations, safety, compliance, quality assurance, and regulatory affairs. Stuart has a Bachelor of Arts from the University of New England and a Master of Science & Technology in Aviation from the University of New South Wales.

Executive	Experience and background
 **Christian Bennett** *Chief Corporate Affairs and Sustainability Officer*	Christian joined Virgin Australia as Chief Corporate Affairs and Sustainability Officer in November 2022. Prior to his appointment, Christian was the Chief Reputation Officer at Woolworths Group. He has extensive experience across senior corporate-affairs related appointments including at General Electric, BHP Billiton and Santos. Before entering the private sector, Christian spent 14 years with the Department of Foreign Affairs and Trade, including diplomatic postings to Harare, Washington DC and as Australian High Commissioner to Brunei. He also served on secondments as North Asia adviser in the Foreign Minister's Office and as an international adviser in the Prime Minister's Department. Christian has a Bachelor of Commerce and Bachelor of Law (Honours) from the University of Melbourne as well as a Master of Business Administration from the Melbourne Business School.
 **Susan Schneider** *Chief Legal Officer and Company Secretary*	Susan joined Virgin Australia in 2012 and was appointed Chief Legal Officer and Company Secretary in March 2021. Susan has more than 20 years of legal and risk experience in Australia and overseas. Prior to joining Virgin Australia, Susan worked in the London office of international law firm Clifford Chance and in the Brisbane office of McCullough Robertson, advising on corporate governance, mergers and acquisitions and corporations law. Susan has a Bachelor of Laws and Bachelor of Arts (Justice Studies) from the Queensland University of Technology.
 **Paul Jones** *Chief Commercial Officer*	Paul joined Virgin Australia in 2021 and was appointed Chief Commercial Officer in March 2025. Paul has extensive experience in aviation, fast moving consumer goods and technology businesses in Australia, the United Kingdom, and the United States. Before joining Virgin Australia, Paul worked at Qantas in a variety of customer, operations and technology roles including, as Chief Operating Officer. Prior to Qantas, Paul was Chief Information Officer and Vice President of Integration at Mars, based in the United States. In his current role, Paul oversees the Commercial, Customer, and digital functions for Virgin Australia. Paul has a Master of Business Administration from the Melbourne Business School.
 **Lisa Burquest** *Chief People Officer*	Lisa joined Virgin Australia as Chief People Officer in February 2021. Lisa has over 30 years of experience as a people and culture specialist working for ASX listed companies including BHP, Origin Energy, Jetstar/Qantas Airlines and The a2 Milk Company. Lisa is equipped with strong practical expertise in developing and executing successful 'people and culture' strategies in organisations undergoing significant transformation and growth. Lisa has a Bachelor of Business in Logistics, Materials and Supply Chain Management from RMIT University.

Executive	Experience and background
 **Chris Snook** *Chief Operations Officer*	Chris joined Virgin Australia in 2021 to lead engineering and was appointed Chief Operating Officer in February 2025. A veteran in aviation and airlines, Chris has over 39 years' experience having held senior executive operational and engineering roles at Qantas and Jetstar, domestically and internationally. His comprehensive operational and safety management background is backed by numerous regulatory approvals through the Civil Aviation Safety Authority and International Airworthiness Authorities, covering all aspects of airline operations. Chris is a licensed Aircraft Engineer with technical expertise in Boeing and Airbus aircraft, complemented by specialised Aviation training in safety management systems, accident investigation, human factors and aircraft design.

6.3 Interests and benefits

6.3.1 Introduction

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not sub-underwriter) to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer to any Director or proposed Director to induce them to become or qualify as a Director.

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Directors' appointment letters

Prior to the Original Prospectus Date, each of the Non-Executive Directors entered into appointment letters with the Company, confirming the terms of the appointments, their roles and responsibilities, and Virgin Australia's expectations of them as Directors.

6.3.2.2 Non-Executive Director remuneration

a. Fees, superannuation and cost reimbursement

Under the Constitution, the Company may, in a general meeting, determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under ASX Listing Rules, the total amount of Director's fees paid to the Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in a general meeting.

Initially, and until a different amount is determined, the maximum aggregate Directors' remuneration for the purposes of ASX Listing Rules and the Constitution is $2,200,000 per annum. This amount excludes, among other things, amounts payable to any Executive Director under any executive services agreement with the Company or any special remuneration that the Board may grant to the Directors for special exertions or additional services performed for or at the request of the Company, as well as any securities issued to Directors (or which are intended to be issued to Directors) as disclosed in this Prospectus.

The following annual base fees are payable to Directors other than Ryan Cotton, Michael Murphy and Charles Lawson (with effect from their appointment):

Non-Executive Independent Chairman's base fee	$535,000
Non-Executive Directors' base fee	$191,000
Additional fee to each chair of a Board Committee	$45,000
Additional fee to each member of a Board Committee	$22,500

All Directors' fees include superannuation payments required by law to be made as well as any applicable taxation (if any).

Prior to their appointment as Directors, Pippa Downes and Peter Warne were paid fees in consideration of the services they provided in connection with the preparation of the Offer. In aggregate until the Original Prospectus Date, Pippa was paid approximately $550,430 and Peter was paid approximately $1,189,613. Relatedly, the Company has reimbursed Virgin Group for amounts Virgin Group has paid to Warwick in consideration for Warwick being Virgin Group's nominee Director of Virgin Australia. In aggregate the Company has reimbursed Virgin Group approximately $269,500 for Warwick's services until the Original Prospectus Date.

Ryan Cotton, Michael Murphy and Charles Lawson, will not be paid any fees by Virgin Australia for acting as a Director of Virgin Australia.

b. Other benefits for Directors (excluding equity-based remuneration)

In addition to their director fees, the Directors and executive leadership team (**ELT**) members receive travel entitlements as part of their remuneration package. In addition to the customary travel benefits all employees receive (such as unlimited standby flights), each Director and ELT member is entitled to complimentary:

- two return, international, business class tickets within the Virgin Australia network for each Immediate Family Member (**Additional Flight Benefits**); and
- six return, domestic, business class tickets for each Immediate Family Member.

These travel benefits lapse if not used within each fringe benefits tax reporting year ending 30 April. Similarly, tickets cannot be transferred or cashed in. Directors and ELT also receive complimentary:

- Velocity Beyond membership for themselves and their partner;
- comprehensive travel insurance; and
- an annual health assessment valued at approximately $2,000.

On departure from Virgin Australia, Directors and ELT members will for a term equal to their length of service:

- receive:
  - for the CEO and Chair, 100% of the Additional Flight Benefits; or
  - for all other Directors and ELT members, 50% of the Additional Flight Benefits (ie one international ticket and three domestic tickets);
- receive company wide post-employment travel benefits; and
- keep their Velocity Beyond membership for themselves and their partner,

unless the individual works for a competitor of Virgin Australia. These travel benefits will be reported in accordance with the *Corporations Regulations 2001* (Cth) and applicable accounting standards for non-monetary employee benefits in kind.

6.3.2.3 Directors' interests in Shares and other securities

The Directors (and their associated entities) are expected to hold interests in securities of Virgin Australia as set out below. From the date of Listing, each Non-Executive Director, the CEO and executive leadership team member will be subject to Virgin Australia's minimum shareholding policy. See Section 6.4.7.9 for further details.

As at the Original Prospectus Date:

Director	A Class Shares[2]	Ordinary Shares	Share Rights	Performance rights	Shareholding[3] (%)
Peter Warne	–	–	–	–	–
Dave Emerson	4,130,890	–	–	–	0.5%
Pippa Downes	–	–	–	–	–
Melinda Conrad	–	–	–	–	–
Ryan Cotton	–	–	–	–	–
Michael Murphy	–	–	–	–	–
Charles Lawson	–	–	–	–	–
Warwick Negus	–	–	–	–	–
Dimitri Courtelis	–	–	–	–	–

Immediately following Completion:

Director	Ordinary Shares	Ordinary Shares held under the Legacy Incentive Schemes	Share Rights	Performance rights	Shareholding[4] (%)
Peter Warne	100,000	–	–	–	0.0%
Dave Emerson	–	4,130,890	2,157,471[5]	300,360[6]	0.8%[7]
Pippa Downes	35,000	–	–	–	0.0%
Melinda Conrad	35,000	–	–	–	0.0%
Ryan Cotton	–	–	–	–	–
Michael Murphy	–	–	–	–	–
Charles Lawson	–	–	–	–	–
Warwick Negus	70,000	–	–	–	0.0%
Dimitri Courtelis	10,000	–	–	–	0.0%

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2. See the table in Section 6.3.4.2 for details about A Class Shares on issue under the Legacy Incentive Plan, as well as their associated Limited Recourse Loans.
3. Each Director's shareholding percentage is calculated on a Fully Diluted Issued Capital basis, as explained and defined in Section 7.1.

4 Each Director's shareholding percentage is calculated on a Fully Diluted Issued Capital basis, as explained and defined in Section 7.1.

5 This figure assumes Dave Emerson will receive the maximum number of Share Rights he could be issued under this STI Award as described in Section 6.3.4.4, at a deemed issue price per Share Right equal to the Offer Price. The actual number of Share Rights Dave will receive under his STI Award will only be known at the end of the STI Award's performance year and may be less than the maximum.

6 This is the number of unvested Performance Rights which will be issued to Dave Emerson under his LTI Award as described in Section 6.3.4.5. The actual number of unvested Performance Rights which will vest for Dave will depend on whether and the extent to which, the performance conditions attaching to those Performance Rights will be satisfied.

7 Assumes Dave Emerson receives (i) the maximum number of Share Rights he could be issued under this STI Award as described in Section 6.3.4.4, at a deemed issue price per Share Right of the Offer Price. The actual number of Share Rights Dave will receive will only be known at the end of the STI Award's performance year and may be less than the maximum; and (ii) all of Dave's performance rights will vest, which will depend on whether and the extent to which, the performance conditions attaching to those Performance Rights will be satisfied.

Notes:

1. The tables above include all securities of Virgin Australia in which Directors have a "relevant interest" for the purposes of the Corporations Act (but also include convertible securities of Virgin Australia which those Directors or their associated entities hold).
2. The tables take into consideration Peter Warne, Warwick Negus, Pippa Downes, Melinda Conrad and Dimitri Courtelis' commitments to apply for up to $290,000, $203,000, $101,500, $101,500 and $29,000 worth of Shares respectively directly or through their associated entities but do not take into account any other Shares the Directors (and their associated entities) may acquire under the Offer. The Directors (and their associated entities) are entitled to apply for Shares under the Offer and Peter, Warwick, Pippa, Melinda and Dimitri may apply for Shares in excess of or below their commitments. Final shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to the ASX following Listing.
3. The Shares recorded in the above table entitled "Immediately following Completion" (other than any Shares acquired under the Offer) will be subject to voluntary escrow arrangements as outlined in Section 7.9 and Section 9.7.
4. Dave Emerson has been provided with a Limited Recourse Loan by VAA in connection with his Shares under the terms of the Legacy Incentive Schemes. Refer to Section 6.3.4.2 for further details.
5. Ryan Cotton, Michael Murphy and Charlie Lawson were nominated to the Board by BC Hart. Dimitri Courtelis was nominated to the Board by Qatar Airways Group. Refer to Section 6.4.7.10 for a summary of the relationship deeds under which BC Hart and Qatar Airways Group are entitled to appoint Directors. Refer also to Section 7.1.4 for further details about BC Hart's and Qatar Airways Group's interests in Shares.
6. Warwick Negus was nominated to the Board by Virgin Group. An entity within the wider Virgin group is an investor in BC Hart and on Completion will have an indirect interest in 2.0% of Fully Diluted Issued Capital (this does not take into account any other Shares that Virgin Group may acquire under the Offer).

6.3.3 Key Management Remuneration

The key management personnel of Virgin Australia for FY25F are Dave Emerson, Race Strauss and Nick Rohrlach (in addition to the Directors). Their employment arrangements are summarised below.

6.3.3.1 Chief Executive Officer and Managing Director

Dave Emerson is employed by Virgin Australia Airlines Pty Ltd (**VAA**) (a wholly owned subsidiary of the Company) in the position of chief executive officer and in June 2025 was appointed to the Board as the managing director. Dave's annual fixed remuneration is $1,300,000 (gross), which includes base salary, superannuation contributions (at the minimum rate prescribed by law and capped at the quarterly maximum contributions base) and all Director's fees payable to him.

In addition to his fixed remuneration, Dave holds 4,130,890 A Class Shares as at the Original Prospectus Date, which were issued under the Legacy Incentive Schemes and will also receive one-off transaction bonuses of $1,350,366 in connection with the IPO (payable in cash) and up to $4,130,890 in conditional and deferred transaction bonuses (that will be automatically applied to reduce the outstanding balance of the Limited Recourse Loan provided to him as outlined in Section 6.3.4.2) as Legacy Incentive Plan Shares cease to be escrowed. See Section 6.3.4.2 for further details. Dave will also receive an offer of an STI Award, LTI Award and One Off Equity Grant with an aggregate value of up to $7,127,716 under the Virgin Australia Incentive Scheme. See Section 6.3.4 for further details.

Dave is entitled to access Virgin Australia's employee travel benefit scheme. See Section 6.3.2.2(b) for further details.

Either Dave or VAA may terminate Dave's employment by giving the other party 6 months' notice in writing. VAA may also summarily terminate Dave's employment with immediate effect in certain circumstances, including where Dave engages in serious or wilful misconduct or is seriously negligent in the performance of his duties.

Dave's employment agreement contains 12-month non-solicitation and non-compete restraint provisions. The restraints operate in any location at which VAA or any other member of the Group carries on business. The enforceability of these restraints is subject to all usual legal requirements.

6.3.3.2 Chief Financial Officer

Race Strauss is employed by VAA in the position of chief financial officer. Race's annual fixed remuneration is $954,208 (gross), which includes base salary, superannuation contributions and other benefits, excluding employee travel benefits, payable to him.

In addition to his fixed remuneration, Race holds 2,753,925 A Class Shares as at the Original Prospectus Date which were issued under the Legacy Incentive Schemes and will also receive one-off transaction bonuses of $900,243 in connection with the IPO (payable in cash) and up to $2,753,925 in conditional and deferred transaction bonuses (that will be automatically applied to reduce the outstanding balance of the Limited Recourse Loan provided to him as outlined in Section 6.3.4.2) as Legacy Incentive Plan Shares cease to be escrowed. Race will also receive an offer of a STI Award, LTI Award and One Off Equity Grant under the Virgin Australia Incentive Scheme. See Section 6.3.4 for further details.

Race, as a member of the executive leadership team, is entitled to access Virgin Australia's employee travel benefit scheme. See Section 6.3.2.2(b) for further details.

Either Race or VAA may terminate Race's employment by giving the other party 6 months' notice in writing. VAA may also summarily terminate Race's employment with immediate effect in certain circumstances, including where Race engages in serious or wilful misconduct or is seriously negligent in the performance of his duties.

Race's employment agreement contains a worldwide 12-month non-solicitation clause and a 6 month non-compete restraint clause. The enforceability of these restraints is subject to all usual legal requirements.

6.3.3.3 Chief Executive Officer – Velocity and Group Executive Officer – VARA

Nick Rohrlach is employed by VAA in the position of Chief Executive Officer – Velocity and Group Executive Officer – VARA. Nick's annual fixed remuneration is $789,476 (gross), which includes base salary, superannuation contributions and other benefits, excluding employee travel benefits, payable to him.

In addition to his fixed remuneration, Nick holds 4,130,890 A Class Shares as at the Original Prospectus Date which were issued under the Legacy Incentive Schemes and will also receive one-off transaction bonuses of $1,350,366 in connection with the IPO (payable in cash) and up to $4,130,890 in conditional and deferred transaction bonuses (that will be automatically applied to reduce the outstanding balance of the Limited Recourse Loan provided to him as outlined in Section 6.3.4.2) as Legacy Incentive Plan Shares cease to be escrowed. Nick will also receive an offer of a STI Award and LTI Award under the Virgin Australia Incentive Scheme. See Section 6.3.4 for further details. Nick, as a member of the executive leadership team, is entitled to Virgin Australia's employee travel benefit scheme. See Section 6.3.2.2(b) for further details.

Either Nick or VAA may terminate Nick's employment by giving the other party 6 months' notice in writing. VAA may also summarily terminate Nick's employment with immediate effect in certain circumstances, including where Nick engages in serious or wilful misconduct or is seriously negligent in the performance of his duties.

Nick's employment agreement contains a worldwide 12-month non-solicitation clause and a 6-month non-compete restraint clause. The enforceability of these restraints is subject to all usual legal requirements.

6.3.4 Equity-based Remuneration Arrangements

6.3.4.1 Introduction

Virgin Australia has adopted the following equity-based remuneration schemes:

- the Virgin Australia Management Equity Plan (Executive Leadership Team) and the Virgin Australian Management Equity Plan (General Managers), each adopted in or before May 2021, being two legacy plans pursuant to which A Class Shares were issued to members of Virgin Australia's senior executive team and other current and former senior members of management (**Legacy Incentive Schemes**) – see Section 6.3.4.2 for further details. No A Class Shares will be on issue at Completion as all A Class Shares will be reclassified into Shares immediately prior to Listing. These reclassified Shares will be subject to disposal restrictions under the terms of the voluntary escrow deeds (for the periods outlined in Section 9.7); and
- the Virgin Australia Employee Equity Incentive Scheme, a new plan pursuant to which equity-based remuneration will be issued to eligible participants on or following Completion (**Virgin Australia Incentive Scheme**) – see Section 6.3.4.3 for further details.

6.3.4.2 Legacy Incentive Schemes

Key management personnel and certain other employees (**Legacy Incentive Planholders**) have participated in legacy incentive schemes operated by Virgin Australia. The Legacy Incentive Schemes have been discontinued and no further entitlements will arise under the Legacy Incentive Schemes for any participant.

The Legacy Incentive Schemes will be amended before Listing, with all A Class Shares being reclassified as Shares (which rank equally with all Shares issued under this Prospectus). Legacy Incentive Planholders have entered into restriction deeds with the Company in relation to the Shares they hold as a result of reclassification of A Class Shares, which will prevent participants from disposing of those Shares as described in Section 9.7.

Under the Legacy Incentive Schemes, participants were issued A Class Shares and were provided with a limited recourse loan from VAA to fund the acquisition of those A Class Shares (**Limited Recourse Loan**). Details about those Limited Recourse Loans are set out below.

Notwithstanding that they will continue to apply to those reclassified Shares following the IPO, the Legacy Incentive Schemes (as amended) relate to the period prior to the Offer. Allocations under the Legacy Incentive Schemes and the treatment of Legacy Incentive Planholders were determined and approved prior to the lodgement of this Prospectus.

While all performance vesting conditions have been satisfied or waived with effect from Completion, Shares are subject to forfeiture prior to being released from escrow under the non-compete, cessation of employment and clawback provisions as summarised in the table below.

Progressively following release of each tranche of Shares from escrow, Virgin Australia has agreed to pay certain of the Legacy Incentive Planholders a bonus of $1 per Share in the applicable tranche. These bonuses must be automatically applied to reduce the outstanding balance of the Legacy Incentive Planholder's Limited Recourse Loan, together with a self-funded contribution from the participant to gross up the repayment amount for tax withheld by Virgin Australia. Other than payroll taxes and superannuation costs, there is no net cash impact on Virgin Australia as a result of these bonuses. The impact of these commitments on the Company's statements of financial performance for the relevant periods is described in Sections 4.3.5 and 4.7.1.

The key features of the Legacy Incentive Schemes (as amended in connection with the Offer) are set out in the table below:

Term	Description
Performance vesting conditions	All performance vesting conditions applying under the Legacy Incentive Schemes have been satisfied or waived with effect from Completion.
Dividends and voting rights	Shares issued under the Legacy Incentive Schemes will rank equally in all respects with existing Shares and will have the same rights and entitlements as other issued Shares, including to rights issues, bonus issues and dividends.
Non-compete	Until the expiry or removal of the disposal restrictions under the voluntary escrow deeds described at Section 7.9 and Section 9.7, each Legacy Incentive Planholder is prohibited from being engaged in any capacity with a competing business or from soliciting any employee, customer or client of the Group (subject to customary exceptions).
Cessation of employment	Leaver provisions apply at all times prior to the expiry or removal of the disposal restrictions under the voluntary escrow deeds described at Section 7.9 and Section 9.7. Where a Legacy Incentive Planholder who was employed or engaged by the Group as at the Original Prospectus Date ceases to be so employed or engaged during the escrow period, Virgin Australia then (unless the person's employment has been terminated by the Group without cause) may buy-back some or all of the applicable Shares under the Legacy Incentive Schemes and the Legacy Incentive Planholder will receive no return in respect of those Shares.

Term	Description
Clawback	Clawback provisions apply at all times prior to the expiry or removal of the disposal restrictions under the voluntary escrow deeds described at Section 7.9 and Section 9.7. Clawback is triggered by: • committing fraud or defalcation in relation to the affairs of the Group; • serious misconduct or negligence in the performance of their duties; • knowingly or recklessly acting in a manner which is likely to bring the Group or its business into disrepute; • being convicted of an offence or having a judgement entered against them in connection with the affairs of the Group; • an unremedied breach of any agreement with or legal obligation to the Group; or • an unremedied insolvency event applying to the Legacy Incentive Planholder. Where a trigger event occurs in relation to a Legacy Incentive Planholder, Virgin Australia may buy-back some or all of the applicable Shares under the Legacy Incentive Schemes and the Legacy Incentive Planholder will receive no return in respect of those Shares.
Change of control	The Board may determine that any disposal restrictions under the Legacy Incentive Schemes are removed from all or a specified number of affected Shares where there is a change of control event (for example, a takeover offer for Shares under Chapter 6 of the Corporations Act or a scheme of arrangement between the Company and Shareholders under Part 5.1 of the Corporations Act).
Restrictions on dealings	Legacy Incentive Planholders must not sell, transfer, encumber, hedge, grant an option over, create a third party right in, deal with or otherwise dispose of any Shares under the Legacy Incentive Schemes until the removal of any disposal restrictions. Unless the Board determines otherwise, Legacy Incentive Planholders must not assign or transfer to any other person any of their legal or equitable rights to Shares issued under the Legacy Incentive Schemes.
Trustee	The Company may appoint a trustee to hold Shares on behalf of Legacy Incentive Planholders.
Amendments to Legacy Incentive Schemes	Subject to the ASX Listing Rules, the Board may, in its absolute discretion, amend the rules of the Legacy Incentive Schemes or waive or modify the application of the scheme rules, except in certain circumstances.

The key features of each Limited Recourse Loan are set out in the table below:

Term	Description
Lender	VAA
Term	Unless repaid or required to be paid earlier, each Limited Recourse Loan has a term of 9 years and 360 days from the day on which the loan was made.
Repayment	Legacy Incentive Planholders must apply to the repayment of the outstanding amount under a Limited Recourse Loan: • any cash proceeds paid upon disposal of the underlying Shares; and • the after-tax amount of any dividend, distribution or other amount payable in respect of the underlying Shares.
Security and recourse	At the Board's discretion, the lender may take a security interest under the underlying Shares and the Legacy Incentive Planholder is required to cooperate in registering that security interest. Recourse is limited to: • amounts received in respect of the underlying Shares, including cash proceeds paid upon disposal and the after-tax amount of any dividend, distribution or other amount payable in respect of the underlying Shares; and • where the Legacy Incentive Planholder defaults under the Limited Recourse Loan applies, the transfer of the underlying Shares to the lender.
Interest	No interest applies to the Limited Recourse Loan.
Prepayment	Legacy Incentive Planholders may prepay all or any part of the outstanding amount under a Limited Recourse Loan at any time and without penalty.
Restrictions on dealings	For so long as there is any amount outstanding under the Limited Recourse Loan, a Legacy Incentive Planholder must not sell, transfer, encumber, hedge, grant an option over, create a third party right in, deal with or otherwise dispose of any Shares associated with that Limited Recourse Loan.

As at the Original Prospectus Date the number of Shares funded by the Limited Recourse Loans are as follows.

Legacy Incentive Planholder	Number of A Class Shares (reclassified to Shares) funded by Limited Recourse Loans
Dave Emerson	4,130,890
Race Strauss	2,753,925
Nick Rohrlach	4,130,890
Non key management personnel and other participants	39,217,151
Total	**50,232,856**

6.3.4.3 Virgin Australia Incentive Scheme

Prior to the Original Prospectus Date, Virgin Australia established the Virgin Australia Incentive Scheme to assist in the motivation, retention and reward of the Group's employees and Directors. The Virgin Australia Incentive Scheme is designed to align the interests of participants more closely with the interests of Shareholders, and provides the Board with flexibility to grant Share Rights, Performance Rights, Options and/or Shares as incentives, subject to the terms of individual offers and the satisfaction of any conditions determined by the Board from time to time.

The key features of the Virgin Australia Incentive Scheme as set out in the plan rules (**Plan Rules**) are outlined in the table below.

Term	Description
Eligibility	Offers may be made at the Board's discretion to directors, employees and contractors of Virgin Australia and any of its subsidiaries (each an **Eligible Employee**).
Type of Awards	Virgin Australia may grant Share Rights, Performance Rights, Options and/or Shares (together, **Awards**) as incentives, subject to the terms and conditions of each individual offer to an Eligible Employee. • **Share Rights**: a holder of a Share Right will be entitled to receive a Share upon the satisfaction of any applicable time-based vesting conditions. They may be required to pay an exercise price to receive their Shares. • **Performance Rights**: a holder of a Performance Right will be entitled to receive a Share upon the satisfaction of any applicable performance and time-based vesting conditions. They may also be required to pay an exercise price to receive their Shares. • **Options**: a holder of an Option will be entitled to receive a Share upon satisfaction of any applicable performance and/or vesting conditions and payment of an exercise price (if any). • **Shares**: Shares offered may be subject to dealing restrictions, vesting conditions or other restrictions or conditions. Where Options with cash exercise prices are granted, the Plan Rules provide flexibility to offer cashless exercise.
Employee Share Trust	The Company may appoint a trustee to hold securities on behalf of Eligible Employees.
Vesting and performance conditions	Vesting of Awards issued to each Eligible Employee is subject to vesting and/or performance conditions specified in the offer document for each Award as determined by the Board. Subject to the Plan Rules and the terms of an offer document, an offer of Awards may lapse or be forfeited if such performance or vesting conditions are not satisfied. A Participant may be required to pay any exercise price on the exercise of an Option, Share right or a Performance Right.
Offers	Subject to any requirements under the ASX Listing Rules or any other applicable laws, the Board may make offers of Awards at its absolute discretion under the Plan Rules. The Board has the discretion to determine the terms and conditions of each offer of Awards it makes to Eligible Employees.
Issue price and exercise price	The Board will determine the issue price (if any) and exercise price (if any) for each grant of Share Rights, Performance Rights, Options or Shares. To the extent permitted by law, the Board may permit an Eligible Employee to exercise their Options by way of a cashless exercise where an exercise price applies.
Dividends and voting rights	Awards other than Shares do not carry voting rights or rights to receive dividends however dividend equivalent payments may be made in connection with Awards other than Shares.

Term	Description
Divided Equivalent Payment	Though Share Rights and Performance Rights do not entitle the holder to dividend rights, where permitted in an offer document, following the vesting of Share Rights and Performance Rights, Eligible Employees may be entitled to receive (in the Board's absolute discretion) either: • a cash payment equal to the value of dividends the Eligible Employee would have received had it held Shares instead of Share Rights or Performance Rights at the time a dividend is declared (if any); or • an equivalent number of Shares, calculated by dividing the value of dividends that the Eligible Employee would have received had it held Shares instead of Share Rights or Performance Rights at the time a dividend is declared (if any). Dividend equivalent payments are payable with respect to vested Share Rights and Performance Rights. Top-up Shares may be delivered to an Eligible Employee either through the issue of new Shares to them or by the transfer to them of existing Shares acquired on the ASX. Dividend equivalent payments will be offered on STI Awards, the VA Take-Off Grant and One Off Equity Grant (at the discretion of the Board) as the Share Rights under those offers are not subject to performance conditions and will vest so long as the Eligible Employee remains employed by the relevant vesting date. The intention is that by sharing dividend rights, Virgin Australia will further motivate these Eligible Employees to deliver outcomes that will enhance returns for all shareholders.
Cessation of employment	Subject always to the Board's discretion, the treatment of Awards on cessation of the Eligible Employee's employment will depend on whether the Eligible Employee ceased being employed as a result of: • their death, permanent incapacity, redundancy or any other reason approved by the Board (a "Good Leaver"); • genuine retirement; or • any other circumstance (a "Bad Leaver"). Subject always to the Board's discretion: • All leavers will be permitted to keep Shares issued under the Virgin Australia Incentive Scheme as well as any Shares issued on exercise of their previously vested Awards. • Bad Leavers' vested (and unexercised) and unvested Awards will be forfeited. • Good Leavers will be able to keep their vested Awards and a portion of their unvested Awards, pro-rated based on time and performance. • Where an Eligible Employee retires, the Board may determine that the retired Eligible Employee will keep their vested and unvested Awards.
Clawback and avoiding inappropriate benefits	The Board has broad malus and clawback powers if there is a material financial misstatement or some other event which as a result means that certain vesting conditions were, or should not have been determined to have been, satisfied as well as in other circumstances such as fraud.
Change of control	The Board may determine that all, a specified number of, or none of an Eligible Employee's unvested Awards will vest or cease to be subject to vesting conditions where there is a change of control event (for example, a takeover offer for Shares under Chapter 6 of the Corporations Act or a scheme of arrangement between the Company and Shareholders under Part 5.1 of the Corporations Act).
Award adjustments	The Plan Rules include specific provisions dealing with reconstructions, corporate actions, rights issues, bonus issues and other capital reconstructions, for example to allow for the adjustment of the exercise price and/or the number of Shares on the occurrence of these actions. The intention of these provisions is to ensure that there is no material advantage or disadvantage to the Eligible Employee in respect of their Award as a result of such actions. These provisions are subject to the application of the ASX Listing Rules.

Term	Description
Restrictions on dealings	Prior to vesting, the Eligible Employee must not sell, transfer, encumber, hedge or otherwise deal with any Awards. After vesting, unless escrowed, Eligible Employees will be free to deal with their Shares, subject to the Company's Securities Trading Policy and applicable laws.
Lapsing and forfeiture	Performance Rights, Share Rights and Options will lapse, and Shares may become subject to forfeiture, compulsory transfer or clawback, on the occurrence of a date or circumstance specified in the Plan Rules and the offer of the applicable Award, for example, upon failure to satisfy a vesting condition or if the Eligible Employee has acted fraudulently or dishonestly.
Amendments	Subject to and in accordance with the ASX Listing Rules, the Board may amend the Plan Rules provided that the rights or entitlements in respect of any Awards granted before the date of the amendment must not be reduced or adversely affected unless prior written approval from the affected Eligible Employee is obtained.
Maximum number of securities proposed to be issued	The number of securities proposed to be issued under all Awards over a three-year period following Completion (subject to adjustment in accordance with the Plan Rules) is 36,707,477 (calculated as 5% of the total number of Shares on issue on Completion, based on the Offer Price). This figure includes all STI Awards (summarised in Section 6.3.4.4), LTI Awards (summarised in Section 6.3.4.5), VA Take-Off Grants (summarised in Section 6.3.4.6) and One Off Equity Grants (summarised in Section 6.3.4.7).

6.3.4.4 Short Term Incentive

Virgin Australia makes, under the Plan Rules and in accordance with the Corporations Act, an offer of cash and Share Rights with a total value of up to $61,024,394 to certain members of Virgin Australia's senior management team as short-term incentive awards (**STI Award**). The key features of the STI Award are outlined in the table below.

Term	Description
Participants	Chief Executive Officer, executive leadership team (**ELT**) and general managers are eligible to receive cash and equity under the STI. Heads of employees are also eligible to receive a cash only STI.
STI Award	The STI Award for all participants (excluding heads of employees who are only receiving a cash STI) has a total maximum face value of between $40,682,929 and $61,024,394. Following testing of performance conditions to determine the actual face value achieved, Dave Emerson, Race Strauss and Nick Rohrlach's STI Awards will be: • as to 25% of the actual face value achieved – satisfied by a cash payment; and • as to 75% of the actual face value achieved – satisfied by the grant of Share Rights (with such number of rights to be determined by dividing the applicable face value of Share Rights by the volume weighted average price of Shares for the 10 trading days following the announcement on the ASX of the Company's financial results for the relevant grant year). Details of Dave, Race and Nick's STI Award, as well as a summary of all of their equity-based remuneration, are set out in Section 6.3.4.8. It is intended that STI Awards will be granted annually.
Issue price and exercise price	Nil.

Term	Description
Performance period	The initial STI Awards are subject to metrics assessed over a 12-month performance period commencing 1 July 2025 and ending 30 June 2026.
Vesting Period	The achievement of metrics over the performance period, which will determine the proportion of the STI which the Eligible Employee will actually receive. Delivery of the actual STI Award achieved by Dave, Race and Nick will be split over four equal tranches. The first, the cash component tranche, will be paid following determination of the STI outcome for that year. The Share Rights tranche will vest annually over the following three years.
Gateways and performance conditions	Certain "gateways" will apply from time to time such that no actual STI Award (cash or equity) will become payable unless and until certain safety thresholds are met at a Virgin Australia level. In some years, there may also be financial gateways that must be met before any STI Award is payable. Whilst the deferred Share Rights granted under the STI Award are not subject to any performance conditions satisfiable by the Eligible Employee individually, the number of Share Rights granted to any Eligible Employee is subject to the performance of Virgin Australia against a scorecard of key performance indicators (including financial, customer, operations, people and safety).
Time based vesting conditions	The vesting of the actual Share Rights earned and issued under the STI Award is subject only to the Eligible Employee remaining employed on each vesting date.
Automatic exercise	Share Rights issued as STI Awards are subject to automatic exercise on vesting. This means that if Share Rights earned, vest because the time based vesting conditions are met, the Eligible Employee will not have to take any action to receive the Shares underlying their vested Share Rights.
Expiry Date	6 months from each vesting date in respect of those Share Rights that have vested on that vesting date.
Restrictions on dealing	While Eligible Employees will not be permitted to deal with their Share Rights before vesting and automatic exercised, there will be no restriction on disposal or dealing after the Share Rights vest and are automatically exercised into Shares (other than under the Company's Securities Trading Policy).
Dividend Equivalent Payments	Dividend equivalent payments are payable with respect to vested Share Rights only and correspond to the period between the date of issue of the Share Rights to the Eligible Employee (i.e. the actual Share Rights earned for a performance period, and not the maximum opportunity) and the vesting date for the relevant Share Rights.
Other terms	See Section 6.3.4.3 for other terms that apply to all Awards, for example in relation to cessation of employment, voting and dividend rights, clawback entitlements, treatment of Awards on a change of control and potential adjustments to Awards.

6.3.4.5 Long Term Incentive

Virgin Australia makes, under the Plan Rules and in accordance with the Corporations Act, an offer of Performance Rights with a total value of approximately $4,412,423 to Virgin Australia's Chief Executive Officer, executive leadership team and other employees, as long term incentive awards (**LTI Award**). The key features of the LTI Award are outlined in the table below.

Term	Description
Eligibility	The Chief Executive Officer, executive leadership team and other employees of the Group whom the Board determines should receive an LTI Award.
LTI Award	The initial LTI Award to key management personnel has a total face value of $1,655,658, representing: • for Dave Emerson, 67% of his total fixed remuneration; and • for Race Strauss and Nick Rohrlach, 45% of their total fixed remuneration. It comprises a grant of Performance Rights which entitles the Eligible Employee to acquire Shares, subject to performance conditions (with such number of Performance Rights to be determined by dividing the dollar value of each Eligible Employee's grant by the volume weighted average price of the Company's Shares for the 10 trading days following the announcement on the ASX of the Company's financial results for the relevant grant year). For the initial grant of Performance Rights made under this Prospectus, the number of Performance Rights granted has been calculated by dividing the dollar value of their grant by the Offer Price. Dave, Race and Nick's LTI Award, as well as a summary of all of their equity-based remuneration, is set out in Section 6.3.4.7. It is intended that LTI Awards will be granted annually. Future LTI Awards may comprise of Performance Rights or Options.
Issue price and exercise price	Nil issue price for Performance Rights and Options. Nil exercise price for Performance Rights. The exercise price for Options will be set by the Board from time to time.
Performance period	The initial LTI Awards are subject to a 3 year performance period commencing 1 July 2025 and ending 30 June 2028.
Performance and vesting conditions	Performance Rights will be granted under the LTI Award at the start of the performance period and for the initial grant. • 50% of Eligible Employee's Performance Rights will be subject to return on invested capital (**ROIC**) metric; and • 50% of Eligible Employee's Performance Rights will be subject to an earnings per share compound annual growth rate, during the performance period. The specific targets will be outlined in each Eligible Employee's offer document. The vesting of Performance Rights granted under an LTI Award is also subject to the Eligible Employee remaining employed (and having been in continuous employment) on the vesting date i.e. After the end of the performance period. Each measure is assessed separately and is mutually exclusive.
Automatic exercise	The first grant of Performance Rights issued as LTI Awards are subject to automatic exercise on vesting. This means that if the vesting conditions are met, the Eligible Employee will not have to take any action to receive the Shares underlying their vested Performance Rights.
Expiry Date	6 months from the vesting date of the LTI Award.

Term	Description
Restrictions on dealing	Eligible Employees will not be permitted to deal with their Performance Rights. Once vested and automatically exercised, the resulting Shares will also be escrowed and restricted from disposal for 2 years.
Dividend Equivalent Payment	There will be no dividend equivalent payments on LTI Awards.
Other terms	See Section 6.3.4.3 for other terms that apply to all Awards, for example in relation to voting and dividend rights, clawback entitlements, treatment of Awards on a change of control and potential adjustments to Awards.

6.3.4.6 VA Take-Off Grant

Virgin Australia makes, under the Plan Rules, a once off offer of Share Rights with a total value of $24,441,000 to certain active employees as at the time of Listing who are not participating in the Legacy Incentive Schemes or being offered an LTI Award as an incentive (**VA Take-Off Grant**). The key features of the VA Take-Off Grants are outlined in the table below. It is expected that the grant of Share Rights under the VA Take-Off Grant will happen shortly after Completion.

Term	Description
Eligibility	Employees who: • have had at least one month's worth of paid employment with Virgin Australia in the previous financial year; and • have not previously participated in the Legacy Incentive Schemes or been offered an LTI Award.
VA Take-Off Grants	Eligible Employees will be offered a one off award of Share Rights with a $3,000 face value. Based on the number of employees who are eligible as at the Original Prospectus Date it is expected that 8,423,998 Share Rights in aggregate will be granted (but this number is approximate as it will be determined based on the number of active employees at the time of Listing and whether any eligible participants opt-out of receiving their VA Take-Off Grant). The number of Share Rights under the VA Take-Off Grant has been calculated by dividing the $3,000 face value by the Offer Price and multiplying the resulting number by the number of Eligible Employees who will be offered a VA Take-Off Grant.
Issue price and exercise price	Nil.
Vesting period	The one off award is subject to a 2 year vesting period from the date of issue, which is intended to be shortly after Listing.
Performance and vesting conditions	Vesting of Share Rights issued as a VA Take-Off Grant are subject to the Eligible Employee remaining employed at the end of the vesting period.
Automatic exercise	Share Rights issued as a VA Take-Off Grant are subject to automatic exercise. This means that if the vesting conditions are met, the Eligible Employee will not have to take any action to receive the Shares underlying their vested Share Rights.
Expiry Date	6 months from the date of vesting of the VA Take-Off Grants.
Restrictions on dealing	Eligible Employees will not be permitted to deal with their Share Rights before vesting and automatic exercise. There will be no restriction on disposal or dealing after the VA Take-Off Grants vest and are automatically exercised into Shares (other than to the extent provided under the Company's Securities Trading Policy).

Term	Description
Divided Equivalent Payment	At the discretion of the Board, dividend equivalent payments are payable with respect to vested Share Rights only and correspond to the period between the date of issue of the Share Rights to the Eligible Employee and the vesting date for the relevant Share Rights.
Other terms	See Section 6.3.4.3 for other terms that apply to all Awards, for example in relation to voting and dividend rights, clawback entitlements, treatment of Awards on a change of control and potential adjustments to Awards.

6.3.4.7 One-off IPO bonus grants of Share Rights

Virgin Australia makes under the Plan Rules and in accordance with the Corporations Act, a once off, offer of Share Rights with a total aggregate value of $10,000,000 to Dave Emerson, Race Strauss and a senior executive as an incentive award (**One Off Equity Grant**). The key features of the One Off Equity Grant are outlined in the table below.

Term	Description
Eligible Employees	Dave Emerson, Race Strauss and a senior executive that is not a member of key management personnel.
Rationale	Dave's One Off Equity Grant is being offered to him as a sign on bonus and as a part of a wider remuneration package the Company believes secures and motivates Dave to apply his depth of experience and capability to growing the Group's business. Race's One Off Equity Grant is being offered to him as a true-up of his Management Equity Plan allocation and to ensure his remuneration is more aligned with his peer group. As a result, Race's vesting period is for longer than Dave's vesting period.
One Off Equity Grant	**Dave Emerson** Dave will be granted 1,034,482 Share Rights with a face value of $3,000,000 The number of Share Rights has been calculated by dividing the face value of Dave's grant by the Offer Price. **Race Strauss and senior executive** Race will be granted 1,724,137 Share Rights with a face value of $5,000,000 and the senior executive will be issued 689,655 Share Rights with a face value of $2,000,000. The number of Share Rights has been calculated by dividing the face value of Race and the senior executive's grants by the Offer Price.
Issue price and exercise price	Nil.
Vesting period	**Dave Emerson** 12 months following the date of Listing. **Race Strauss and the senior executive** 50% of each of their One Off Equity Grants will vest 12 months following the date of Listing and the remaining 50% of their One Off Equity Grant will vest 24 months following the date of Listing.
Performance and vesting conditions	Share Rights granted under any One Off Equity Grant are subject to the Eligible Employee remaining employed at the end of each vesting period. One Off Equity Grants are not subject to performance conditions.

Term	Description
Automatic exercise	Share Rights issued as One Off Equity Grants are subject to automatic exercise. This means that if the Share Rights vest because vesting conditions are met, the Eligible Employee will not have to take any action to receive the Shares underlying their vested Share Rights.
Expiry Date	6 months from each vesting date in respect of those Share Rights that have vested on that vesting date.
Restrictions on dealing	Other than to the extent provided under the Company's Securities Trading Policy, there will be no restriction on disposing or dealing with any Shares Eligible Employees receive upon their One Off Equity Grants vesting and being automatically exercised.
Dividend Equivalent Payments	Dividend equivalent payments are payable with respect to vested Share Rights only and correspond to the period between the date of issue of the Share Rights to the Eligible Employee and the vesting date for the relevant Share Rights.
Other terms	See Section 6.3.4.3 for other terms that apply to all Awards, for example in relation to voting and dividend rights, clawback entitlements, treatment of Awards on a change of control and potential adjustments to Awards.

6.3.4.8 Directors and Key Management Personnel's Equity Based Remuneration

Certain Directors and key management personnel will receive offers of equity based remuneration under the Virgin Australia Incentive Scheme as follows. Only those Directors and key management personnel who are receiving equity based remuneration under the Virgin Australia Incentive Scheme are listed below.

While Dave Emerson's STI Award and LTI Award will be based on his total fixed remuneration (**TFR**) as at the Original Prospectus Date increased by the new minimum rate of superannuation coming into effect 1 July 2026 (ie $1,300,068 in aggregate), the STI and LTI Awards for all other key management personnel will be based on their TFR for FY26 which will not be known until after the Original Prospectus Date. Furthermore as the value of the STI Award will not be known until after FY26 results are announced, the target and stretch STI Award each Director and key management personnel are entitled to are disclosed below.

Figure 41: Value of Awards granted or to be granted under the Virgin Australia Incentive Scheme to Directors and key management personnel as at Completion

	STI Award				
Director or Key Management Personnel	Target	Stretch	LTI Award	One Off Equity Grant	VA Take-Off Grant
Dave Emerson[1]	$2,171,114 (167% of TFR)	$3,256,670 (251% of TFR)	$871,046 (67% of TFR)	$3,000,000	$0
Race Strauss	111% of TFR	167% of TFR	45% of TFR	$5,000,000	$0
Nick Rohrlach	111% of TFR	167% of TFR	45% of TFR	$0	$0

1. For the purposes of Listing Rule 10.15.2, Dave Emerson is captured by Listing Rule 10.14.1 as he is an Executive Director of the Company. To this end, the Company has sought a waiver from the ASX, the details of which are set out in Section 9.13. Details of any securities issued under the Virgin Australia Incentive Scheme will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that a waiver from the requirement to seek shareholder approval for the issue was granted by ASX. Any additional person covered by Listing Rule 10.14 who became entitled to participate in an issue of securities under the Virgin Australia Incentive Scheme after the ASX waiver was granted and who are not named in this Prospectus will not participate in the Virgin Australia Incentive Scheme until approval is obtained if required under ASX Listing Rule 10.14. Dave Emerson has not previously been issued any grants under the Virgin Australia Incentive Scheme.

6.3.4.9 Deeds of indemnity, insurance and access for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the maximum extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or a related body corporate.

Under the deeds of indemnity, insurance and access, the Company must maintain a directors and officers insurance policy insuring each Director (among others) against liability as a director and officer of the Company and its related bodies corporate until seven years after a director ceases to hold office as a Director of the Company or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

6.3.5 Interests of advisers

The Company has engaged the following professional advisers:

- Reunion Capital Partners Pty Ltd has acted as independent financial adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, up to approximately $2,710,000 (excluding disbursements and GST) for these services from commencement of work on the Offer from FY23 up to the Original Prospectus Date;
- Goldman Sachs, UBS and Barrenjoey have acted as the Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the Joint Lead Managers the fees described in Section 6.3.6 for these services;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation matters). The Company has paid, or agreed to pay, approximately $3,400,000 (excluding disbursements and GST) for these services in the period from commencement of work on the Offer in FY23 up until the Original Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- KPMG has acted as Investigating Accountant and has performed work to provide the Investigating Accountant's Reports. The Company has paid, or agreed to pay, approximately $1,733,000 (excluding disbursements and GST) for the above services in the period from commencement of work on the Offer in FY23 up to the Original Prospectus Date. Further amounts may be paid to KPMG in accordance with its normal time-based charges;
- PricewaterhouseCoopers has acted as Australian tax adviser and provided input (considerations and benchmarking data/market practice) into remuneration decisions made by the Directors, in relation to the Offer. The Company has paid, or agreed to pay, approximately $425,000 (excluding disbursements and GST) for the above services in the period from commencement of work on the Offer in FY23 up to the Original Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges;
- Wilsons Corporate Finance Limited and Ord Minnett Limited have agreed to act as Co-Lead Managers to the Offer. Wilsons Corporate Finance Limited and Ord Minnett Limited will each be paid a base fee of $100,000 and a broker firm fee of 1.5% of the value of Shares allocated to clients of that Co-Lead Manager. The Co-Lead Managers' fees are inclusive of any applicable GST and the Joint Lead Managers will be responsible for their payment, on behalf of the Company, out of the fees received by the Joint Lead Managers from the Company as described in Section 6.3.6.

Other than as otherwise stated, these amounts, and other expenses of the Offer, will be paid by the Company. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

6.3.6 Other interests

Goldman Sachs, UBS and Barrenjoey have acted as Underwriters and Joint Lead Managers for the Offer. The Company and SaleCo have paid, or agreed to pay, the fees described in Section 9.5.3 for the services.

In connection with the Offer, one or more investors may elect to acquire an economic interest in the Shares, instead of subscribing for or acquiring the legal or beneficial interest in those Shares. One or more of the Joint Lead Managers or their respective affiliates may, for their own account, write derivative transactions with those investors relating to the Shares to provide the economic interest in the Shares, or otherwise acquire Shares in connection with the writing of such derivative transactions in the Offer and/or the secondary market. As a result of such transactions, one or more of the Joint Lead Managers or their respective affiliates may be allocated, subscribe for or acquire Shares in the Offer and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in such Shares.

These transactions may, together with other Shares acquired by a Joint Lead Manager or their respective affiliates in connection with its ordinary course sales and trading, principal investing and other activities, result in the Joint Lead Manager or their respective affiliates disclosing a substantial holding and earning fees.

The Joint Lead Managers and their respective affiliates (**Syndicate Members**) are full service financial institutions engaged in various activities, which may include (without limitation) to varying degrees securities issuing, securities trading, issuing, arranging the distribution of, and distributing, and the provision of advice in connection with, securities and other financial products, financial advisory, provision of retail, business, private, commercial and investment banking, investment management, corporate finance, credit and derivative products, brokerage, investment research, principal investment, hedging, market making, the provision of finance, including (without limitation) in respect of securities of, or loans to, or derivative or hedging products to or in connection with, Virgin Australia or its related bodies corporate or controlled entities, customers, investors, shareholders, persons directly or indirectly involved in the Offer, and their respective affiliates and their respective officers, directors, employees, partners, advisers, contractors and agents or interests associated with such persons (**Relevant Persons**), brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees, other benefits and expenses or other transaction consideration, and out of which conflicting interests or duties may arise. In the course of these activities, the Syndicate Members may at any time for, or in connection with, their own account and for the accounts of their clients, which may include Relevant Persons, hold long or short positions, make or hold investments in, trade or otherwise effect transactions or take or enforce security for, or in connection with, their own account or the accounts of their clients, including through transactions involving debt, equity or hybrid securities, loans, financing arrangements or other financial accommodation, derivative or hedging products, other financial products, or services in connection with, or which rely on the performance of obligations by any Relevant Person, and may finance the acquisition of those securities and/or financial products and take or enforce security over those securities and/or financial products and receive customary fees and expenses or other transaction consideration in respect of such activities.

UBS and/or one of its affiliates is acting as financial adviser, arranger and underwriter to one or more entities within the Virgin Australia Group in relation to a corporate debt facility to be incurred by the Virgin Australia Group for the purpose of refinancing certain of its existing indebtedness and for general corporate purposes. UBS and/or their respective affiliates may earn fees, make profits and manage, avoid and/ or incur losses, and be indemnified for liabilities and/or reimbursed for expenses in connection with these roles.

One or more of the Joint Lead Managers and/or their respective affiliates may have acted, may be acting or may in the future act as a corporate or financial adviser, and/or, as a lender, financier and/or derivative counterparty to Virgin Australia and/or its affiliates and/or their respective shareholders. The Joint Lead Managers and/or their respective affiliates *and/or their respective shareholders* may earn fees, make profits and manage, avoid and/ or incur losses, and be indemnified for liabilities and/or reimbursed for expenses in connection with the above transactions.

6.4 Corporate Governance

6.4.1 Overview

This Section explains how the Board will oversee the management of the Company's business. The main policies and practices adopted by the Company are summarised below. Details of the Company's key policies and the charters for the Board and each of its committees will be available from Listing from www.virginaustralia.com.

The Board is responsible for the overall operation and stewardship of the Company and provides input on, and approval of, the Company's strategic direction and budgets as developed by management.

In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Directors will bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.4.2 ASX Corporate Governance Council's principles and recommendations

The Company is seeking a listing on the ASX. ASX Corporate Governance Council has developed and released its fourth edition of the corporate governance principles and recommendations (**ASX Recommendations**) for ASX-listed entities in order to promote investor confidence and to assist entities in meeting stakeholder expectations.

The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, the Company must prepare a corporate governance statement disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Company intends to comply with all of the ASX Recommendations from the time of Listing, with the exception of ASX Recommendation 2.4, which provides that the Board should be comprised of a majority of independent Directors.

The Company intends that in the future it will comply with all of the ASX Recommendations and, in particular, intends that the composition of the Board will evolve over time to comply with ASX Recommendation 2.4. The Board considers that the composition of the Board at the time of Listing is appropriate in light of the non-independent Non-Executive Directors' experience and contribution to Virgin Australia and its strategic goals, as well as the significant shareholdings that BC Hart and Qatar Airways Group will have in the Company at Listing. All the Directors believe that they will be able to, individually and collectively, analyse the issues before them objectively and in the best interests of Shareholders and in accordance with their duties as Directors.

6.4.3 Board of Directors

On Listing, the Board will be comprised of nine Directors:

- Three independent Non-Executive Directors (including an independent non-executive Chairman);
- Five non-independent Non-Executive Directors (being nominee directors of BC Hart, Qatar Airways Group and Virgin Group); and
- The Chief Executive Officer and Managing Director.

Detailed biographies of the Board members on listing are provided in Section 6.1.

The Board Charter sets out guidelines to assist in considering the independence of Directors. The Board considers a Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than individual shareholder or other party. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board having regard to all matters including Box 2.3 of the ASX Recommendations.

The Board considers that each of Peter Warne, Pippa Downes and Melinda Conrad is free from any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party and is able to fulfill the role of an independent Director for the purpose of the ASX Recommendations.

Each of Ryan Cotton, Mike Murphy and Charles Lawson have been nominated to the Board by BC Hart (which will be a substantial shareholder of the Company on Completion) and are senior employees of Bain Capital, and are therefore not considered by the Board to be independent. Similarly Dimitri Courtelis has been nominated to the Board by Qatar Airways Group (which will also be a substantial shareholder of the Company on Completion) and is therefore not considered by the Board to be independent.

Warwick Negus has been nominated to the Board by Virgin Group, which has a material business relationship with Virgin Australia pursuant to the Trade Mark Licence Agreements (see Section 9.5.1 for further details). Therefore, Warwick is not considered by the Board to be independent.

The Board believes that each of Ryan, Mike, Charles, Dimitri and Warwick add significant value to the Board given their considerable experience and skills and will bring objective and independent judgement to the Board's deliberations.

In addition, there are conditions imposed under the terms of approvals granted by BC Hart and Qatar Airways Group by the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) which permitted the acquisition of Shares. Those conditions include requirements (amongst others) that two-thirds of the Board must be Australian citizens ordinarily resident in Australia (**FIRB Governance Conditions**).

6.4.4 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The Board Charter outlines the Board's powers and responsibilities. It sets outs the Board's composition and process as well as the relationship and interaction between the Board, Board Committees and management.

The Board is responsible for the overall operation and stewardship of the Company and provides input to and approval of the Company's strategic direction and budgets as developed by management.

The responsibilities of the Board include:

- setting strategic objectives, including Virgin Australia's Sustainability Strategy as detailed in Section 3.10 and approving operating budgets;
- planning succession of the Chief Executive Officer;
- approving major capital expenditure and transactions, and overseeing capital management;
- assessing the appropriate financial and non-financial risk that the Company should be prepared to accept in the execution of its strategic and business objectives;
- reviewing the Company's risk management frameworks;
- approving financial reports, forecasts, outlook statements and other reports required at law or under the ASX Listing Rules to be adopted by the Board; and
- approving the Company's values and reviewing the Company's governance policies.

Except for matters specifically reserved for the Board, the Board has delegated to the CEO authority for all other matters that are necessary for the day-to-day operation of the Company. The role of management is to support the CEO and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

6.4.5 Board Skills Matrix

The Company has adopted a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership. The Board seeks to collectively represent a balance of skills. This includes industry knowledge and experience, technical skills, governance competencies and behavioural competencies.

Directors are expected demonstrate a track record of integrity, of operating successfully in a regulated environment which necessitates strategic planning and transformation, and of understanding commercial risk/return trade-offs.

6.4.6 Board Committees

The Board may, from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established:

- a Safety and Operational Risk Review Committee;
- an Audit, Risk, Sustainability and Compliance Committee; and
- a Remuneration, Nomination, People and Culture Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skills and experience of the individual Directors.

6.4.6.1 Safety and Operational Risk Review Committee

At Listing, the Board will establish the Safety and Operational Risk Review Committee which will comprise at least three members, including Ryan Cotton as Chair, Peter Warne, Pippa Downes, Dave Emerson and Dimitri Courtelis.

The role of the Safety and Operational Risk Review Committee is to assist the Board in fulfilling its oversight and management of the operational safety, health and security risks of the Group's operations. The Safety and Operational Risk Review Committee assists the Board in overseeing such risks by monitoring compliance with statutory and regulatory obligations and internal policies and procedures relating to operational safety, health, and security and monitoring the Group's obligations to various regulatory bodies for safety, health and security, including Australian Transport Safety Bureau, the Civil Aviation Safety Authority, Safety Rehabilitation Compensation Commission and the Department of Infrastructure and Transport.

The Safety and Operational Risk Review Committee is assisted by an expert external advisor who will be appointed by the Committee.

6.4.6.2 Audit, Risk, Sustainability and Compliance Committee

The Audit, Risk, Sustainability and Compliance Committee advises the Board and reports on the status and management of the risks to the Company.

At Listing, the Committee will comprise Pippa Downes as Chair, Peter Warne, Melinda Conrad, Charles Lawson and Dimitri Courtelis.

The role of the Audit, Risk, Sustainability and Compliance Committee is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting process, risk management and internal control, external audit, internal audit and compliance (including the Code of Conduct). This includes confirming the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

6.4.6.3 Remuneration, Nomination, People and Culture Committee

The Remuneration, Nomination, People and Culture Committee's (**RNPCCo**) charter provides that the committee must consist of at least three Non-Executive Directors, a majority of whom are independent and an independent Director as Chair.

At Listing, RNPCCo will comprise Melinda Conrad as Chair, Mike Murphy, Peter Warne, Warwick Negus and Pippa Downes.

The role of RNPCCo is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's remuneration and nomination policies and practices which enable it to attract and retain senior management of the Group. RNPCCo's responsibilities include overseeing recruitment of Directors and senior management, remuneration policies, incentive and equity plans, evaluating board composition and board performance, superannuation arrangements, remuneration matters and people strategies and establishing policies and programs.

6.4.7 Corporate Governance Policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available from Listing on the Company's website at www.virginaustralia.com.

6.4.7.1 Belonging Policy

Virgin Australia believes having team members with different backgrounds, styles, experiences, identities and opinions makes it a better company. The Company has adopted a Belonging Policy, which sets out the Company's commitment to an inclusive and diverse workforce.

The Company has also established a Belonging Steering Committee (which comprises members of management of the Company) that will oversee and coordinate the Company's performance under the Belonging Policy and report to the RNPCCo.

6.4.7.2 Continuous Disclosure Policy

Once listed, the Company must comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company has adopted a Continuous Disclosure Policy to take effect from Listing, which reinforces the Company's commitment to its continuous disclosure obligations and describes the processes in place that enable the Company to provide Shareholders with timely disclosure in accordance with those obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX, and copies of the Company's announcements to the ASX will be available on the Company's website.

6.4.7.3 Securities Trading Policy

The Company has adopted a Securities Trading Policy which will apply to the Directors and employees of the Group. The Securities Trading Policy provides that such persons must not deal in the Company's securities when they are aware of 'inside' information. Directors and employees of the Group are otherwise only permitted to deal in the Company's securities in the following trading windows:

- within the four weeks commencing from the trading day after the release of the Company's half-yearly and yearly results;
- within the four week period following the Company's annual general meeting; or
- all other periods as permitted by the board in its discretion as provided for to employees and Directors of the Group by written notice.

Directors, senior executives of the Group and any other persons determined by the CEO, must receive prior approval for any proposed dealing in the Company's securities within the permitted trading windows (including any proposed dealing by one of their connected persons).

6.4.7.4 Code of Conduct

The Board is committed to observing the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct which outlines the Company's conduct values and standards of behaviour.

The Code of Conduct is designed to provide a benchmark for professional behaviour throughout the Company's business, including the legal and policy requirements which guide the Company in its business operations. Among other things, this includes obligations on employees and other relevant individuals to comply with the Code of Conduct in respect of safety, sustainability, legal compliance, conflicts of interest and ethical work practices.

6.4.7.5 Stakeholder Communication Policy

The Company aims to promote effective communication with stakeholders. The Company recognises that potential investors and other stakeholders may wish and are entitled to obtain information about the Company from time to time. The Stakeholder Communication Policy sets out that the Company will communicate information in a timely manner to Shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the Company's annual general meeting and through the Company's Annual Report and ASX announcements.

6.4.7.6 Anti-bribery and Corruption Policy

The Company is committed to complying with all laws of the jurisdictions in which it operates, including those relating to bribery and corruption. The Anti-bribery and Corruption Policy sets out the responsibilities of the Company's personnel, including in their dealings with, and through, third parties. It sets out the types of conduct prohibited by the policy, the consequences of breaching the policy and the Company's procedures in monitoring compliance and reporting any suspected violation.

6.4.7.7 Whistleblower Policy

The Company is committed to the highest standards of conduct and ethical behaviour in all of its business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance. This policy has been adopted to provide a supportive environment where concerns can be raised by whistleblowers without fear of reprisal or detrimental treatment.

6.4.7.8 Board Protocol

The Company has adopted a Board Protocol to manage the flow of the Company's information as well as information relating to Virgin Australia's international airline, Virgin Australia International Holdings Limited[8], from and between those entities and the Directors nominated by BC Hart, Qatar Airways Group and Virgin Group (as well as from those Directors to their respective nominating Shareholder).

The Board Protocol also sets out citizenship and residency requirements applying to the Board from time to time in order to meet the FIRB Governance Conditions.

The Board Protocol summarises restrictions on information flow imposed by various Australian laws and Australian government agencies as well as exceptions to those restrictions. It also contains confidentiality requirements the Company and Directors are required to observe if certain types of information are lawfully disclosed under the Board Protocol.

6.4.7.9 Minimum Shareholding Policy

The Company recognises the importance of aligning the interests of its senior executives and Directors with the long-term interests of Shareholders. This policy aims to achieve this by prescribing minimum shareholding requirements applicable to the Company's senior executives and Directors while holding their respective roles. The minimum shareholding levels applicable to each are set out as follows:

- Non-Executive Directors who are not nominated by Shareholders– 100% of the annual base fee payable to the Director (including superannuation contributions but excluding committee fees);
- CEO – 150% of the total annual fixed remuneration (including superannuation contributions); and
- members of the Company's executive leadership team – 75% of the total annual fixed remuneration (including superannuation contributions).

Those to which the minimum shareholding policy applies are encouraged to commence acquiring Shares as soon as practicable and are required to reach the applicable minimum shareholding level by the later of 4 years from (a) the date of their appointment or (b) the effective date of the Minimum Shareholding Policy, being the date of Listing.

6.4.7.10 Related party transactions

Other than as disclosed in this Section 6, Virgin Australia will not from Completion be party to any agreements with related parties (as defined in Chapter 2E of the Corporations Act).

Advisory services agreement with Bain Capital

BC Hart and other entities associated with Bain Capital are party to an advisory services agreement pursuant to which advisory services have been provided to Virgin Australia. Since the commencement date of the advisory services agreement on 30 July 2020 up to the Original Prospectus Date, US$54,821,694 (being equivalent to approximately AU$80,620,138[9]) of fees and expenses have been paid or reimbursed by the Company to Bain Capital under the terms of the advisory services agreement. The substantial majority of these fees and expenses were prior to the Company being converted to a public company (at which time the related party provisions in Chapter 2E of the Corporations Act did not apply), and to the extent they were paid post conversion to a public company, the approval of the Company's only eligible voting shareholder (Qatar Airways Group) was obtained.

On Completion, the advisory services agreement will automatically terminate. Immediately prior to Completion, the Company will pay Bain Capital a termination fee of US$10,000,000 (equivalent to approximately AU$15,873,016[10]). The approval of the Company's only eligible voting shareholder (Qatar Airways Group) was obtained for the payment of the termination fee under Chapter 2E of the Corporations Act.

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8. See Section 9.3 for an overview of the holding structure of Virgin Australia's international airline business and the associated regulatory requirements.
9. Calculated on the basis of an averaged exchange rate over the period of AU$1:US$0.68.
10 Calculated on the basis of an exchange rate of AU$1:US$0.63.

Under the terms of the advisory services agreement, Virgin Australia indemnifies Bain Capital in relation to any damages, losses and liabilities arising out of, or in connection with, the services provided under the advisory services agreement or other circumstances concerning Virgin Australia. The indemnity survives termination of the advisory services agreement.

BC Hart and other entities associated with Bain Capital have incurred the costs of engaging professional advisers in connection with its investment in the Company, including the promotion of the Company and the proposed Listing. The Company has reimbursed BC Hart for professional advisory costs in accordance with the terms of the advisory services agreement and the amounts of such reimbursement are reflected above.

BC Hart Relationship Deed

On Completion, BC Hart will hold approximately 40.0% of the Shares. It has entered into a voluntary escrow deed in relation to its Shares described in Section 9.7. The independent Directors have approved the Company entering into a relationship deed with BC Hart.

BC Hart's relationship deed has the following key terms:

- the obligations of the parties are conditional on Completion and entry by BC Hart into a voluntary escrow deed;
- BC Hart and the Company have agreed that dealings with each other and with their respective affiliates will be on arm's length terms;
- BC Hart has the right to nominate 1 Director while it holds at least 10% of the Shares, 2 Directors while it holds at least 20% of the Shares and less than 35% of the Shares and 3 Directors while it holds at least 35% of the Shares;
- BC Hart may nominate 2 observers for so long as it has a right to appoint 3 Directors and may nominate 1 observer for so long as it has a right to appoint up to 2 Directors;
- BC Hart's nominee Directors and BC Hart are granted access rights in respect of certain information in relation to Virgin Australia, subject to confidentiality and information sharing restrictions (including those imposed under the Board Protocol);
- the Company is required to provide market disclosure (subject to certain conditions) to facilitate BC Hart selling its Shares; and
- the relationship deed terminates on the earlier of BC Hart ceasing to hold at least 5% of the Shares, Bain Capital ceasing to hold at least 50% of the partnership interests in BC Hart and Bain Capital ceasing to be able to appoint the general partner of BC Hart.

Qatar Airways Group Relationship Deed

On Completion, Qatar Airways Group will hold approximately 23.4% of the Shares. The Company expects Qatar Airways Group to be a long term capital holder. The independent Directors have approved the Company entering into a relationship deed with Qatar Airways Group.

Qatar Airways Group's relationship deed has the following key terms:

- the obligations of the parties are conditional on Completion of the Offer;
- Qatar Airways Group and the Company have agreed that dealings with each other and with their respective affiliates will be on arm's length terms;
- Qatar Airways Group has the right to nominate:
  - 1 Director while it holds at least 10% of the Shares;
  - 2 Directors while it holds at least 20% of the Shares and the Company has 11 or more Directors (not including Qatar Airways Group's second nominee); and
  - 1 Board observer where it holds at least 10% of the Shares and has appointed only 1 Director;
- where the Company completes a Share issue after Listing which causes Qatar Airways Group's shareholding to fall below 10%, Qatar Airways Group will have a grace period of between three to six months (which may be extended) to make on-market acquisitions to regain at least a 10% interest in all Shares through acquisition of existing Shares;

- Qatar Airway Group's nominee Director(s) and Qatar Airways Group are granted access rights in respect of certain information in relation to Virgin Australia, subject to confidentiality and information sharing restrictions (including those imposed under the Board Protocol); and
- the relationship deed terminates on Qatar Airways Group ceasing to hold at least 5% of the Shares.

Qatar Airways Group has informed Virgin Australia that its shareholding in the Company is strategically significant to it and that it has no current intention to reduce its shareholding, although it is not restricted from doing so. In that regard, Qatar Airways Group will not be subject to any escrow arrangements with respect to its holding of Shares.

Virgin Group's right to a nominee director under the Trade Mark Licence Agreements

Under the Virgin Trade Mark Licence Agreements, Virgin Group has a right to appoint a nominee director to the Virgin Australia board for the duration of the Virgin Trade Mark Licence Agreements. See Section 9.5.1 for further details about the term of the Virgin Trade Mark Licence Agreements. The Virgin Group nominee director has rights to share information received in its capacity as a nominee director with Virgin Group subject to the Board Protocol summarised in Section 6.4.7.8. The current nominee Director appointed by Virgin Group is Warwick Negus.

Following Completion, Virgin Australia will continue to be required to procure that its directors recommend the continued appointment of Virgin Group's nominee director to Virgin Australia's shareholders. If Shareholders do not approve the continuing appointment of Virgin Group's nominee (Warwick Negus), Virgin Australia and the Virgin Group are required to consult and co-operate in respect of the appointment of an alternative nominee director.

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Details of the Offer

7.1 Description of the Offer

The Offer comprises the issue of 1 New Share by Virgin Australia to raise proceeds of $2.90 and the sale of 236.2 million existing Shares by SaleCo to raise approximately $685.0 million for the Selling Shareholder, in each case at the Offer Price of $2.90 per Share.

The total number of Shares expected to be on issue at Completion will be 781,990,466 Shares[1]. The Shares offered under this Prospectus will represent approximately 30.2% of the Shares on issue at Completion.

In this Prospectus, **Fully Diluted Issued Capital** includes all of those Shares that are on issue at Completion of the Offer (as disclosed above) plus approximately 11.9 million Share Rights with a total value of approximately $34.4 million based on the Offer Price, comprising 8.4 million Share Rights that will be issued to Virgin Australia Employees under the VA Take-Off Grant (assuming that no eligible employee opts-out of receiving their VA Take-Off Grant) and 3.4 million Share Rights that will be issued to certain members of Management in connection with their employment relationship (see Section 6.3.4.6 and Section 6.3.4.7 for further details). Although the Share Rights to be issued under the VA Take-Off Grant are included in the Fully Diluted Issued Capital at Completion, it is expected that the actual grant of Share Rights under the VA Take-Off Grant will happen shortly after Completion. The Fully Diluted Issued Capital at Completion will be 793,862,738. All Shares on issue will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.11. The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer**, which consists of:
  - the **Broker Firm Offer**, which is open to Australian residents who have received a firm allocation of Shares from their Broker (see Section 7.3); and
  - the **Priority Offer**, which is open to selected Investors in eligible jurisdictions who have received a Priority Offer invitation (see Section 7.4); and
- the **Institutional Offer**, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions (other than the United States) made under this Prospectus and to Institutional Investors in the United States under the US Institutional Offering Memorandum (see Section 7.5).

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares under the Broker Firm Offer.

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by Virgin Australia, the Financial Adviser and the Joint Lead Managers.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.3.

7.1.2 Purpose of the Offer

The Offer is being conducted to provide:

- a liquid market for Shares and an opportunity for others to invest in Virgin Australia;
- Virgin Australia with access to the capital markets to improve capital management flexibility; and
- Existing Shareholders with an opportunity to realise, in whole or in part as the case may be, their investment in Virgin Australia.

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1. Total number of Shares on issue at Completion of the Offer comprises 731.8 million Shares on issue before the Offer, 1 New Share to be issued under the Offer together with 50.2 million Shares held by Management and former members of management under the Legacy Incentive Scheme (after reclassification of A Class Shares to Shares as described in Section 6.3.4.1 for further details).

7.1.3 Sources and uses of funds

The total gross proceeds of the Offer will be calculated as the sum of the number of the New Share issued by Virgin Australia and the number of Existing Shares sold by SaleCo (in each case, under the Institutional Offer and Retail Offer) multiplied by the Offer Price.

Table 65: Sources and uses of funds

Sources of Funds	$m	Uses of Funds	$m
Virgin Australia			
Cash on balance sheet	77.8	Payment of Offer Costs	77.8
SaleCo			
Cash proceeds received from the sale of Shares by SaleCo	685.0	Payment to the Selling Shareholder	685.0
Total sources of funds	**762.8**	**Total uses of funds**	**762.8**

7.1.4 Shareholding structure

The details of the ownership of Shares and other securities immediately prior to and on Completion are set out below:

Table 66: Shareholding structure

	As at the Original Prospectus Date[2]				On Completion[3]			
Shareholder	Shares[4] (m)	%[5]	Share Rights (m)	%[6]	Shares (m)	%[7]	Share Rights[8] (m)	%[9]
BC Hart	548.8	70.2%	–	70.2%	312.6	40.0%	–	39.4%
Qatar Airways Group	182.9	23.4%	–	23.4%	182.9	23.4%	–	23.0%
Management Shareholders and current and former employees[10]	50.2	6.4%	–	6.4%	50.2	6.4%	11.9	7.8%
New investors under the Offer	–	–	–	–	236.2	30.2%	–	29.8%
Total	**782.0**	**100.0%**	**–**	**100.0%**	**782.0**	**100.0%**	**11.9**	**100.0%**

At Completion, it is expected that approximately 45.7% of Shares will be subject to the voluntary escrow arrangements described in Sections 7.9 and 9.7. In the opinion of Virgin Australia, the free float of Shares at the time of Listing on the Official List will be approximately 30.2% of the Shares on issue at that time.

7.1.5 Control implications of the Offer

Based on the final size of the Shareholding retained by BC Hart, it may be in a position to exercise influence in relation to matters requiring approval of Virgin Australia Shareholders, including the election of directors of Virgin

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2. As at the Original Prospectus Date, there are A Class Shares on issue under the Legacy Incentive Scheme. These will convert into Shares on a one-for-one basis immediately prior to Listing (see Sections 6.3.4.2 and 7.1.4 for more information). Accordingly, in the above table, the A Class Shares have been treated as Shares.
3. Shares held at Completion excludes any Shares acquired under the Offer by Existing Shareholders.
4 This includes A Class Shares on issue as at the Original Prospectus Date.
5 Percentages based on Shares (Ordinary Shares and A Class Shares).
6. Percentages based on Fully Diluted Issued Capital as defined Section 7.1 (but excluding approximately 11.9 million Share Rights).
7 Percentages based on Shares.
8 The figures in this column do not include Share Rights that may be issued under STI Awards or any performance rights that may be issued as LTI Awards.
9 Percentages based on Fully Diluted Issued Capital as defined Section 7.1
10. Figures as at the Original Prospectus Date includes former members of management who hold Shares under the Legacy Incentive Schemes. Figures on Completion includes former members of management who hold Shares under the Legacy Incentive Schemes and the Share Rights issued under the VA Take-Off Grants to certain Virgin Australia employees and assumes that no eligible employee opts-out of receiving their VA Take-Off Grant. It is expected that the grant of Share Rights under the VA Take-Off Grant will happen shortly after Completion.

Australia, and to influence the outcome of any takeover offer for the Shares or similar transaction involving the acquisition of the Shares.

7.1.6 Description of the Syndicate

Barrenjoey Markets, Goldman Sachs and UBS are the Joint Lead Managers to the Offer.

Wilsons Corporate Finance Limited and Ord Minnett have been appointed as Co-lead managers to the Offer. One or more Co-managers to the Offer may be appointed.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of Virgin Australia).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being $2.90 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in the "Timetable" Section of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney, Australia time. Virgin Australia and SaleCo, in consultation with the Financial Adviser and the Joint Lead Managers, reserve the right to vary any of these dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the issue and transfer of any Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Original Prospectus Date.
What are the cash proceeds to be raised?	$685.0 million will be raised under the Offer based on the Offer Price, comprising $2.90 from the issue of 1 New Share by Virgin Australia and approximately $685.0 million from the sale of Existing Shares by SaleCo.
Is the Offer underwritten?	The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.5.3.
Who are the Joint Lead Managers for the Offer?	Barrenjoey Markets, Goldman Sachs and UBS are the Joint Lead Managers to the Offer.
What is the minimum and maximum Application size under the Offer?	Applications under the Broker Firm Offer and Priority Offer must be for a minimum of $2,000 worth of Shares. There is no minimum application size under the Institutional Offer. There is no maximum value of Shares that may be applied for under the Institutional Offer, Broker Firm Offer or Priority Offer. However, Virgin Australia and SaleCo reserve the right to reject any Application in the Broker Firm Offer or Priority Offer or to allocate a lesser number of Shares than that applied for, in their absolute discretion.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by Virgin Australia, the Financial Adviser and the Joint Lead Managers. With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Virgin Australia, the Financial Adviser or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares. The allocation of Shares under the Priority Offer will be determined by the Company at its discretion. The allocation of Shares under the Institutional Offer will be determined by Virgin Australia in agreement with the Joint Lead Managers. Virgin Australia, along with the Joint Lead Managers, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the number or equivalent dollar amount applied for, in its absolute discretion. Virgin Australia and SaleCo, in conjunction with the Joint Lead Managers, also reserve the right to aggregate or refuse any Applications that they believe may be multiple Applications from the same person. For further information on the: • Broker Firm Offer, see Section 7.3; • Priority Offer, see Section 7.4; and • Institutional Offer, see Section 7.5.
Will the securities be quoted on ASX?	Virgin Australia has applied to the ASX for admission to the Official List and quotation of Shares on ASX under the code "VGN". Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Virgin Australia will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Virgin Australia from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Virgin Australia may be admitted to the Official List is not to be taken as an indication of the merits of Virgin Australia or the Shares offered for sale.
When are the securities expected to commence trading on ASX?	It is expected that trading of the Shares on ASX will commence on or about 24 June 2025, initially on a conditional and deferred settlement basis. Trades occurring on ASX before Settlement will be conditional on the issue and transfer of Shares, and Settlement occurring. Conditional trading will continue until Virgin Australia has advised ASX that: • settlement has occurred; and • Virgin Australia has issued Shares and SaleCo has transferred Shares to Successful Applicants under the Offer, which is expected to be on or about 25 June 2025. Normal settlement basis trading is expected to commence on or about 26 June 2025. If the conditions above have not been satisfied within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

Topic	Summary
When are the securities expected to commence trading on ASX? *continued*	It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Virgin Australia, the Joint Lead Managers, the Financial Adviser and SaleCo disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Virgin Australia Offer Information Line, by a Broker or otherwise.
When will I receive confirmation of whether my Application has been successful?	It is expected that initial holding statements will be mailed to Successful Applicants by standard post on or about 27 June 2025. Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer. No refunds will be made where the overpayments relate solely to rounding.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.9 and Section 9.7.
Has any ASIC relief or ASX waivers been obtained or been relied on?	No ASIC relief has been obtained. ASX waivers have been obtained. Details are provided in Section 9.13.
Are there any taxation considerations?	Refer to Section 9.14. Note that it is recommended that all Applicants consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. See Section 6.3.6 for details of various fees payable by Virgin Australia to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.
What should you do in relation to any questions you have about the Offer?	Please call the Virgin Australia Offer Information Line on 1300 273 158 (inside Australia) or +61 3 9415 4264 (outside Australia) from 8.30am until 5.00pm (Sydney time) Monday to Friday during the Offer Period (excluding public holidays). Enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Virgin Australia is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who can apply

The Broker Firm Offer is open to Australian resident retail investors who have a registered address in Australia and are not Institutional Investors and who have received an invitation from a Broker to acquire Shares under the Prospectus.

No general public offer of securities will be made under the Offer, other than through the ability of the public to apply through the Broker Firm Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation. Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Applications under the Broker Firm Offer must be for a minimum of $2,000 worth of Shares.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Broker Firm Offer Application Form or download a copy at www.VirginAustraliaIPO.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date for the Retail Offer (5:00pm (Sydney time) on 19 June 2025) or any earlier closing date as determined by your Broker.

By making an Application, you declare that you are an Applicant who was given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you are an eligible investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

Virgin Australia, SaleCo, the Financial Adviser, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their application monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Application acceptances and Application Monies

An Application in the Broker Firm Offer is an offer by the Applicant to subscribe for Shares for all or any of the application amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. Acceptance of an Application will give rise to a binding contract conditional on the quotation of Shares on the ASX and Settlement.

Virgin Australia, SaleCo, the Financial Adviser and the Joint Lead Managers reserve the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for at the Offer Price, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. No refunds will be made where the overpayments relate solely to rounding.

Successful Applicants in the Broker Firm Offer will be allotted Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by Virgin Australia and SaleCo divided by the Offer Price (rounded down to the nearest whole Share).

7.3.5 Allocation policy under the Broker Firm Offer

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, will be determined by agreement between the Joint Lead Managers, Virgin Australia, SaleCo and the Financial Adviser. Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of Virgin Australia, SaleCo, the Financial Adviser and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not Virgin Australia, SaleCo, the Financial Adviser or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Virgin Australia Offer Information Line or confirmed your allocation through a Broker.

Virgin Australia, SaleCo, their respective directors and officers, the Financial Adviser, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Virgin Australia Offer Information Line or confirmed your firm allocation of Shares through a Broker.

7.4 Priority Offer

7.4.1 Who can apply

The Priority Offer is open to select investors in Australia and certain other jurisdictions who have received a personalised invitation from Virgin Australia to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States.

7.4.2 How to apply

Applicants under the Priority Offer should follow the instructions outlined in their personalised invitation to complete and lodge their Application.

Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares.

By making an Application, you declare that you are an Applicant who was given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Virgin Australia, SaleCo, the Financial Adviser and the Joint Lead Managers reserve the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. No refunds will be made where the overpayments relate solely to rounding.

Successful Applicants in the Priority Offer will be allotted Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by Virgin Australia and SaleCo divided by the Offer Price (rounded down to the nearest whole Share).

7.4.3 Payment methods

Applicants under the Priority Offer must pay by following the instructions outlined in their personalised invitation.

Application Monies must be received by the Share Registry by no later than 5.00pm AEST on 29 June 2025 and it is your responsibility to ensure that this occurs. 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 when making payment. None of Virgin Australia, SaleCo, the Financial Adviser or the Joint Lead Managers take any responsibility for any failure to receive Application Monies before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.4.4 Allocation policy under the Priority Offer

The allocation of Shares under the Priority Offer will be determined by Virgin Australia in its absolute discretion.

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation from Virgin Australia and the Joint Lead Managers to certain Institutional Investors in Australia, New Zealand, and other eligible foreign jurisdictions to bid for Shares in the Institutional Offer. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

The Institutional Offer is made up of two parts:

- an invitation to Institutional Investors in Australia, New Zealand and selected other jurisdictions (other than the United States) to bid for Shares – made under this Prospectus; and
- an invitation to Institutional Investors in the United States – made under the US Institutional Offering Memorandum.

7.5.2 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer was determined by Virgin Australia in agreement with the Joint Lead Managers and the Financial Adviser. The Joint Lead Managers, Virgin Australia, SaleCo and the Financial Adviser have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy has been influenced by the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Virgin Australia's desire for an informed and active trading market following listing on the ASX;
- Virgin Australia's desire to establish a wide spread of institutional Shareholders;
- the overall level of demand under the Broker Firm Offer, the Priority Offer and the Institutional Offer;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that Virgin Australia, the Financial Adviser and the Joint Lead Managers considered appropriate, in their sole discretion.

7.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. Offers to any person in the United States are only being made pursuant to, and in accordance with the terms described in, the US Institutional Offering Memorandum.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

7.7 Underwriting agreement

Virgin Australia, SaleCo and the Joint Lead Managers have entered into an Underwriting Agreement, under which the Joint Lead Managers have agreed to underwrite the Offer, subject to certain conditions and termination events. The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement.

A summary of certain terms of the Underwriting Agreement, including termination provisions, is provided in Section 9.5.3.

7.8 Discretion regarding the Offer

Virgin Australia and SaleCo may withdraw the Offer at any time before the issue and transfer of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Virgin Australia, SaleCo, the Financial Adviser and the Joint Lead Managers also reserve the right to, subject to the Corporations Act, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for.

7.9 Voluntary escrow arrangements

Upon Completion of the Offer, BC Hart and Escrowed Legacy Planholders will be subject to voluntary escrow arrangements (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price).The Company expects Qatar Airways Group to be a long term capital holder. The Escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their Escrowed Shares during the relevant Escrow Period (subject to limited exceptions).

Qatar Airways Group has informed Virgin Australia that its shareholding in the Company is strategically significant to it and that it has no current intention to reduce its shareholding, although it is not restricted from doing so. In that regard, Qatar Airways Group will not be subject to any escrow arrangements with respect to its holding of Shares.

See Section 9.7 for a summary of the terms of the voluntary escrow arrangements and the limited exceptions that permit dealing in the escrowed Shares during the Escrow Period.

7.10 ASX listing, registers and holding statements and deferred settlement trading

7.10.1 Application to ASX for the listing of Virgin Australia and quotation of Shares

Virgin Australia will apply to ASX within 7 days of the Original Prospectus Date for admission to the Official List and quotation of the Shares on ASX. Virgin Australia's ASX code will be "VGN".

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Virgin Australia to the Official List is not to be taken as an indication of the merits of Virgin Australia or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the date of the Original Prospectus (or any later date permitted by law), all Application Monies received by Virgin Australia will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Upon Listing, Virgin Australia will be required to comply with ASX Listing Rules, subject to any waivers obtained by Virgin Australia from time to time.

7.10.2 CHESS and issuer sponsored holdings

Virgin Australia will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Virgin Australia and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on ASX (on a conditional and deferred settlement basis) will commence on or about 24 June 2025.

The contracts formed on acceptance of Applications will be conditional on Settlement and the issue and transfer of Shares occurring under the Offer. Trades occurring on ASX before these conditions are satisfied will be conditional on the satisfaction of those conditions.

Conditional trading will continue until Virgin Australia has advised ASX that Settlement and the issue and transfer of Shares under the Offer has occurred, which is expected to be on or about 25 June 2025. Unconditional and normal settlement basis trading is expected to commence on or about 26 June 2025.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest).

In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Virgin Australia, SaleCo, the Directors, the Joint Lead Managers, the Share Registry and the Financial Adviser disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Virgin Australia Offer Information Line or confirmed your firm allocation through a Broker.

7.11 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.11.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law. A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Virgin Australia is admitted to the Official List.

7.11.2 Rights attaching to Shares

The rights attaching to the Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law. The principal rights, liabilities and obligations of the Shareholders are summarised below.

Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless a Shareholder has appointed more than one proxy) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chair does not have a casting vote, in addition to any deliberative vote.

Dividends

The Board may pay any interim, special or final dividends that, in its judgement, the financial position of Virgin Australia justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.

Issue of further Shares

The Board may (subject to the Constitution, the ASX Listing Rules and the Corporations Act) issue, allot or grant options for, or otherwise dispose of, Shares in the company on such terms as the Board decides.

Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. The rights attached to any class of Shares may, unless their terms of issue state otherwise, be varied by:

- consent in writing of the holders of at least 75% of the issued Shares in the particular class; or
- a special resolution passed at a separate meeting of the holders of Shares in that class.

Dividend reinvestment plan

The Constitution contains a provision allowing Directors, on the terms and conditions they think fit, to implement, amend, suspend or terminate a dividend reinvestment plan (under which any Shareholder or any class of Shareholders may elect that the dividends payable by Virgin Australia be reinvested by a subscription for Shares in Virgin Australia).

Transfer of shares

Subject to the Constitution and to any restrictions attached to a member's Shares, Shares may be transferred by a proper ASTC Transfer or a written instrument of transfer in any usual form or in any other form that the Directors approve. The Board may refuse to register a transfer of Shares or apply a holding lock to prevent a Proper ASTC Transfer permitted under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

General meeting and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of Virgin Australia and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. Virgin Australia must give at least 28 days' written notice of a general meeting.

Winding up

Subject to the Constitution, the Corporations Act and any preferential rights or restrictions attaching to any class or classes of Shares, Shareholders will be entitled on a winding up to a share in any surplus assets of Virgin Australia in proportion to the Shares held by them (irrespective of the amounts paid or credited as paid on the Shares), less any amounts which remain unpaid on these Shares at the time of distribution. If Virgin Australia is wound up, the liquidator may with the sanction of a special resolution divide the whole or part of Virgin Australia's property among Shareholders and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

Non-marketable parcels

In accordance with the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, and provided that the procedures set out in the Constitution are followed, Virgin Australia may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares.

Proportional takeover provisions

The Constitution requires Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless they are renewed by Shareholders passing a special resolution by the third anniversary of either the date that those rules were adopted or the date those rules were last renewed.

Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of 3 Directors and a maximum of 12, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at general meetings of Virgin Australia.

No Director (excluding the managing Director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected.

The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing Director) will then hold office until the next annual general meeting following their appointment.

Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chair does not have a casting vote.

Directors – remuneration

Directors may be paid for travel and other expenses incurred in attending to Virgin Australia's affairs, including attending and returning from meetings of Directors or Committees or general meetings.

Any Director who devotes special attention to the business of Virgin Australia or who performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director may be remunerated for the services (as determined by the Board).

Powers and duties of Directors

The business and affairs of Virgin Australia are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within Virgin Australia's power and the powers that are not required by law or by the Constitution to be exercised by Virgin Australia in general meeting.

Preference shares

Virgin Australia may issue preference Shares, including preference Shares which are, or at the option of Virgin Australia or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference Shares are those set out in the Constitution unless other rights have been approved by special resolution of Virgin Australia.

Directors' and Officers' indemnity

Virgin Australia, to the maximum extent permitted by law, may decide to indemnify each person who is a current or former Director, executive officer, officer, employee or auditor of Virgin Australia, and such other officers or former officers of Virgin Australia or its related bodies corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of Virgin Australia or of a related body corporate of Virgin Australia including, but not limited to, a liability for negligence or for legal costs.

Virgin Australia, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer, employee or auditor of Virgin Australia, and such other officers or former officers of Virgin Australia or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of Virgin Australia or of a related body corporate of Virgin Australia including, but not limited to, a liability for negligence or for legal costs.

Virgin Australia may enter into contracts with any person who is a current or former Director, executive officer, officer, employee or auditor of Virgin Australia, and such other officers or former officers of Virgin Australia or its related bodies corporate as the Directors in each case determine, to provide access to the books of Virgin Australia conferred by the Corporations Act or otherwise by law.

Amendment

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of Virgin Australia.

7.12 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of Virgin Australia and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a complete and unaltered printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once Virgin Australia, the Share Registry or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised Virgin Australia, SaleCo and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, Virgin Australia may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), and does not take into account the personal circumstances, investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by Virgin Australia or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus (other than those invited into the Institutional Offer under the US Institutional Offering Memorandum, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold, pledged or transferred, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable state securities laws;
- it is not in the United States or acting for the account or benefit of a person in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in any other jurisdiction outside Australia except in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

08

Investigating Accountant's Reports

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
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Sydney NSW 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7621
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Virgin Australia Holdings Limited and
Virgin Australia SaleCo Limited
Level 11, 275 Grey Street
South Brisbane
QLD 4101

Our ref Project Match - KPMG IAR - Historical

13 June 2025

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report on Pro Forma Historical Financial Information Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Virgin Australia Holdings Limited (ACN 100 686 226) ("VAH") and Virgin Australia SaleCo Limited ("SaleCo") to prepare this report for inclusion in the Prospectus to be dated 13 June 2025 ("Prospectus") to be issued by VAH and SaleCo, in respect of a proposed initial public offering of ordinary shares in VAH and the associated listing of VAH on the Australian Securities Exchange ("ASX") (the "Offer").

Expressions defined in the Prospectus have the same meaning in this Investigating Accountant's Report.

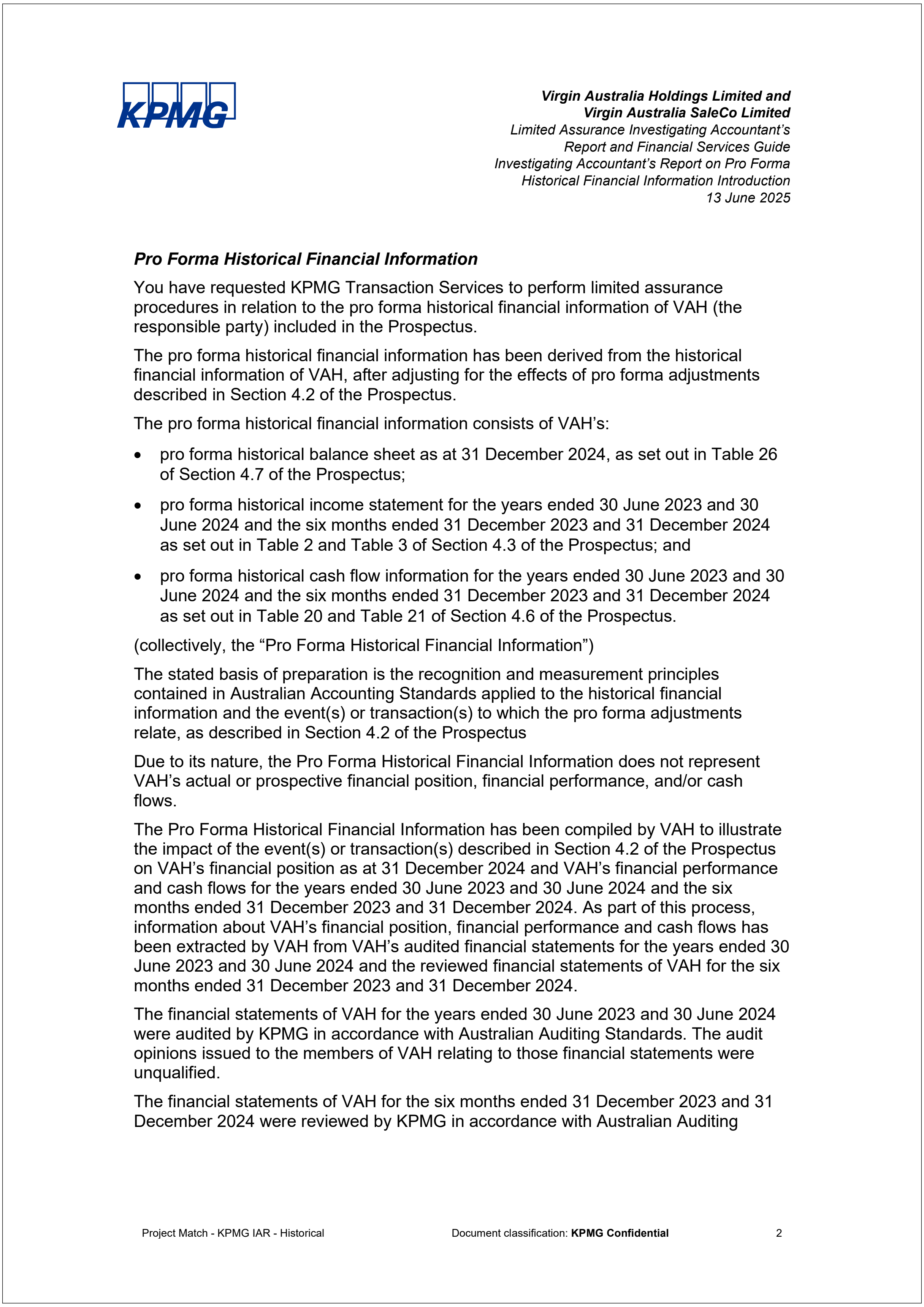
This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical described below and disclosed in the Prospectus in respect of VAH.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted outside Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.



Virgin Australia Holdings Limited and
Virgin Australia SaleCo Limited
Limited Assurance Investigating Accountant’s
Report and Financial Services Guide
Investigating Accountant’s Report on Pro Forma
Historical Financial Information Introduction
13 June 2025

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of VAH (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of VAH, after adjusting for the effects of pro forma adjustments described in Section 4.2 of the Prospectus.

The pro forma historical financial information consists of VAH’s:

- pro forma historical balance sheet as at 31 December 2024, as set out in Table 26 of Section 4.7 of the Prospectus;
- pro forma historical income statement for the years ended 30 June 2023 and 30 June 2024 and the six months ended 31 December 2023 and 31 December 2024 as set out in Table 2 and Table 3 of Section 4.3 of the Prospectus; and
- pro forma historical cash flow information for the years ended 30 June 2023 and 30 June 2024 and the six months ended 31 December 2023 and 31 December 2024 as set out in Table 20 and Table 21 of Section 4.6 of the Prospectus.

(collectively, the “Pro Forma Historical Financial Information”)

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus

Due to its nature, the Pro Forma Historical Financial Information does not represent VAH’s actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by VAH to illustrate the impact of the event(s) or transaction(s) described in Section 4.2 of the Prospectus on VAH’s financial position as at 31 December 2024 and VAH’s financial performance and cash flows for the years ended 30 June 2023 and 30 June 2024 and the six months ended 31 December 2023 and 31 December 2024. As part of this process, information about VAH’s financial position, financial performance and cash flows has been extracted by VAH from VAH’s audited financial statements for the years ended 30 June 2023 and 30 June 2024 and the reviewed financial statements of VAH for the six months ended 31 December 2023 and 31 December 2024.

The financial statements of VAH for the years ended 30 June 2023 and 30 June 2024 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of VAH relating to those financial statements were unqualified.

The financial statements of VAH for the six months ended 31 December 2023 and 31 December 2024 were reviewed by KPMG in accordance with Australian Auditing

Standards on Review Engagements. The review report issued to the members of VAH relating to those financial statements was unmodified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in Section 4.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of VAH and SaleCo are responsible for the preparation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

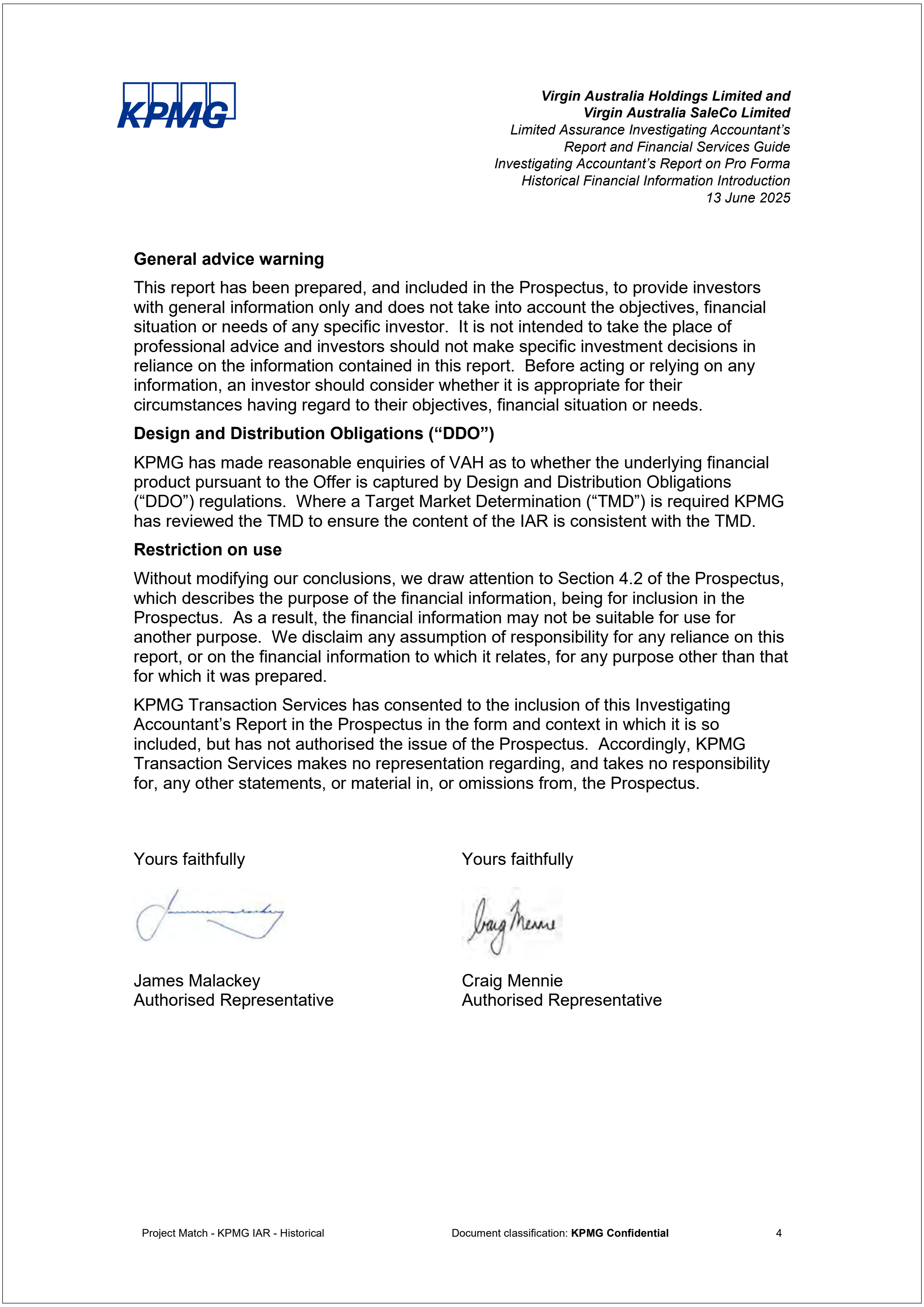
Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 4.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and VAH's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of VAH and from time to time, KPMG also provides VAH with certain other professional services for which normal professional fees are received.



General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Design and Distribution Obligations ("DDO")

KPMG has made reasonable enquiries of VAH as to whether the underlying financial product pursuant to the Offer is captured by Design and Distribution Obligations ("DDO") regulations. Where a Target Market Determination ("TMD") is required KPMG has reviewed the TMD to ensure the content of the IAR is consistent with the TMD.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

James Malackey
Authorised Representative

Yours faithfully

Craig Mennie

Craig Mennie
Authorised Representative

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 13 June 2025

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215 (KPMG FAS)**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**KPMG Transaction Services**).

James Malackey as an authorised representative of KPMG FAS, authorised representative number 404261 and Craig Mennie as an authorised representative of KPMG FAS, authorised representative number 404257 (**Authorised Representatives**).

This FSG includes information about:

- KPMG FAS and its Authorised Representatives and how they can be contacted;
- The services KPMG FAS and its Authorised Representatives are authorised to provide;
- How KPMG FAS and its Authorised Representatives are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representatives;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG FAS has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG FAS.

This FSG forms part of an Investigating Accountant’s Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits, and costs of acquiring the particular financial product.

Financial services that KPMG FAS and the Authorised Representatives are authorised to provide

KPMG FAS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- debentures, stocks or bonds issued or proposed to be issued by a government;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;

- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients.

KPMG FAS provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG FAS to provide financial product advice on KPMG FAS' behalf.

KPMG FAS and the Authorised Representatives responsibility to you

KPMG FAS has been engaged by Virgin Australia Holdings Limited (ACN 100 686 226) ("VAH") and Virgin Australia SaleCo Limited ("SaleCo") to provide general financial product advice in the form of a Report to be included in the prospectus (the
"Prospectus") in relation to the proposed initial public offering of ordinary shares in VAH and associated listing on the Australian Securities Exchange.

You have not engaged KPMG FAS or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG FAS nor the Authorised Representatives are acting for any person other than the VAH and SaleCo.

KPMG FAS and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice Warning

As KPMG FAS has been engaged by VAH and SaleCo, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG FAS may receive, and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, VAH and SaleCo have agreed to pay KPMG FAS A$1.7 million (excluding GST) for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory, tax and accounting practice (the **KPMG Partnership**). KPMG FAS' representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

Neither KPMG FAS nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG FAS operates as part of the KPMG Australian firm. KPMG FAS' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, VAH or SaleCo or has other material financial interests in the Transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let KPMG FAS or the Authorised Representatives know. Complaints can be sent in writing to The Complaints Officer, KPMG, GPO Box 2291U, Melbourne, VIC 3000 or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au). If you have difficulty in putting your complaint in writing, please call (03) 9288 5555 where you will be directed to the Complaints Officer who will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable and will investigate your complaint fairly and in a timely manner.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 calendar days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free and impartial assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call Customer Contact Centre info-line on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG FAS has compensation arrangements for loss or damage in accordance with section 912B of the *Corporations Act 2001(Cth).* KPMG FAS holds professional indemnity insurance which, subject to its terms, provides cover for work performed by KPMG FAS including current and former representatives of KPMG FAS.

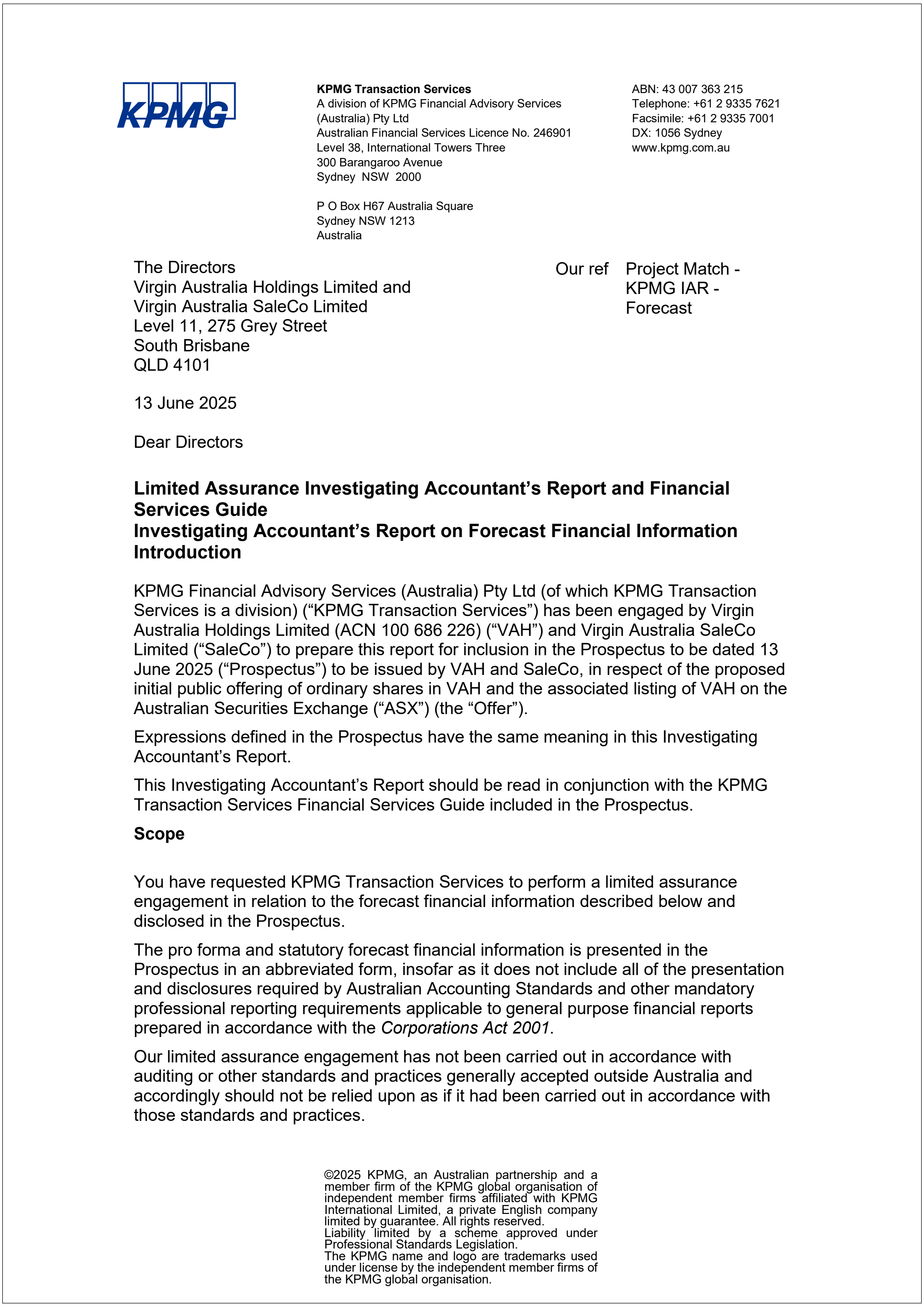
Contact details

You may contact KPMG FAS or the Authorised Representatives using the below contact details:

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7621
Facsimile: (02) 9335 7001



KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

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Sydney NSW 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7621
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Virgin Australia Holdings Limited and
Virgin Australia SaleCo Limited
Level 11, 275 Grey Street
South Brisbane
QLD 4101

Our ref Project Match -
KPMG IAR -
Forecast

13 June 2025

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report on Forecast Financial Information

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Virgin Australia Holdings Limited (ACN 100 686 226) ("VAH") and Virgin Australia SaleCo Limited ("SaleCo") to prepare this report for inclusion in the Prospectus to be dated 13 June 2025 ("Prospectus") to be issued by VAH and SaleCo, in respect of the proposed initial public offering of ordinary shares in VAH and the associated listing of VAH on the Australian Securities Exchange ("ASX") (the "Offer").

Expressions defined in the Prospectus have the same meaning in this Investigating Accountant's Report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the forecast financial information described below and disclosed in the Prospectus.

The pro forma and statutory forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted outside Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to:

- the statutory forecast income statement for the year ending 30 June 2025 as set out in Table 4 of Section 4.3 of the Prospectus;
- the pro forma forecast income statement for the year ending 30 June 2025 as set out in Table 2 of Section 4.3 of the Prospectus;
- the statutory forecast cash flow information for the year ending 30 June 2025 as set out in Table 22 of Section 4.6 of the Prospectus; and
- the pro forma forecast cash flow information for the year ending 30 June 2025 as set out in Table 20 of Section 4.6 of the Prospectus.

of VAH (the responsible party) (collectively, the "Forecast Financial Information").

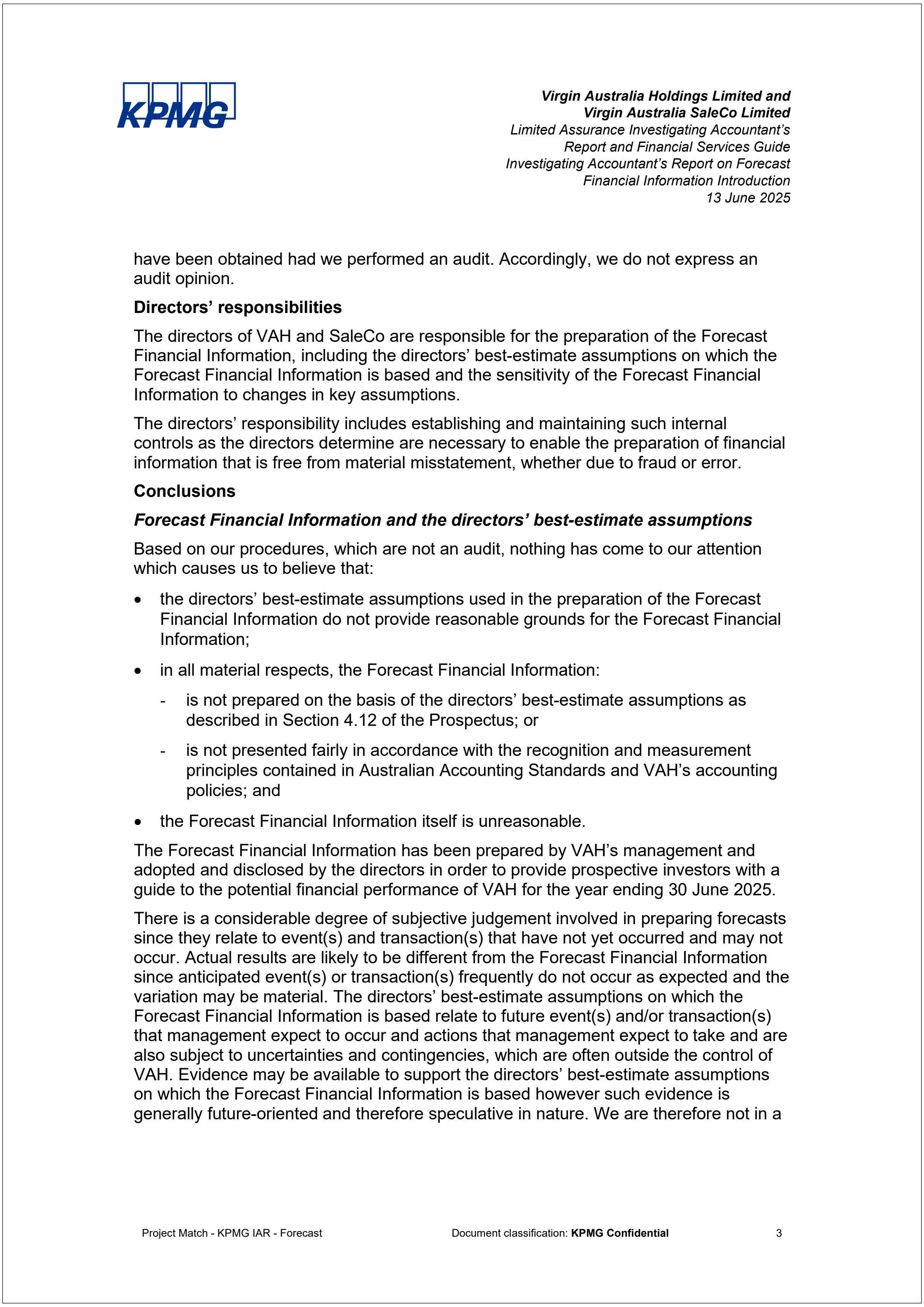
The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.12 of the Prospectus. As stated in Section 4.2 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and VAH's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Section 4.12 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; or
  - presented fairly in accordance with the the recognition and measurement principles contained in Australian Accounting Standards and VAH's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would



have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of VAH and SaleCo are responsible for the preparation of the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects, the Forecast Financial Information:
    - is not prepared on the basis of the directors' best-estimate assumptions as described in Section 4.12 of the Prospectus; or
    - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and VAH's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by VAH's management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of VAH for the year ending 30 June 2025.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of VAH. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in VAH, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.14 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of VAH, that all material information concerning the prospects and proposed operations of VAH has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of VAH and from time to time, KPMG also provides VAH with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Design and Distribution Obligations ("DDO")

KPMG has made reasonable enquiries of VAH as to whether the underlying financial product pursuant to the Offer is captured by Design and Distribution Obligations ("DDO") regulations. Where a Target Market Determination ("TMD") is required KPMG has reviewed the TMD to ensure the content of the Investigating Accountant's Report is consistent with the TMD.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the

Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant’s Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

James Malackey
Authorised Representative

Yours faithfully

Craig Mennie

Craig Mennie
Authorised Representative

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 13 June 2025

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215 (KPMG FAS)**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**KPMG Transaction Services**).

James Malackey as an authorised representative of KPMG FAS, authorised representative number 404261 and Craig Mennie as an authorised representative of KPMG FAS, authorised representative number 404257 (**Authorised Representatives**).

This FSG includes information about:

- KPMG FAS and its Authorised Representatives and how they can be contacted;
- The services KPMG FAS and its Authorised Representatives are authorised to provide;
- How KPMG FAS and its Authorised Representatives are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representatives;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG FAS has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG FAS.

This FSG forms part of an Investigating Accountant’s Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits, and costs of acquiring the particular financial product.

Financial services that KPMG FAS and the Authorised Representatives are authorised to provide

KPMG FAS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- debentures, stocks or bonds issued or proposed to be issued by a government;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;

- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients.

KPMG FAS provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG FAS to provide financial product advice on KPMG FAS' behalf.

KPMG FAS and the Authorised Representatives responsibility to you

KPMG FAS has been engaged by Virgin Australia Holdings Limited (ACN 100 686 226) ("VAH") and Virgin Australia SaleCo Limited ("SaleCo") to provide general financial product advice in the form of a Report to be included in the prospectus (the
"Prospectus") in relation to the proposed initial public offering of ordinary shares in VAH and associated listing on the Australian Securities Exchange.

You have not engaged KPMG FAS or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG FAS nor the Authorised Representatives are acting for any person other than the VAH and SaleCo.

KPMG FAS and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice Warning

As KPMG FAS has been engaged by VAH and SaleCo, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG FAS may receive, and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, VAH and SaleCo have agreed to pay KPMG FAS A$1.7 million (excluding GST) for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory, tax and accounting practice (the **KPMG Partnership**). KPMG FAS' representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

Neither KPMG FAS nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG FAS operates as part of the KPMG Australian firm. KPMG FAS' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, VAH or SaleCo or has other material financial interests in the Transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let KPMG FAS or the Authorised Representatives know. Complaints can be sent in writing to The Complaints Officer, KPMG, GPO Box 2291U, Melbourne, VIC 3000 or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au). If you have difficulty in putting your complaint in writing, please call (03) 9288 5555 where you will be directed to the Complaints Officer who will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable and will investigate your complaint fairly and in a timely manner.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 calendar days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free and impartial assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address:	Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone:	1800 931 678
Email:	info@afca.org.au

The Australian Securities and Investments Commission also has a free call Customer Contact Centre info-line on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG FAS has compensation arrangements for loss or damage in accordance with section 912B of the *Corporations Act 2001(Cth)*. KPMG FAS holds professional indemnity insurance which, subject to its terms, provides cover for work performed by KPMG FAS including current and former representatives of KPMG FAS.

Contact details

You may contact KPMG FAS or the Authorised Representatives using the below contact details:

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213

Telephone:	(02) 9335 7621
Facsimile:	(02) 9335 7001

09

Additional Information

9.1 Registration

Virgin Australia was registered in Queensland, Australia on 27 May 2002.

SaleCo was registered in Queensland, Australia on 30 May 2025.

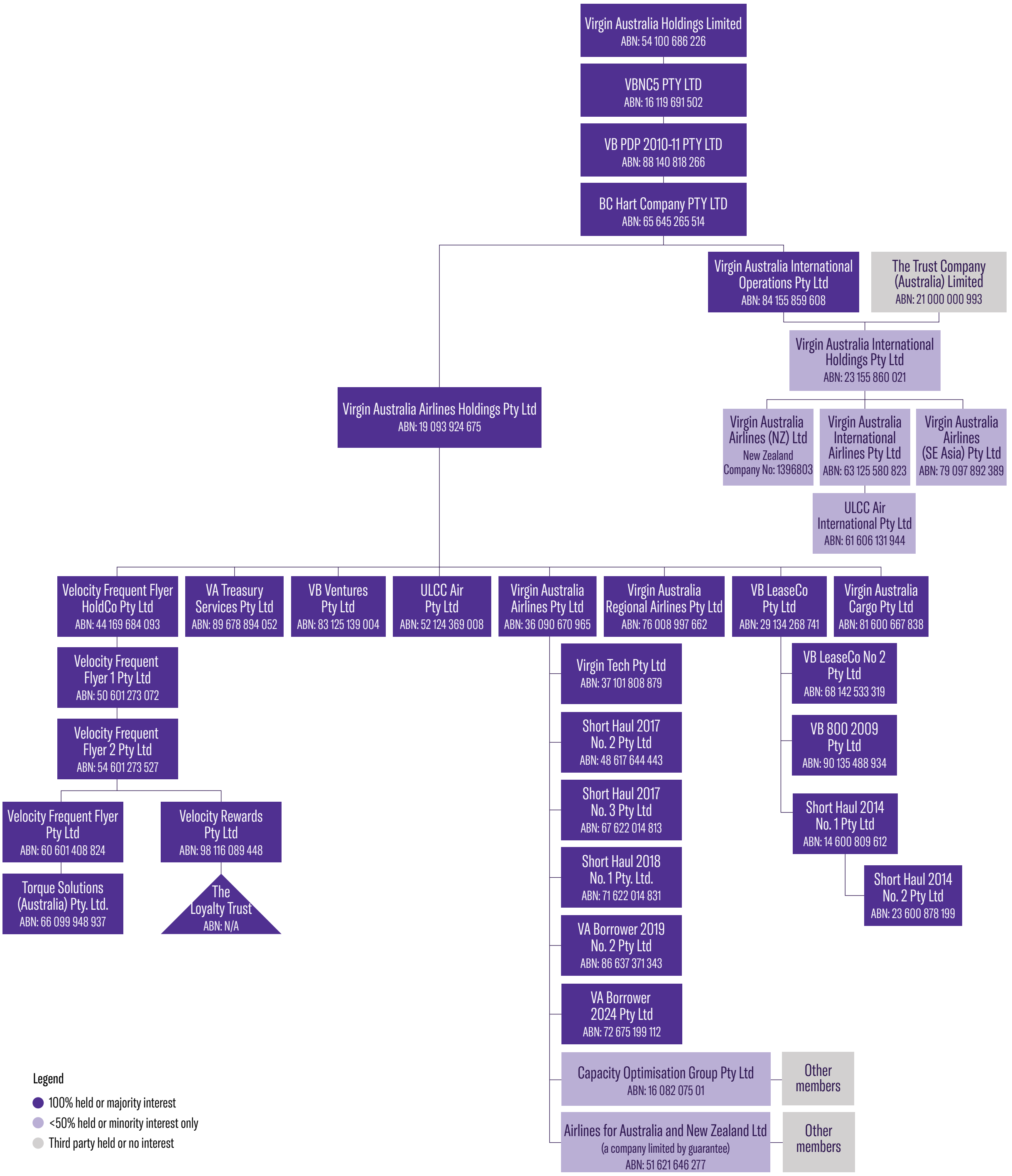
9.2 Company tax status and financial year

Virgin Australia will be subject to tax at the Australian corporate tax rate.

Virgin Australia's financial year for taxation purposes ends on 30 June.

9.3 Corporate structure

The following diagram sets out the corporate structure of Virgin Australia and its consolidated entities (**Group**).



9.3.1 Separation of International Airline Business

In 2012, the international airline business, conducted by Virgin Australia International Holdings Pty Ltd (**VAIH**), was separated from the rest of Virgin Australia through a restructure. This restructure was undertaken to enable foreign investors to provide equity capital to Virgin Australia, whilst ensuring compliance with foreign ownership laws including the *Air Navigation Act 1920* (Cth) (**Air Navigation Act**), which restricts foreign persons from having relevant interests in shares that represent more than 49% of the issued share capital of an Australian international airline – see Section 9.9.3 below for further information.

As part of the restructure, the domestic airline operating entity, VAA, agreed to provide exclusive comprehensive management services, as well as loan facilities, to VAIH and its subsidiaries to operate the international airline business.

Whilst VAIH ceased to be a related body corporate of Virgin Australia because of the restructure, it is included in the consolidated financial statements of Virgin Australia in accordance with the requirements of Australian accounting standards and for tax purposes.

9.3.2 Velocity Structure

Velocity Loyalty Program

Velocity is Virgin Australia's award-winning loyalty program[1] with approximately 13 million members,[2] making it one of the largest loyalty programs in Australia. See Section 3.1.2 for further information.

Velocity Rewards Pty Ltd (**VRPL**) in its capacity as trustee of The Loyalty Trust carries out the Velocity loyalty program and has appointed Velocity Frequent Flyer Pty Ltd (**VFF**) to manage and operate certain parts of the program. VRPL and VFF are both wholly owned subsidiaries of Virgin Australia.

VRPL and VFF have entered various earn and redemption arrangements with a range of commercial partners in the airline, financial services, hotel, car hire, retail, wine & dine, lifestyle & entertainment and home business sectors. Under the earn arrangements, commercial partners (**Earn Partners**) pay VRPL and/or VFF a charge for Velocity members to earn Velocity Points on products and services offered by those partners. Similarly, under the partner redemption arrangements, commercial partners (**Redemption Partners**) make products available on redemption of Velocity Points by Velocity members.

The loyalty business model allows Velocity to receive full cash proceeds at the time when Velocity Points are issued.[3] VRPL and VFF then pay Redemption Partners when members redeem Velocity Points for their products and/or services.

The Loyalty Trust plays an important role in the Velocity loyalty program as it holds the benefit of the Velocity Points that Velocity members earn on trust for Velocity members as well as payments from Earn Partners.

A key feature of the Loyalty Trust is the special regime that applies to protect Velocity members if there is an insolvency event in relation to Virgin Australia or VAA that causes domestic air services of Virgin Australia to cease or be traded under external administration for longer than 90 days (which may be extended in certain circumstances by the Trustee) (**Closure Event**). If a Closure Event were to occur, VRPL as trustee of the Loyalty Trust would be required to take certain steps to find a provider of an alternative loyalty program to assume the Velocity program and make offers of points in that alternative program to Velocity members on a proportional basis to the Velocity Points they hold in the Velocity loyalty program. Where Velocity members do not accept such offer or where no provider of an alternative loyalty program is found within a set period of time, VRPL as trustee of the Loyalty Trust would be required to pay Velocity members the amounts owing to them from the trust fund based on their points held. VFF (as a beneficiary and/or as an assignee of Virgin Australia and VAA) would only then be entitled to any remaining surplus assets of the Loyalty Trust (if any) that are left after these processes have been undertaken.

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1. Velocity was recognised as having the Best Redemption Ability for eight consecutive years by the Freddie Awards (2013 to 2020 inclusive).
2. As of 31 December 2024.
3. Only a portion of this cash amount is recognised immediately as revenue. The revenue recognised upfront is the difference between the amount billed to the partner for the Velocity Points issued and the average projected costs of redemptions adjusted for the number of Velocity Points likely to be redeemed (i.e., standalone selling price). The value of the standalone selling price is deferred as a liability on the balance sheet until Velocity Points are redeemed by Members.

9.3.3 Relationship with Qatar Airways Group

On 27 September 2024, BC Hart entered into a share sale agreement with Qatar Airways Group, in which it agreed to sell 25% of the ordinary shares in Virgin Australia to Qatar Airways Group for a purchase price of $825 million. This transaction completed on 12 March 2025. As at the Original Prospectus Date, BC Hart holds 75% of the Shares and Qatar Airways Group holds 25% of the Shares.[4]

Virgin Australia also entered into an integrated alliance with Qatar Airways deepening its existing partnership and enabling Virgin Australia to commence services between Australia and Doha under a commercial co-operation agreement that was entered on 30 September 2024 (**CCA**). Relevant aspects of the CCA were authorised by the ACCC on 28 March 2025 for 5 years. The CCA commenced with effect from 30 September 2024 and will remain in force until 28 March 2030, unless terminated earlier.

The ACCC authorisation enables Virgin Australia and Qatar Airways to collaborate in the following ways:

- **Capacity Deployment**: Cooperation in relation to the deployment of capacity on routes between Australia and Doha. This includes Virgin Australia commencing four new LHI services from Sydney, Brisbane, Perth and Melbourne to Doha under a wet lease arrangement with Qatar Airways.[5]
- **Network Planning:** Cooperation on network planning to facilitate schedule optimisation to maximise connections and enable the efficient use of capacity between the complementary networks of Qatar Airways and Virgin Australia, including joint decision making in relation to schedules, capacity and inventory management on flights between Australia and Doha and connecting services.
- **Pricing Cooperation:** Cooperation in relation to pricing, including joint pricing (including in relation to public and private fares, rebates, incentives and discounts) for passengers and agents in relation to codeshare services and the new services. This encompasses public and private fares, rebates, incentives, and discounts.
- **Corporate/SME Customer Approach:** Jointly identifying and deciding how to approach corporate and SME customers in Australia or with travel needs to or within Australia. This includes the joint construction of tailored corporate offerings and discounts across domestic and international services.
- **Sales and Marketing:** Cooperation on sales, marketing, advertising, promotion, and distribution strategies.
- **Loyalty Programs:** Maximising earning and redemption opportunities for members of both loyalty programs and business-to-business partners. This includes reciprocal access to premium services for tiered frequent flyers and reciprocal access to lounges for eligible guests.
- **Service Standards:** Ensuring a seamless and consistent level of service and product standards for customers. This includes cooperation in relation to fare rules and conditions and other passenger-related aspects of service such as ground services and lounge access.
- **Joint Procurement:** Engaging in joint procurement to enable efficiencies and cost savings. This may include opportunities related to flight operations, pilot and crew training and engagement, engineering and maintenance, IT, ground handling, fuel, and facilities.
- **Information Sharing:** Sharing information to the extent necessary to facilitate the matters referred to above and explore opportunities for deeper cooperation. This may include developing new routes and deeper cooperation on sustainability-related issues, including the use of sustainable aviation fuel.

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[4] As at the Original Prospectus Date, there are A Class Shares on issue under the Legacy Incentive Scheme. The Legacy Incentive Scheme will be amended before Listing, with all A Class Shares being reclassified as Shares (which rank equally with all Shares issued under this Prospectus). See Section 6.3.4.2 for further Information. Further information on the shareholding structure of Virgin Australia at the Original Prospectus Date and on Completion is set out in Section 7.1.4.

[5] Sydney to Doha, Brisbane to Doha and Perth to Doha services are commencing from June 2025 with Melbourne to Doha service commencing from December 2025.

Exclusivity

As part of the CCA, to support the investment in the integrated alliance and Qatar Airways Group's equity stake in Virgin Australia:

- Qatar Airways has become Virgin Australia's exclusive interline,[6] codeshare[7] and loyalty partner headquartered in the Middle East or Türkiye;[8]
- Virgin Australia has become Qatar Airways' exclusive interline, codeshare and loyalty partner headquartered in Australia;[9]
- Qatar Airways has agreed not to codeshare on international flights of other airlines to or from Australia;[10] and
- Virgin Australia has agreed not to codeshare on international flights of other airlines to, from or within Europe, the Middle East or Africa,[11] and will not acquire or supply any loyalty point accrual services or high value guest services, for example, benefits such as lounge access provided to Gold members and above, with any airline headquartered in Africa or Europe.[12]

As a result of these arrangements, the existing limited partnership that Virgin Australia had with Etihad has been terminated.[13]

Virgin Australia has continued its partnerships with other airlines, however, its partnership with Singapore Airlines now no longer includes the sale of codeshare flights on Singapore Airlines to Europe, the Middle East or Africa. Virgin Australia may still sell codeshare flights on Singapore Airlines to other destinations and Velocity members remain able to earn and redeem Velocity Points and earn status credits on Singapore Airlines services globally, including in Europe, the Middle East or Africa.

Under these new arrangements with Qatar Airways, Virgin Australia can offer improved connectivity and codeshare flights to significantly more destinations than was possible under the previous partnership arrangements with Etihad and Singapore Airlines in Europe, the Middle East and Africa. Virgin Australia also remains free to join any of the three global airline alliances (Oneworld, Star Alliance and SkyTeam) should it determine to do so, and may engage with partners from those alliances in accordance with the membership obligations of those alliances.

While these arrangements with Qatar Airways are expected to generate longer term benefits, the overall impact of the wet lease arrangement and the new services to Virgin Australia's EBIT is not expected to be material.

9.4 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholder.

The Selling Shareholder has entered into a call option deed with SaleCo (**Call Option Deed**) under which SaleCo has the option to acquire some or all of the Selling Shareholder's Existing Shares, which will be sold by SaleCo into the Offer, free from encumbrances and third-party rights. The right of SaleCo the exercise the call option is conditional upon listing of Virgin Australia on the ASX and settlement occurring under the Underwriting Agreement. Any sales of Shares under the Call Option Deed are required to occur on the Completion Date. In total, Existing Shares amounting to 29.8% of the Shares which will be on issue following completion of the Offer (based on the Fully Diluted Issued Capital) are expected to be sold through SaleCo under these arrangements.

The Existing Shares which SaleCo acquires from the Selling Shareholder following its exercise of the call option will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price.

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[6] Interline refers to flights involving two or more airlines booked on the same ticket and where those airlines transfer the passengers and their luggage between connecting flights, even if the airlines are not part of the same alliance.

[7] Codeshare refers to flights where one airline allows another airline to market and sell seats on its flights under the other airline's flight code.

[8] Virgin Australia is still permitted to provide and supply interline services for such airlines for passenger re-accommodation purposes.

[9] Qatar Airways may continue its interline and loyalty arrangements with Qantas to the extent required by its Oneworld membership.

[10] Other than for airlines which have an indirect or direct economic interest in Qatar Airways of more than 19.9% or in which Qatar Airways has an indirect or direct economic interest of more than 19.9%.

[11] Other than for airlines headquartered in South Africa and other than for airlines which, from a date 3 years following Virgin Australia's new flights between Australia and Doha under the integrated alliance, have an indirect or direct economic interest in Virgin Australia of more than 19.9% or in which Virgin Australia has an indirect or direct economic interests of more than 19.9%.

[12] Other than for Virgin Atlantic or airlines headquartered in South Africa. Virgin Australia can also supply loyalty point accrual services (such as enabling Velocity members to earn Velocity Points when travelling on partner airline services) and high value guest services on flights within Europe of airlines headquartered in Europe.

[13] The current partnership will cease from 1 June 2025.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Offer Management Agreement and the Call Option Deed. The sole shareholder of SaleCo is Peter Warne, who is also a director of Virgin Australia. Peter Warne, Dave Emerson and Pippa Downes are the directors of SaleCo.

Virgin Australia has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. Virgin Australia has indemnified SaleCo and the shareholders and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

As at completion of the Offer, the shareholding structure of Virgin Australia will be as shown in Section 7.1.4.

9.5 Material contracts

9.5.1 Trade Mark Licence Agreements

Virgin Australia currently licenses its core "Virgin Australia" brands from the Virgin Group and the use of the brands is governed by a domestic trade mark licence agreement pertaining to Virgin Australia's Australian operations (as amended, the **Domestic Virgin Trade Mark Licence Agreement**) and an international trade mark licence agreement pertaining to Virgin Australia's international operations (as amended, the **International Trade Mark Licence Agreement**, and together, the **Virgin Trade Mark Licence Agreements**).

Under the Virgin Trade Mark Licence Agreements, Virgin Australia is granted exclusive, royalty-bearing licences to use various trade marks and certain names as trade marks (for example, "Virgin Australia") in relation to the carrying on of certain licenced activities (for example, air transport and ancillary services, frequent flyer programmes, the operation of airport lounges, in-flight sales of certain products such as food and beverages, air cargo and air freight services, aircraft maintenance and engineering services, valet parking services at airports, holiday services and international airline services based out of Australia and New Zealand), subject to various terms and conditions. The royalties payable by Virgin Australia to the Virgin Group during the term of the Virgin Trade Mark Licence Agreements are calculated by reference to the revenue recognised by Virgin Australia and its related bodies corporate from carrying on the aforementioned licensed activities, subject to certain revenue exclusions.

Following any change of control of Virgin Australia, a minimum royalty mechanism under the Virgin Trade Mark Licence Agreements will apply.

The Virgin Trade Mark Licence Agreements will continue until 31 December 2045, following which they will automatically renew for further periods of 10 years, unless terminated earlier or if either party gives 18 months' written notice before the expiry of the relevant term that they do not wish to renew the agreements.

The Virgin Group will have the right to immediately terminate the Virgin Trade Mark Licence Agreements, by giving notice in writing to Virgin Australia, in certain circumstances, including if:

- Virgin Australia materially breaches its royalty payment obligations, and that breach remains unremedied for more than a fixed period of days after Virgin Australia is notified in writing of the breach by the Virgin Group;
- as a result of any intentional, grossly negligent or wilful act or omission by Virgin Australia, the use of the licensed trade marks by Virgin Australia has materially damaged the goodwill/reputation of the licensed trade marks or the Virgin Group, and such conduct (if remediable) continues unremedied for more than a fixed period of days after Virgin Australia is notified in writing by the Virgin Group;
- Virgin Australia commits a material breach of the Virgin Trade Mark Licence Agreements (including by using the licensed trade marks in relation to any goods and/or services not specifically permitted under the Virgin Trade Mark Licence Agreements without Virgin Group's prior approval), where that breach has a genuine material adverse effect on the Virgin Group's business or the Virgin brand, and such breach (if remediable) continues unremedied for more than a fixed period of days after Virgin Australia is notified in writing by the Virgin Group;
- Virgin Australia ceases to do business as a going concern or meets certain insolvency criteria; or
- a change of control in Virgin Australia occurs, except that Virgin Group's right to terminate does not apply: (i) in connection with an IPO; or (ii) if the acquirer is an airline operator or a suitable financial sponsor who commits to honour the Virgin Trade Mark Licence Agreements.

The Virgin Group also has the right to terminate the Domestic Virgin Trade Mark Licence Agreement if Virgin Group terminates the International Virgin Trade Mark Licence Agreement. Similarly, the international Virgin Trade Mark Licence Agreement will automatically terminate (without the need for any notice) upon the expiration or termination of the domestic Virgin Trade Mark Licence Agreement. Both Virgin Trade Mark Licence Agreements will automatically terminate upon the liquidation, dissolution or winding-up of Virgin Australia.

Virgin Australia will have the right to immediately terminate the Virgin Trade Mark Licence Agreements, by giving notice in writing to Virgin Group, in certain circumstances, including if:

- the "Virgin" brand ceases to constitute a brand of international repute, such that the continued use of the licensed trade marks by Virgin Australia would have a material adverse effect on the reputation of Virgin Australia or on the value of Virgin Australia's business (unless such damage is caused by the action or inaction of Virgin Australia or its affiliates), and such events (if remediable) continue unremedied for more than a fixed period of days after Virgin Australia has served notice in writing on the Virgin Group requiring remedy;
- a member of the Virgin Group commits a material breach of the Virgin Trade Mark Licence Agreements, where such breach has a genuine material adverse effect on Virgin Australia's business or the licensed trade marks, and such breach (if remediable) continues unremedied for more than a fixed period of days after Virgin Australia has served notice in writing on Virgin Group requiring remedy; or
- Virgin Australia's use of the licensed trade marks in relation to all or a material part of the licensed activities is suspended by Virgin Group for at least 12 months because of concerns that such use infringes or is reasonably likely to infringe the intellectual property rights of a third party.

Upon expiration or termination of the Virgin Trade Mark Licence Agreements, Virgin Australia must take certain steps to cease use of the licensed trade marks within certain timeframes. Virgin Group must permit Virgin Australia and its related bodies corporate a reasonable period of time to cease use of the licensed trade marks. The term of that "reasonable period" would differ depending on whether the agreements were terminated by the Virgin Group or Virgin Australia, and on what grounds the agreements were terminated.

Under the Virgin Trade Mark Licence Agreements, Virgin Group has a right to appoint a nominee director to the Virgin Australia board for the duration of the Virgin Trade Mark Licence Agreements. The current nominee director appointed by Virgin Group is Warwick Negus. See Section 6.4.7.10 for further information.

9.5.2 Queensland State Investment Deed

In October 2020, in connection with the purchase of Virgin Australia by Bain Capital, Virgin Australia entered into a State Investment Deed with an entity named QIC Limited (ACN 130 539 123) (**QIC**), on behalf of the State of Queensland to underpin the investments being provided to Virgin Australia on certain conditions, including that Virgin Australia:

- ensure for a period of ten years that its head office is maintained in Queensland and that a substantial proportion of the following work functions are domiciled in Queensland: a call centre, a line maintenance facility, and a flight simulator centre, and a substantial portion of air crew are maintained in Queensland, recognising that air crew are based in several major Australian operating bases and that air crew numbers between operating bases may adjust from time to time in line with network decisions;
- ensure that certain flight routes where an airport within Queensland is the origination point or ultimate destination are not cancelled and provide advance notice as soon as practicable prior to any Queensland flight route cancellation, with certain exceptions for routes that do not meet operating profit metrics and seasonal routes and temporary suspensions;
- use its best endeavours, to the extent not inconsistent with the commercial or operating requirements of Virgin Australia, to relocate the operational centre of Velocity to Queensland, ensure any new employees hired for Velocity are located in Queensland where practicable and maintain certain maintenance, repair and operational work (**MRO Work**) for aircraft currently conducted within Queensland in Queensland, and locate future MRO Work within Queensland;
- ensure that certain expenses paid to suppliers in Australia each financial year is allocated to businesses based, invoiced, or paid in Queensland, provided this does not conflict with the commercial and operational requirements of Virgin Australia, and aim to enhance Queensland's economic and employment outcomes through the supplier sourcing policy; and
- when there is a need to use simulator and training facilities for the Boeing 737-10 / 737-8 aircraft, Virgin Australia must set up these facilities within Queensland, either directly or through an outsourced arrangement.

In the event of the sale of all or a substantial part of the assets or business of the Virgin Australia, an acquirer is required to enter into a deed agreeing to be bound by the terms of the State Investment Deed.

9.5.3 Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers in their respective proportions pursuant to an underwriting agreement dated 6 June 2025 between the Joint Lead Managers, the Company and SaleCo (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

9.5.3.1 Fees and expenses

9.5.3.1.1 Joint Lead Managers' fees

The Company has agreed to pay to the Joint Lead Managers a management fee equal to 0.4% of the gross proceeds of the Offer and an underwriting fee equal to 1.6% of the gross proceeds of the Offer, in their respective proportions. In addition, the Company may pay the Joint Lead Managers a discretionary incentive fee of up to 1.0% of the sum of the gross proceeds of the Offer in aggregate (with any such amount and allocation between the Joint Lead Managers to be determined at the sole discretion of BC Hart and the Company, and the Company is responsible for paying this fee as well).

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed fees, expenses, disbursements and other costs reasonably incurred by the Joint Lead Managers in relation to the Offer. The reimbursement of these expenses is subject to certain monetary thresholds.

9.5.3.1.2 Other syndicate members' fees

The Joint Lead Managers are responsible for the payment, on behalf of the Company, of any fees payable to any co-lead managers, co-managers or brokers appointed to the Offer, and such payments are to be made out of the fees received by the Joint Lead Managers from the Company. The Joint Lead Managers are also responsible for the costs of sub-underwriters, if any are appointed.

9.5.3.2 Termination events not subject to materiality

A Joint Lead Manager may at any time by notice to the Company and SaleCo and the other Joint Lead Managers immediately, without cost or liability to itself or the other Joint Lead Managers, terminate the Underwriting Agreement if any of the following events occur before 4.00pm on the Settlement Date:

- (**defect in the US Institutional Offering Memorandum or pricing disclosure package**) the US Institutional Offering Memorandum or the pricing disclosure package includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (**disclosures in the Prospectus and pathfinder**) a material statement contained in the Prospectus or pathfinder is or becomes misleading or deceptive, or a matter required to be included is omitted from the Prospectus or pathfinder (including, without limitation, having regard to the provisions of Part 6D.2);
- (**forecasts**) the Prospectus or pathfinder include any forecast, expression of opinion, belief, intention or expectation which is not, in all material respects, made after due and careful consideration in good faith and based on reasonable assumptions (including having regard to ASIC Regulatory Guide 170), taken as a whole; or any financial forecast that appears in Prospectus or pathfinder is or becomes incapable of being met in the projected time;
- (**market fall**) the S&P/ASX 200 Index either closes at a level that is 12.5% or more below the level of that index on the Business Day immediately prior to the date of the Underwriting Agreement (Applicable Starting Level) for at least two consecutive Business Days before the Settlement Date or closes on the Business Day immediately before the Settlement Date at a level that is 12.5% or more below the Applicable Starting Level;
- (**supplementary prospectus**) the Company and SaleCo lodge a supplementary prospectus that has not been approved by the Joint Lead Managers in accordance with the Underwriting Agreement or a supplementary prospectus is required to be lodged with ASIC under the Corporations Act and the Company and SaleCo do not lodge that supplementary prospectus or that the US Institutional Offering Memorandum or the pricing disclosure package must be supplemented or amended in any material respect;

- (**ASIC notifications**) any of the following notifications are made in respect of the Offer unless such notification is not made public and is withdrawn within the earlier of 2 Business Days and 5.00pm on the Business Day prior to the Settlement Date:
  - ASIC issuing an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application being made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an offer document;
  - any person giving a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus withdraws that consent (other than a Joint Lead Manager); or
  - any person (other than a Joint Lead Manager) giving a notice to the Company or SaleCo under section 730 of the Corporations Act,
- (**insolvency**) either the Company or SaleCo or any Group member becomes insolvent, or an act occurs or an omission is made which may result in the Company or SaleCo or a Group member becoming insolvent;
- (**prosecution or fraud**) any of the following occur:
  - a director of the Company or SaleCo engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence;
  - any government agency commences any public action against the Company or SaleCo or any other Group member or any the directors of the Company or SaleCo in their capacity as a director of that entity, or announces that it intends to take that action;
  - any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6; or
  - any member of the Group or SaleCo engages in fraudulent conduct or activity, whether or not in connection with the Offer;
- (**Directors and Senior Management**)
  - a change in Chairman, the Chief Executive Officer or Chief Financial Officer of the Company or the chief executive officer of Velocity occurs, or the Chairman, Chief Executive Officer or Chief Financial Officer or chief executive officer of Velocity dies or becomes permanently incapacitated;
  - a Director, the Chief Executive Officer or Chief Financial Officer of the Company is charged with a criminal offence relating to any financial or corporate matter; or
  - any government agency commences any public action against the Company or SaleCo, any of the Directors or any member of the senior management, or announces that it intends to take any such action;
- (**withdrawal of offer documents or Offer**) the Company or SaleCo withdraws the Prospectus, the US Institutional Offering Memorandum or the Offer or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
- (**certificate**) the Company or SaleCo does not provide a shortfall certificate or closing certificate as and when required by the Underwriting Agreement;
- (**timetable**) any event specified in the Offer timetable is delayed for two or more Business Days without the prior written approval of the Joint Lead Managers (other than any delay agreed to by the Joint Lead Managers in accordance with the Underwriting Agreement or a delay that results from an extension of the exposure period by ASIC);
- (**unable to issue or transfer**) the Company is prevented from allotting or issuing the New Share or SaleCo is prevented from transferring the Sale Shares within the time required by the Offer timetable, the Prospectus, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a government agency;
- (**escrow deeds**) each escrow deed is not, or cease to be, valid, binding and enforceable in accordance with its terms, is varied in a material respect without the prior written consent of the Joint Lead Managers or is not performed in a material respect in accordance with its terms;
- (**Call Option Deed**) the Call Option Deed is not, or cease to be, valid, binding and enforceable in accordance with its terms, is varied in a material respect without the prior written consent of the Joint Lead Managers or is not performed in a material respect in accordance with its terms;

- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive, request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer.

9.5.3.3 Termination events subject to materiality

A Joint Lead Manager may at any time by notice given to the Company and SaleCo and the other Joint Lead Managers immediately, without cost or liability to itself or the other Joint Lead Managers, terminate the Underwriting Agreement so that it is relieved of all of its obligations under the Underwriting Agreement if any of the following events occur before 4.00pm on the Settlement Date and a Joint Lead Manager has reasonable grounds that the event:

- has had or is likely to have a material adverse effect on:
  - the success, outcome or settlement of the Offer;
  - the ability of that Joint Lead Manager to market or promote or settle the Offer; or
- has given or is likely to give rise to a contravention by that Joint Lead Manager or its affiliates of, or that Joint Lead Manager or its affiliates being involved in a contravention of, the Corporations Act or any other applicable law.

The events referred to above are:

- (**adverse change**) there is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or SaleCo, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or SaleCo from those respectively disclosed in the offer documents;
- (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged with ASIC, that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (**disclosures**) any material information supplied by or on behalf of the Company or SaleCo to the Joint Lead Managers in connection with the Company, SaleCo or the Offer is inaccurate, incomplete, false, misleading or deceptive (including by omission);
- (**legal proceedings**) any of the following occurs:
  - the commencement of legal proceedings against the Company or SaleCo or any Group member (other than ordinary course proceedings in relation to workers compensation matters); or
  - any regulatory body (including a governmental authority) commences any investigation, claim, inquiry, proceedings or public action against the Company or SaleCo or any Group member; or
  - a government agency withdraws, revokes or amends in an adverse manner any authorisation, licence or other approval necessary to the conduct of the Company's business;
- (**breach of representation and warranty**) a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- (**certificate**) a statement in the shortfall certificate or closing certificate furnished under the Underwriting Agreement is untrue, incorrect or misleading or deceptive (including by way of omission);
- (**disclosures in DDC report**) the due diligence committee report or verification material or any other material information supplied by or on behalf of the Company or SaleCo (with their prior consent) to the Joint Lead Managers in relation to the Group or the Offer is or becomes inaccurate or false or misleading or deceptive or likely to mislead or deceive, including by way of omission;
- (**compliance**) the Company or SaleCo, before Completion, commits, is involved in or acquiesces in any activity which breaches any of the following matters:
  - the Corporations Act;
  - the Listing Rules (except where compliance has been waived, or as modified, by ASX);
  - its constitution;
  - any legally binding requirement of ASIC or ASX; or
  - in any material respect, any other applicable law including the Competition and Consumer Act 2010 (Cth).
- (**breach of Underwriting Agreement**) the Company or SaleCo fails to comply with its obligations under the Underwriting Agreement;

- (**change in law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other Government Agency of Australia or any State or Territory of Australia, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (**disruption in financial markets**) any of the following occurs:
  - a suspension or material limitation in trading of all securities quoted on ASX, Hong Kong Stock Exchange, London Stock Exchange, or New York Stock Exchange for at least 1 day on which that exchange is open for trading;
  - a general moratorium on commercial banking activities in Australia, Hong Kong, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or securities settlement or clearance services in any of those countries;
  - any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Hong Kong, the United States of America, the United Kingdom or the international financial markets;
- (**hostilities**) hostilities not existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not), in either case, involving any one or more of Australia, New Zealand, the United States of America, United Kingdom, Japan, any member state of the European Union, the People's Republic of China, Hong Kong, or any member state of the North Atlantic Treaty Organization or a national state of emergency is declared or there is an escalation of a national emergency by any of those countries, or a major terrorist act is perpetrated in any of those countries or:
  - chemical, nuclear or biological weapons of any sort are used in connection with; or
  - the military of any member state of the North Atlantic Treaty Organization becomes directly involved in,

  the conflicts involving Ukraine, Israel and India that are ongoing at the date of the Underwriting Agreement.
- (**offer documents (other than Prospectus or pathfinder)**) that:
  - there is an omission from the offer documents (other than the Prospectus or pathfinder) of material required by the Corporations Act to be included;
  - an offer document (other than the Prospectus or pathfinder) contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or
  - an offer document (other than the Prospectus or pathfinder) does not contain all information required to comply with all applicable laws;
- (**material contracts**) any material contract is void or voidable, is breached in a material respect, terminated or rescinded; or
- (**debt facilities**) there occurs an event of default, a review event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or any other similar event, under or with respect to any such debt facility agreement (except in relation to certain exceptions).

9.6 Finance arrangements

Virgin Australia has in place a combination of secured and unsecured financing facilities. This Section 9.6 contains a summary of the material terms of Virgin Australia's corporate facilities and an overview of the other financing facilities that it has in place.

The drawn and undrawn amounts of each corporate and other financing facility is as follows:

	Facility currency	Limit (A$m)	Drawn as at 6 June 2025 (A$m)	Undrawn as at 6 June 2025 (A$m)	Pro forma carrying amount as at 31 December 2024[1] (A$m)
New Corporate Facility[2]	A$	500	–	500	146
Syndicated Facility Agreement[3]	A$	450	450	–	433
ANZ MOFA					
Facility A[4]	A$	41	41	–	46
Facility B[5]	US$	45	20	25	–
Facility C[5]	A$	40	23	17	–
QIC Loan[6]	A$	146	146	–	–
QIC OIFA[7]	A$	10	10	–	10
BNP Facility Agreement[5]	A$	75	50	25	–
Aircraft financing arrangements[8]	A$/US$/JPY	667	667	–	743
Total[9]		**1,974**	**1,407**	**567**	**1,378**
Intercompany debt not included in balance sheet of Virgin Australia					
VRPL Loan[10]	A$	450	380	70	–

1. Refer to Section 4.7.4.
2. On Completion or shortly thereafter, Virgin Australia will have access to the $500 million New Corporate Facility, of which $156 million will be drawn down and used to repay the QIC Loan of $146 million and fund related borrowing costs of $10 million. The $10 million of borrowing costs will be capitalised and amortised over the life of the facility and treated as a contra liability within interest bearing liabilities, hence the pro forma carrying value of $146 million. The remaining undrawn capacity of $344 million will be available to support Virgin Australia's liquidity and general corporate purposes
3. Carrying amount is net of capitalised borrowing costs. Refer to Section 4.7.4.
4. Included in secured aircraft financing in the balance sheet. Refer to Section 4.7.4.
5. Standby letters of credit and bank guarantees on issue are recognised as contingent liabilities and do not appear on the balance sheet. Undrawn balances can only be used to issue letters of credit and bank guarantees.
6. On Completion or shortly thereafter, the QIC Loan will be repaid using funds drawn from the New Corporate Facility.
7. Due to the nature of the terms of the OIFA, the amount outstanding is included within unearned revenue and income in the balance sheet and not within interest-bearing liabilities.
8. At 6 June 2025, this comprises $434 million aircraft financing facilities that have mixed currencies (AUD, USD, JPY) and a $233 million progress delivery payments financing facility. At 31 December 2024, this comprises $501 million aircraft financing facilities that have mixed currencies (AUD, USD, JPY) and a $242 million progress delivery payments financing facility (refer to Section 4.7.4).
9. Pro forma carrying amount at 31 December 2024 made up of $1,368 million included in interest bearing liabilities and $10 million included in unearned revenue and income on the balance sheet.
10. The VRPL Loan is an intercompany arrangement and therefore eliminates on consolidation in the Virgin Australia balance sheet.

9.6.1 New Corporate Facility

VBNC5 Pty Ltd (as borrower) has entered into a binding commitment letter with Australia and New Zealand Banking Group Limited, BNP Paribas, National Australia Bank Limited, Westpac Banking Corporation and UBS AG, Australia Branch (**Lenders**) for the provision of a $500 million revolving cash advance facility (**New Corporate Facility**). Attached to the commitment letter is a summary term sheet which outlines agreed terms on which each Lender will provide its share of the New Corporate Facility (**Term Sheet**). The New Corporate Facility will be applied to repay the QIC Loan (as defined and described in more detail in Section 9.6.5 below) with additional capacity for standby liquidity and general corporate purposes (including the fees and costs associated with the New Corporate Facility).

The New Corporate Facility will be guaranteed by certain members of the Virgin Australia group whose assets comprise 90% or more of EBITDA[14] and total assets of the Virgin Australia group (excluding VFF Holdco and its subsidiaries and subject to certain other exceptions) and will be secured by first ranking all asset security given by each obligor in favour of a security trustee (subject to certain exclusions including in respect of assets over which security is not permitted).

The Term Sheet includes customary conditions precedent (including the formal documentation of the New Corporate Facility, payment of fees, issuance of customary legal opinions and the occurrence of Completion), representations, warranties, undertakings and defaults for a financing of this nature. This includes covenants to not incur debt or provide security or guarantees, other than as permitted under the Term Sheet. It includes defaults for breach of financial undertakings (subject to a cure regime), VAA ceasing to be a wholly owned subsidiary of the Company and cross acceleration in excess of $50 million.

The Term Sheet includes a standard review event regime requiring the parties to consult in good faith for a period of 45 Business Days as to the continuation of the New Corporate Facility following (among other things) any change of control of the Company (after the occurrence of any IPO contemplated by this Prospectus).

Interest will be payable by the borrower in respect of amounts outstanding from time to time under the New Corporate Facility. The applicable rate of interest for each interest period will be the sum of the BBSY Bid rate at the start of that period and a funding margin. The funding margin will be determined with reference to the net leverage of the Virgin Australia group.

There is no amortisation required under the New Corporate Facility, with all outstanding amounts to be paid in full on its termination date, which will be 3 years and 3 months following the date on which each condition precedent to the New Corporate Facility is satisfied. The Term Sheet contains various mandatory prepayment provisions, including following the disposal of all or substantially all of the assets of the Virgin Australia group.

UBS AG, Australia Branch has acted as the sole debt advisor, and as an arranger and underwriter in connection with the New Corporate Facility. On financial close, UBS AG, Australia Branch will be paid fees for acting in these capacities.

The New Corporate Facility is intended to be fully documented on or shortly after Completion based on the terms set out in the Term Sheet, with the facility documentation being in near agreed form as at the Original Prospectus Date.

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[14] Being the consolidated EBITDA of the Virgin Australia group, adjusted for certain extraordinary and non-recurring events.

9.6.2 Velocity Syndicated Facility Agreement

VFF currently has a A$450,000,000 term syndicated facility agreement with Challenger Life Company Limited. Emergency Services Superannuation Board as trustee for the Emergency Services Superannuation Scheme, Fidante Partners Limited as trustee for the Challenger Private Debt Q Fund, Fidante Partners Limited as responsible entity for the Challenger IM Credit Income Fund, Fidante Partners Limited as responsible entity for the Challenger IM Multi-Sector Private Lending Fund, IFM Asia-Pac Debt Master Fund SCSp, AustralianSuper Ltd as trustee for AustralianSuper, Eticore SD Pty Ltd in its capacity as trustee for the IFM-Harel SME Debt Trust I, BNP Paribas, Aware Super Pty Ltd as trustee for Aware Super, Perpetual Corporate Trust Limited in its capacity as trustee for the ICG Australia Senior Loan Fund, Resolution Life Australasia Limited in its capacity as manager for Equity Trustees Limited as trustee for RLA Private Credit Number 4 Fund , MUFG Bank, Ltd, Victorian Funds Management Corporation as trustee for the VFMC Australian Loan Trust, ITG Australia TS Sub Pty Ltd in its capacity as trustee of TCP Senior Loan Levered Trust and ITG Australia TS Sub Pty Ltd in its capacity as trustee of TP Senior Loan Unlevered Trust (**Syndicated Facility Agreement**). A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	$450,000,000 The Syndicated Facility Agreement is an amortising and bullet term loan facility. $210,000,000 is available to be drawn as an amortising term facility (**Amortising Term Facility**) and $240,000,000 as a bullet term facility (**Bullet Term Facility**). On 9 April 2024, VFF utilised the full A$450,000,000 commitments and that amount remains outstanding as at the Original Prospectus Date.
Purpose	The proceeds of the facilities are to be used to, amongst other things: • refinance the existing finance debt of the 'Group' (i.e. Velocity Frequent Flyer 2 Pty Ltd and its subsidiaries); and • any related breakage costs and other fees, costs and/or expenses payable in connection with the facilities.
Maturity	The Amortising Term Facility and the Bullet Term Facility mature on 16 April 2029 and 16 April 2030 (respectively).
Interest and fees	The rate of interest on each Loan is the percentage rate per annum which is the aggregate of the applicable margin and BBSY. The margin steps up or down according to VFF's total net leverage ratio. Interest is payable by reference to one, two or three months as selected by VFF or such other period as agreed with lender consent. The facility contains customary upfront fees.
Repayment and prepayment	**Repayment** VFF is required to repay the total of the outstanding Amortising Term Facility and Bullet Term Facility on the applicable maturity date. VFF may not reborrow any part of the facility which is repaid. **Prepayment** *Voluntary prepayment:* VFF may, if it gives Global Loan Agency Services (**GLAS**) (as agent) not less than 3 business days' (or such shorter period as the majority lenders may agree) prior notice, prepay the whole or any part of a loan (but, if in part, being an amount that reduces that loan by a minimum amount stipulated under the facility). *Mandatory prepayment:* A mandatory prepayment is required if there is a disposal of all or substantially all of the assets of the group (which includes, VFF2's shares in VRPL and VFF), the facilities will be cancelled and all outstanding utilisations together with accrued interest, and all other amounts accrued under the 'finance document', will become immediately due and payable.
Restrictions on dividends and distributions	Each obligor (i.e. VFF, VFF Holdco, Velocity Frequent Flyer 1 Pty Ltd, Velocity Frequent Flyer 2 Pty Ltd and Torque Solutions (Australia) Pty Ltd) (**SFA Guarantors**) is permitted to make a distribution if it complies with the total net leverage ratio covenants and no event of default has occurred or would result from the making of the distribution.

Term	Summary
Guarantee and Security	The Syndicated Facility Agreement is guaranteed by the SFA Guarantors. Each SFA Guarantor will ensure that each material subsidiary becomes a guarantor and ensure that all obligors at all times comprise no less than 90% of the EBITDA and 90% of the total assets of the wholly-owned group. The Syndicated Facility Agreement is secured by first ranking all asset security granted by VFF, Velocity Frequent Flyer 1 Pty Ltd, Velocity Frequent Flyer 2 Pty Ltd, VFF Holdco and Torque Solutions (Australia) Pty Ltd in respect of each of their rights, property and undertakings, as well as security over the shares of VRPL (the **Security**). The Security is granted in favour of GLAS (as the Security Trustee) but does not extend to assets of the Loyalty Trust.
Restriction on incurring debt, providing security or guarantees	The Syndicated Facility Agreement includes customary undertakings for the obligors not to incur debt, or provide security or guarantees, other than as permitted under the Syndicated Facility Agreement.
Review events	A review event occurs if, amongst other things, there is: • a change of control under the Syndicated Facility Agreement, where such change of control includes: – VFF Holdco ceasing to directly own and control 100% of the issued share capital in VFF; – any person or group of persons acting in concert gaining, directly or indirectly, ownership or control of more than 50% of the voting shares in VFF Holdco (other than the 'Investors'); or – Virgin Australia (together with its subsidiaries) ceasing to own at least 50.1% of the voting securities in VFF Holdco or ceasing to control (as defined in section 50AA of the Corporations Act) (directly or indirectly) VFF Holdco; or • VRPL has declared or resolved to pay a distribution in any quarter of its financial years following financial close of the facilities but fails to pay such distribution in that financial quarter or the immediately following financial quarter. VFF is required to promptly notify GLAS (on behalf of the majority lenders) upon the occurrence of a review event. GLAS and VFF have a period of 45 days after the receipt of such notice to consult and discuss ways to agree appropriate amendments to the finance documents so that the facilities can continue. If no agreement is reached, then any dissenting lender may elect to exit the facilities by providing notice to VFF in writing that the loans are due and payable, and their commitments are cancelled from 90 days after the lender notifies VFF.
Financial Undertakings	The Syndicated Facility Agreement contains financial undertakings which are tested quarterly. These place a cap on VFF's total net leverage and specify a minimum required interest cover ratio is met.
Other terms (representations and warranties, undertakings and events of default)	The Syndicated Facility Agreement contains customary representations and warranties, undertakings and events of default. A breach of a financial undertaking or certain term which are not remedied within any applicable grace period, will be an event of default under the Syndicated Facility Agreement and will, among other consequences, enable GLAS to cancel commitments and/or accelerate repayment under the Syndicated Facility Agreement.

9.6.3 Velocity intercompany arrangements (VRPL Loan)

VAA (as borrower) has a cash advance bullet term loan facility with VRPL (as lender) (**VRPL Loan**). A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	The VRPL Loan is a revolving cash advance facility with a facility limit of $450,000,000. As at the Original Prospectus Date, the amount outstanding under the VRPL Loan is A$380,000,000.
Purpose	The proceeds of the facility are to be used, among other things, to refinance the existing finance debt and financing the intercompany loan between VFF and VAA. The VRPL Loan is an intercompany arrangement and therefore eliminates on consolidation in the Virgin Australia balance sheet.
Maturity	The facility matures on 28 February 2027.
Interest and fees	The rate of interest on each Loan is the percentage rate per annum which is the aggregate of the applicable margin, BBSY and PIK interest (where PIK interest has capitalised on an advance). VRPL may, but is not obliged, to capitalise on a monthly or other basis any part of interest on an advance which becomes due and owing and is not paid on its due date. The facility contains customary drawdown fees and commitment fees on any unutilised facility limit.
Repayment and prepayment	**Repayment** *Maturity Date:* VAA must repay any amount owed under the transaction documents in full on the maturity date. *Mandatory repayment:* A mandatory prepayment is required if: • VRPL requests at any time VAA repay the principal outstanding in an amount up to or equal to the amount that is the lower of (i) determined by VRPL to be required to fulfill its working capital requirements and (ii) the principal outstanding; and • VRPL (acting reasonably) considers that a repayment is required to protect the 'tertiary beneficiaries' (as defined in the Trust Deed of Loyalty Trust), VAA shall pay an amount up to or equal to the lower of (i) the amount required under the Trust Deed of the Loyalty Trust plus an agreed additional amount and (ii) the principal outstanding or such lesser amount as VRPL may determine having regard to its investment committee. *Repayment Events:* the following, amongst others, are repayment events: • any obligor fails to pay or repay any part of the principal outstanding or any accrued and unpaid interest when due and payable by it, unless an obligor remedies such failure within 7 Business Days; • any obligor fails to perform any other undertaking or obligation of it under any transaction document and an obligor does not remedy the failure; • without the prior written consent of VRPL (not to be unreasonably withheld) any member of the VFF group: – (whether by a single transaction or a series of related or unrelated transactions and whether at the same time or over a period of time) sells, transfers, licenses, leases out or otherwise disposes of all or a material part of the assets of the Velocity Group (or agrees to do so); – other than in the ordinary course of ordinary business, makes any loans, grants any credit or makes available any other financial accommodation to any person where the aggregate value of all such loans which are outstanding exceeds an agreed amount. **Prepayment** Voluntary prepayment: VAA may, if it gives VRPL at least 2 Business Days' prior written notice (specifying the prepayment date and the advances being prepaid) prepay the whole or any part of an advance.

Term	Summary
Restrictions on dividends and distributions	None.
Guarantee and Security	The VRPL Loan is secured by way of a security deed entered into by Virgin Australia Airlines Holdings (**VAAH**) which grants security interests over convertible notes issued by VFF Holdco. VRPL may at any time, request additional security or cash collateral if the value of the 'secured property' is less than the working capital amount and the amount required to protect certain beneficiaries' interests under the Loyalty Trust.
Restriction on incurring debt, providing security or guarantees	It is a 'repayment event' if any member of the Velocity Group incurs or permits to be incurred any financial indebtedness, grants security other than as permitted or provides any guarantee.
Review events	The VRPL Loan Facility Deed contains provisions that deem certain change of control events as review events. However, the triggers do not apply where (i) Bain Capital or its affiliates control Virgin Australia, VAAH and VAA after the purported change of control, or (ii) where the change of control arises from a listing of Virgin Australia, VAAH or VAA on any recognised stock exchange.
Financial Undertakings	None.
Other terms (representations and warranties, undertakings and events of default)	The VRPL Loan contains customary representations and warranties, undertakings and events of default (which are repayment events). A breach of a certain term which is not remedied within any applicable grace period, will be a repayment event under the VRPL Loan and will, among other consequences, enable VRPL to cancel commitments and/or accelerate repayment under the VRPL Loan.

9.6.4 ANZ MOFA

VAA (as borrower) and Virgin Australia (as guarantor) have entered into a multi-option facility agreement with ANZ originally dated 19 August 2013 (ANZ MOFA). A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	The ANZ MOFA comprises the following facilities: • a cash advance facility (with a limit of A$40,822,787) (**Facility A**); • a financial instrument facility (with a limit of US$44,500,000) (**Facility B**); and • an additional financial instrument facility (with a limit of A$40,000,000) (**Facility C**). As at the Original Prospectus Date, the amount outstanding under the facilities was A$40,822,787 for Facility A, US$20,054,592 for Facility B and A$22,900,000 for Facility C.
Purpose	The proceeds under the ANZ MOFA are to be used to fund existing aircraft arrangements and for general corporate purposes (which includes workcover bonding).
Maturity	The facilities mature on 17 November 2026.

Term	Summary
Interest and fees	The rate of interest on each Loan is the percentage rate per annum which is the aggregate of the applicable margin and BBSY. Interest is payable by reference to one, two or three months as selected by the borrower or such other period as agreed with ANZ. The facility contains customary line fees and instrument fees in respect of any current instruments issued or deemed to be issued under Facility B and C. VAA is also required to pay any courier and other incidental fees that are payable in accordance with the ANZ's standard terms in effect from time to time.
Repayment and prepayment	**Optional repayment** The principal outstanding under Facility A, Facility B and Facility C may be repaid all or in part on the last day on an interest period. VAA must compensate ANZ for all costs or losses which it may incur, directly or indirectly as a result of a payment being made on a date other than an interest payment date; and all fees and interest payable and accrued to the date of prepayment in relation to the amount to be prepaid. **Repayment of instruments by providing cash cover** The principal outstanding under Facility B may be reduced by an amount guaranteed under an instrument by: (i) paying ANZ cash cover in an amount equal to the face value amount of the instrument; or (ii) returning and cancelling the original Instrument to ANZ. **Mandatory repayment of Facility A** Since 17 February 2022, Facility A has had quarterly repayment instalments of $2,500,000. **Redrawing** Amounts repaid or prepaid under Facility A may not be redrawn. **Final repayment** The Principal Outstanding under each Facility must be repaid on the termination date for that Facility.
Restrictions on dividends and distributions	None.
Guarantee and Security	The ANZ MOFA is guaranteed by Virgin Australia. Facility A and Facility B of the ANZ MOFA is secured by a mortgage over certain aircraft, engines, simulators, insurances and manufacturer's warranties. Facility C is secured by cash collateral to the value of the bank guarantees issued. There is currently one term deposit for A$22,900,000 securing Facility C which is held to support a bank guarantee for the same amount.
Restriction on incurring debt, providing security or guarantees	No restrictions on incurring debt or providing guarantees but there is a restriction over creating security over the secured property mentioned above.

Term	Summary
Review events	It is a review event under the ANZ MOFA if: • in ANZ's opinion, there is a change of Control of Virgin Australia; • in ANZ's opinion, there is a listing of Virgin Australia or a holding company of Virgin Australia on a stock exchange (whether it constitutes a change of Control under the previous limb or not); or • at any time on or after the date that is 24 months after the date on or about 14 November 2024, a prescribed loan to value ratio and VAA has not made a payment in accordance with the cure provisions. If a review event occurs, VAA and ANZ must meet to discuss the review event, with a view to agreeing a strategy to rectify the circumstance giving rise to the event. If no agreement is reached within 10 days of the occurrence of the event, then ANZ may notify VAA that it must repay all amounts under the facilities within 30 days of the notice. Prior to the Original Prospectus Date, Virgin Australia received a waiver from ANZ for the review event triggered by the Offer and Listing.
Financial Undertakings	VAA is required to maintain a prescribed loan to value ratio in respect of Facility A and Facility B.
Other terms (representations and warranties, undertakings and events of default)	The ANZ MOFA contains customary representations and warranties, undertakings and events of default. A breach of a financial undertaking or certain term which are not remedied within any applicable grace period, will be an event of default under the ANZ MOFA and will, among other consequences, enable ANZ to cancel commitments and/or accelerate repayment under the ANZ MOFA.

9.6.5 QIC Debt Facilities

9.6.5.1 QIC Loan

In connection with the Queensland State Investment Deed (discussed at Section 9.5.2 above), BC Hart Company Pty Ltd (**BC Company**) (a wholly-owned subsidiary of Virgin Australia)[15] as Borrower and two other Company subsidiaries, VAA and VAAH, as guarantors, entered a Working Capital Facility Agreement (**WCFA**) with QIC Investments No. 3 Pty Ltd as trustee for the Strategic Asset Investment Fund (Unlisted No. 1) (ABN 51 966 580 528) (**QIC Investments**) on behalf of the State of Queensland (**QIC Loan**). The QIC Loan will be repaid following Completion with the proceeds of the New Corporate Facility.

A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	$125,000,000. Although the facility limit of the WCFA is stated as $125,000,000, there is some allowance for 'Paid-In-Kind' interest (which effectively increases the limit). As at the Original Prospectus Date, the amount outstanding (including any capitalised interest) under the WCFA is A$146,232,291.
Purpose	Proceeds under the WCFA are to be applied by BC Company towards working capital and other general corporate purposes.
Maturity	The facility matures in November 2025.
Interest and fees	Interest is payable on the loan at the applicable rate and is payable by reference to six months or such other period as agreed with QIC Investments.

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[15] BC Company is a wholly-owned subsidiary of Virgin Australia and is not associated or affiliated with Bain Capital or BC Hart.

Term	Summary
Repayment and prepayment	**Repayment** BC Company is required to repay the loan on the maturity date. **Voluntary Prepayment** BC Company may, if it gives the Lender at least 5 Business Days' prior notice, prepay, on the last day of any interest period, the whole or any part (subject to certain minimum requirements) of the loan. Voluntary prepayment is permitted irrespective of whether or not a default has occurred or is occurring.
Restrictions on dividends and distributions	None.
Guarantee and Security	The WCFA is guaranteed by various members of the Group which include Virgin Australia.
Restriction on incurring debt, providing security or guarantees	None.
Review events	A review event occurs if Bain Capital, intends or proposes to cease (or enters into or agrees to enter into any agreement or arrangement which will or may result in Bain Capital ceasing), or otherwise ceases: • to own directly or indirectly through any person more than 50% of the issued share capital of BC Company; or • to have control of BC Company, unless otherwise permitted. Under the WCFA, share transfers are permitted provided that: • the sale is undertaken from a fund managed by Bain Capital to another fund managed by Bain Capital; • the sale does not result in change of beneficial ownership of BC Company; • the 'lender' retains an equity interest in BC Company; and/or • the sale is made with the prior written consent of QIC Investments. If a review event occurs, BC Company is required to notify QIC Investments and BC Company and QIC Investments have a period of 10 and business days after the receipt of such notice to consult and discuss ways to remedy or overcome the effects of the consequences of the review event. If no agreement is reached, then the review event shall constitute an event of default under the WCFA and QIC Investments would be entitled to exercise its acceleration rights under the WCFA, which includes cancelling the loans or declaring all or part of the loan due and payable.
Financial Undertakings	None.
Other terms (representations and warranties, undertakings and events of default)	The WCFA contains customary representations and warranties, undertakings and events of default. A breach of a certain term which are not remedied within any applicable grace period, will be an event of default under the WCFA and will, among other consequences, enable QIC Investments to cancel commitments and/or accelerate repayment under the WCFA. Relevantly, an event of default will be triggered under the WCFA if an obligor or a member of the group (i.e. BC Company and its subsidiaries) fails to comply with, or breaches a provision of, the State Investment Deed.

9.6.5.2 OIFA

In connection with the Queensland State Investment Deed (discussed at Section 9.5.2 above), BC Company (a wholly-owned subsidiary of Virgin Australia) as Borrower and two other Company subsidiaries, VAA and VAAH, as guarantors, entered an Operational Investment Facility Agreement with QIC Investments on behalf of the State of Queensland (**OIFA**).

Due to the nature of the terms of the OIFA, the amount outstanding is included within unearned revenue and income in the balance sheet and not within interest-bearing liabilities.

A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	$50,000,000. As at the Original Prospectus Date, the amount outstanding under the OIFA is $10,000,000.
Purpose	Proceeds are to be applied by BC Company towards working capital and other general corporate purposes, provided that no part of the facility shall be used to pay any fees, penalties or fines imposed on BC Company or any member of the 'group' in connection with any failure by BC Company or such member of the 'group' to pay any taxes, imposts or levies required to be paid by it under applicable law.
Maturity	The facility matures in November 2025.
Interest and fees	Although the OIFA is an interest-free term loan facility, if: • BC Company fails to pay an amount payable under the OIFA, interest will accrue on the overdue amount under the OIFA from the due date up to the date of actual payment (both before and after judgment); or • breach of the Queensland State Investment Deed occurs, interest will accrue on the entire outstanding principal amount payable under the OIFA and until such failure has been remedied to the satisfaction of QIC Investments, at the rate of 2% per annum.
Repayment and prepayment	**Repayment** Provided there is no breach under the State Investment Deed, any and all payments made by BC Company and any member of the Group to qualifying Queensland businesses and government authorities in the ordinary course of business (the **Prescribed Payments**) are deemed to be a repayment by BC Company of the loan drawn down and remaining amounts outstanding under the OIFA). BC Company may submit during the availability period of the facility a repayment notice at least once every 12 months from first utilisation setting out the Prescribed Payments made by BC Company and the Group, along with necessary documentary proof of same. The Prescribed Payments are subject to maximum amounts ($10,000,000) claimable in each year. BC Company is required to repay any and all outstanding amounts advanced by the Lender to BC Company under the facilities (taking into account the Prescribed Payments) on the maturity date. The conditions for the repayment of the outstanding $10,000,000 under the OIFA are expected to be met prior to the maturity date. **Voluntary Prepayment** BC Company may, if it gives QIC Investments at least 5 business days' prior notice, prepay, on the last day of any interest period, the whole or any part (subject to minimum requirements) of the 'Loan'. This applies irrespective of whether or not a default has occurred or is occurring. **Mandatory Repayment** If there is a breach of the State Investment Deed, the OIFA balance is repayable in full together with interest on the balance calculated at 2%.

Term	Summary
Restrictions on dividends and distributions	None
Guarantee and Security	The WCFA is guaranteed by various members of the group which include Virgin Australia.
Restriction on incurring debt, providing security or guarantees	None.
Review events	None but the occurrence of a review event under the WCFA is an event of default under the OIFA.
Financial Undertakings	None.
Other terms (representations and warranties, undertakings and events of default)	The OIFA contains customary representations and warranties, undertakings and events of default. A breach of a certain term which are not remedied within any applicable grace period, will be an event of default under the OIFA and will, among other consequences, enable QIC Investments to cancel commitments and/or accelerate repayment under the OIFA. Relevantly, an event of default will be triggered under the OIFA if an obligor or a member of the group (i.e. BC Company and its subsidiaries) fails to comply with, or breaches a provision of, the State Investment Deed.

9.6.6 BNPP Facility Agreement

VAA has entered into an uncommitted secured facility letter with BNPP dated 23 May 2023 to support the issuance of bank guarantees required in the ordinary course of business of VAA or any other wholly owned group member (**BNPP Facility Agreement**). A summary of the key terms is set out in the table below:

Term	Summary
Facility Limit	A $75,000,000 uncommitted on-demand facility. As at the Original Prospectus Date, $50,435,075 was drawn under the BNPP Facility Agreement, with cash collateral held to the same amount.
Purpose	Proceeds of the BNP Facility Agreement are to be used to support the issuance of bank guarantees required in the ordinary course of business of VAA or any other entity that is 100% legally held by Virgin Australia and its subsidiaries.
Maturity	The facility is uncommitted.
Interest and fees	The facility is subject to various fees, including commission fees on the face value of each bank guarantee issued and amendment fees.
Repayment and prepayment	All bank guarantees issued under the facility must: • unless BNPP agrees otherwise, must include a right for BNPP to immediately pav the beneficiary under the Bank Guarantee and terminate its obligations at any time; and • be subject to the Security Agreement (discussed below) and must be 100% cash backed for an amount equivalent to the amount of the Bank Guarantee to be issued. VAA must deposit this amount into the relevant term deposit account held at BNPP in its name and charged in favour of BNPP.

Term	Summary
Restrictions on dividends and distributions	None
Guarantee and Security	The BNPP Facility Agreement is secured by way of a specific security agreement over certain accounts which is customary in form and includes the usual restrictions on creating security over the secured property. Further, VAA must provide BNPP with security in the form of cash collateral for an amount equivalent to the amount of the proposed bank guarantee.
Restriction on incurring debt, providing security or guarantees	None.
Review events	None but the facility is subject to review by BNPP at any time. BNPP also reserves the right at any time (and without notice to the obligors), to, amongst other things: • decline to allow any drawing under any facility to proceed; and/or • by not less than 180 days notice to VAA, terminate, cancel (in whole or in part) and/or amend any facility (including, without limitation, reducing or suspending, in whole or in part, that facility) and/or amend the provisions of the facility documents and in the case of termination or cancellation of the BNPP Facility (in whole or in part), VAA must within such 180 day notice period take all actions necessary to secure the return of all outstanding bank guarantees, letters of credit, bond and other relevant instruments issued by BNPP or its affiliate under the BNPP Facility. Failing this, BNPP may: – require VAA to procure another bank to issue a bank guarantee, letter of credit, bond or other relevant instruments to replace each such instrument issued by BNPP; – require VAA to procure another bank satisfactory to BNPP to issue a counter-guarantee in favour of BNPP in a form satisfactory to BNPP; and – exercise its right of lien and set-off for all 'Outstanding Amounts' (including without limitation the face value of all outstanding bank guarantees) against any deposit over which BNPP has security for the BNPP Facility; and/or declare all or any part of the 'Outstanding Amounts' to be due and payable at any time and demand their immediate repayment.
Financial Undertakings	None.
Other terms (representations and warranties, undertakings and events of default)	The BNP Facility Agreement contains customary representations and warranties, undertakings and events of default. A breach of a certain term which are not remedied within any applicable grace period, will be an event of default under the BNP Facility Agreement and will, among other consequences, enable BNP to cancel commitments and/or accelerate repayment under the BNP Facility Agreement.

9.6.7 Hedging arrangements

To mitigate against the risk of short to medium-term unfavourable movements in fuel prices, Virgin Australia has an active hedging program in place for crude oil, refining margins, and foreign exchange rate risk.

The majority of Virgin Australia's fuel hedging is in USD Brent contracts, though it retains flexibility to use a range of vanilla derivative contracts as opportunities arise in different market conditions. The majority of Virgin Australia's fuel and foreign currency hedging is under standard form documentation published by the International Swaps and Derivatives Association.

9.6.8 Aircraft financing arrangements

Virgin Australia is also a party to several aircraft financing arrangements primarily entered into by way of loan note subscription agreements. These agreements typically require third party lenders to provide financing to Virgin Australia for the purpose of acquiring aircraft, aircraft engines and associated equipment (**Aircraft Equipment**), with security over that Aircraft Equipment and associated insurances provided to the lenders or security trustee (as applicable). These aircraft financing arrangements are on customary terms.

9.7 Voluntary escrow arrangements

9.7.1 Escrow arrangements

Each Escrowed Shareholder in the table below has entered into an Escrow Deed in respect of their Shareholding on Completion of the Offer (other than Shares acquired under the Offer), which prevents them from disposing of the number of Escrowed Shares noted below for the applicable Escrow Period set out below next to their Escrowed Shares, subject to certain exceptions as outlined in Section 9.7.2 below:

Escrowed Shareholder	Number of Escrowed Shares[1]	Escrow Period
BC Hart	312.6 million	The period from Completion until 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the financial year ending 30 June 2026, subject to the exception outlined below. BC Hart may dispose of 25% of the Escrowed Shares at 4:15pm (Sydney time) on any trading day: • after the date on which the Company releases to the ASX its H1FY26 Results; and • provided the volume-weighted average price of Shares for any 10 consecutive trading days following release of the H1FY26 Results exceeds the Offer Price by at least 20%.
Escrowed ELT Legacy Planholders	44.3 million[2]	The period from Listing until:[3] • in respect of one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2025; • in respect of another one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading date after the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2026; and • in respect of the final one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the financial year ending 30 June 2027.
Escrowed GLT Legacy Planholders[2]	5.9 million[2]	The period from Listing until:[3] • in respect of one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading day after the date the Company releases to the ASX its financial results for the financial year ended 30 June 2025; • in respect of another one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2025; and • in respect of the final one-third of the Escrowed Shares, 4:15pm (Sydney time) on the trading day after the date on which the Company releases to the ASX its financial results for the half year ended 31 December 2026.

Notes:

1. Excludes any Shares that may be acquired under the Offer by these Escrowed Shareholders as such Shares will not be subject to voluntary escrow.
2. Shares held by the Escrowed Legacy Planholders under the Legacy Incentive Schemes are held through an employee share trust on behalf of these Escrowed Shareholders.
3. Escrowed Shares held by Escrowed Legacy Planholders are also subject to forfeiture in accordance with the terms of the Legacy Incentive Schemes. See Section 6.3.4.2.

9.7.2 Restrictions on disposing

The restriction on disposing is broadly defined in the Escrow Deeds outlined in this Section 9.7. It restricts the Escrowed Shareholder from, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, creating or agreeing to create a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

However, during the Escrow Period, Escrowed Shareholders whose Shares remain subject to escrow may deal in any of their Escrowed Shares to the extent that the dealing is:

- as a result of a bona fide third-party offer under a takeover bid or the transfer or cancellation of the Escrowed Shares under a scheme of arrangement;
- required by applicable law, including an order of a court of competent jurisdiction;
- a transfer by the personal representative of the Escrowed Shareholder to whom the Escrowed Shares have been bequeathed (provided that any recipient of the Escrowed Shares will no longer be bound by any holding lock or restrictions on dealing with respect to the Escrowed Shares); or
- to participate in an equal access buyback or equal return of capital or other similar pro rata reorganisation.

In addition to the above:

- Escrowed Legacy Planholders may also deal in any of their Escrowed Shares to the extent that the dealing is required under the rules of the Legacy Incentive Schemes (e.g. where Escrowed Shares are forfeited in accordance with leaver and clawback provisions). See Section 6.3.4.2; and
- BC Hart may also deal in any of its Escrowed Shares to the extent that the dealing is:
  - an encumbrance of any or all Escrowed Shares to a bona fide third-party financial institution as securities for a loan, hedge or other financial accommodation (provided that any recipient of the Escrowed Shares will continue be bound by any holding lock and restrictions on dealing with respect to the Escrowed Shares for the duration of the Escrow Period); or
  - a transfer of Escrowed Shares to an affiliate or an affiliated fund of BC Hart provided the same escrow restrictions are imposed on the transferee and the transfer does not result in a change to the beneficial ownership of the Escrowed Shares.

9.8 Litigation and claims

Virgin Australia may, from time to time, be party to litigation and other claims and disputes incidental to the conduct of its business, including employment disputes, creditor claims, contractual disputes, indemnity claims and occupational and personal injury claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Virgin Australia's business, operating and financial performance.

As far as the Directors are aware, however, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which Virgin Australia is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Virgin Australia.

Virgin Australia is a party to class action proceedings commenced in 2022 in the Federal Court of Australia by persons who purchased unsecured AUD and USD denominated notes of Virgin Australia issued pursuant to a prospectus dated 5 November 2019 and an offering circular dated 24 October 2019, prior to Virgin Australia's entry into voluntary administration in April 2020. The claimant in the class action proceedings alleges that Virgin Australia made false or misleading statements (or omissions) relating to Virgin Australia's financial position. The claimant also alleges that Virgin Australia breached its continuous disclosure obligations in the months leading up to its entry into voluntary administration in April 2020 by failing to disclose information related to the financial position of the Company.

The class action proceedings also include as additional respondents the former Chair of Virgin Australia, the former Managing Director and CEO of Virgin Australia, and VRPL as trustee for the Loyalty Trust, each of whom are alleged to have been knowingly concerned in, or party to, Virgin Australia's alleged contraventions. Virgin Australia and the other respondents to the claim deny the allegations made in the class action proceedings and are defending the claim. Virgin Australia's insurers have also been joined to the class action as additional respondents.

In relation to the potential exposure to liability from these proceedings, Virgin Australia's position is that any claims against Virgin Australia relating to the pre-administration period have been released by the Deed of Company Arrangement, to the extent that they are not covered by insurance. In relation to defence costs of this claim, Virgin Australia has the benefit of an indemnity from the claimant to pay Virgin Australia's costs of the proceedings. Virgin Australia has already recovered a portion of its defence costs pursuant to that indemnity and has submitted a claim to recover further defence costs.

Virgin Australia is unable to quantify at the present time the maximum potential exposure to liability from the claim against VRPL as trustee for Loyalty Trust, and the claim does not identify the amount of any damages sought. However, Management's view is that the claims as brought against VRPL as trustee for Loyalty Trust are unlikely to be successful and therefore are unlikely to have a material adverse impact on the business or the financial position of Virgin Australia.

To the extent Virgin Australia has to date borne the defence costs, that has been reflected in the Historical Financial Information.

9.9 Regulatory environment

9.9.1 Overview

Airlines which operate aircraft and supply passenger air services within, and into and out of Australia, are subject to a high degree of regulation. The regulatory environment in which Virgin Australia operates can be grouped into the following frameworks discussed below:

a. the Australian civil aviation framework;

b. the International airline framework;

c. the Australian transport security framework; and

d. other relevant regulatory frameworks.

9.9.2 Australian civil aviation framework

The main legislation governing Australian civil aviation is the *Civil Aviation Act 1988* (Cth) (**Civil Aviation Act**). The Civil Aviation Act establishes the key regulations which give effect to Australia's international obligations under the Convention on International Civil Aviation including the *Civil Aviation Regulations 1988* (Cth); and the *Civil Aviation Safety Regulations 1998* (Cth) (collectively, the **Civil Aviation Regulations**), which are administered by the key aviation safety regulator, the Civil Aviation Safety Authority (**CASA**).

CASA is responsible for issuing approvals for organisations (and individuals) who conduct any commercial aerial work, charter, regular public transport, flight training operations or aircraft maintenance and is vested with a range of tools to enforce the Civil Aviation Act and the Civil Aviation Regulations. Key approvals for civil air operations, include (amongst others):

- Air Operator Certificates, which authorise aircraft to fly within Australia, and into and out of Australia;
- Certificates of Airworthiness, which permit the owner, operator or hirer of an Australian aircraft to commence a flight using that aircraft;
- Continuing Airworthiness Management Authorisation, which allows the operator to manage continuing airworthiness of an aircraft;
- Certificates of Registration, which are required for an aircraft to be operated within (or into or out of) Australia;
- flight crew licences, ratings or endorsements, which permit pilots and crew to operate an Australian aircraft;
- Aircraft Engineer Licences and ratings for the particular aircraft type, which are required to supervise maintenance of the aircraft, perform maintenance certification, or issue certificates of release to service;
- Aeronautical Radio Operator Certificates, which allow holders to communicate on an aviation air-band radio frequency; and
- Maintenance Organisation Approvals, which permit the provision of specified aircraft maintenance services.

Certain conditions and requirements must be met to hold and maintain these approvals and failure to do so may carry civil and criminal penalties.

The Civil Aviation Act and Civil Aviation Regulations also govern authorisations with respect to the carriage of dangerous goods, taxiing aeroplanes, performance-based navigation, and flight simulation and training and require Airlines to comply with certain rules.

CASA must be notified if there is a change in the ownership model, such as through the IPO. The notification does not have consent requirements and generally has no material impact on the ongoing operation of the airline's business. Virgin Australia consults CASA regularly and has briefed CASA on the Offer.

Separately, the *Transport Safety Investigation Act 2003* (Cth) requires owners and operators of aircraft or crew, to immediately report accidents and serious incidents to the Australian Transport Safety Bureau as soon as practicable.

9.9.2.1 Aviation White Paper

On 26 August 2024, the Australian Government released an Aviation White Paper on its vision for Australia's aviation sector towards 2050, to ensure it remains safe, competitive, productive and sustainable. The Aviation White Paper was released following a public consultation process which Virgin Australia, as well as other members of the aviation industry, State and Territory Governments and the Australian community participated in.

The Aviation White Paper contains 56 new initiatives that are recommended for implemented by the Federal Government in partnership with industry, states and territories and the community. These initiatives include (for example) establishing an AIOS and the Draft Charter, creating new aviation-specific disability standards, initiatives to reduce barriers to competition in the aviation sector and to maximise the aviation sector's contribution towards net zero, extending the Remote Airstrip Upgrade Program and the Regional Airport Program, establishing an Aircraft Noise Ombuds Scheme and considering options to introduce new drone legislation by 2030.

The impact of the new policy initiatives on Virgin Australia is not expected by Virgin Australia to be material.

The Australian Government has announced its intention to introduce new legislation later in 2025 to establish the new AIOS from 2026.

The Australian Government also released the Draft Charter for feedback on 21 December 2024. The Draft Charter contained 6 proposed customer rights,[16] including a right to prompt and fair remedies and support during and after cancellations, delays and disruptions and safe and timely baggage handling and fair remedies for damage and delays. According to the Draft Charter, this would mean:

- If a flight is delayed, the airline should provide customers with regular updates on the status of the flight and the expected departure times.
- If a flight is disrupted or delayed for more than 3 hours, for reasons within the airline's control, customers should, at no cost to the customer, receive, in summary:
  - assistance to rebook with original or alternative airlines, without fees;
  - the option to cancel time-dependent flights with a full refund to be issued;
  - meals, meal vouchers/reimbursement or access to a lounge where food is available;
  - accommodation and transfers where a customer is required to remain in an away-from-home port overnight; and
  - a refund of the cost of the original flight (including baggage charges, pre-purchased meals, extra leg room fees and any payment fees and charges), within 14 days of the cancellation being notified, if an alternative flight has not been agreed.
- If luggage is temporarily lost by an airline, customers should be reimbursed for the necessary purchase of appropriate clothing and toiletries where this occurs away from the customer's home port.
- If luggage is damaged in the course of carriage, the airline will finalise a claim for damages in a timely manner.
- When any lost luggage is located, it should be delivered to the customer at the earliest possible time and at no cost to them.

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[16] The 6 proposed rights include the right to: be treated with dignity and respect, in an accessible and inclusive environment; accurate, timely and accessible information and customer service; prompt and fair remedies and support during and after cancellations, delays and disruptions; safe and timely baggage handling and fair remedies for damage and delays; the protection of their personal information; and provide feedback, make complaints and exercise their rights without retribution.

The default position of airlines would be the provision of a refund in the original form of payment (including cash, credit or flyer reward points), with a travel voucher only being issued if the customer chooses that option. Virgin Australia does not consider that these entitlements would result in significant incremental costs because consumers are already entitled to receive similar remedies under the Australian Consumer Law, depending on the particular facts of each case. However, it is likely that more customers will be aware of the scheme and it is expected this may lead to an increase in claims from customers.

The Draft Charter proposes that customers who are unable to successfully resolve issues directly with the relevant airline or airport will have a right to file a formal complaint with the AIOS. The AIOS will be able to resolve issues by pursuing an issue directly with airline and airport members, and if required, by referring matters to the relevant regulator. If an airline or airport member does not comply with its obligations under the legislation to be introduced, the AIO will be able to refer matters to the new regulator for the AIOS. This remains a draft proposal. No legislation has been introduced to implement this proposal.

9.9.3 International Airline Framework

International air services in Australia are regulated by legislation, regulations and bilateral and multilateral agreements between countries known as 'Air Service Agreements'.

The key legislation governing international air services in Australia is the Air Navigation Act which includes regulations under the *Air Navigation Regulation 2016* (Cth) (**ANR**).[17]

The Air Navigation Act deals with matters such as freedom of the air and the regulation of international airlines, aircraft, airports and flights. There are also several multilateral agreements which govern the right to conduct international airline services. These treaties are published by the International Civil Aviation Organization.[18] An international airline licence holder must apply to the Secretary of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts for approval of a proposed timetable for each of its scheduled international air services to or from Australian territory.

In the absence of a multilateral agreement, each country must negotiate agreements with respect to air services with other countries on a bilateral basis. These agreements (**ASAs**) are required before an airline can operate international services to a country.

ASAs contain provisions on a wide array of matters, including:

- the specific scheduled airlines (or specific number of airlines) permitted to operate between the two parties to the agreement (for both passenger and cargo services);
- the routes those designated airlines are permitted to operate, and/or the specific cities those airlines are permitted to serve;
- the 'freedoms' to pick up or discharge passengers in the country of the other contracting State and fly them to other points in the same country or in third countries;
- the capacity the designated airlines are permitted to provide on the route (i.e., the frequency of flights and/or the size of the aircraft permitted on the authorised routes);
- whether or not the designated airlines are entitled to operate cargo only services; and
- the tariffs (or prices) to be charged to the consumer.

The Australian government publishes all Australian ASAs.[19]

ASAs and the Air Navigation Act restrict the level of foreign ownership and control of Australia's international airlines.

ASAs typically contain provisions for determining which airline carriers may be designated under the agreement. A carrier must be designated as an Australian carrier by the Australian Government in order to be allocated capacity to operate international air services from Australia to a second country.

Australian carriers seeking designation are typically required to demonstrate that they comply with a number of criteria before they are designated as an Australian carrier by the Australian Government. These criteria have been established in order to determine whether the carrier complies with the requirement in most ASAs for an Australian designated carrier to be substantially owned and effectively controlled by Australian nationals.

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17. Department of Infrastructure, Transport, Regional Development, Communication and the Arts commenced a review of the ANR, which is due to expire on 1 April 2026, to ensure it remains fit-for-purpose and continues to support an efficient, sustainable, competitive, safe and secure aviation system. The Department is working to complete the review by 2025.
18. See here: https://www.icao.int/secretariat/legal/Lists/Current%20lists%20of%20parties/AllItems.aspx.
19. See here: https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/international-aviation/air-services-agreements-arrangements.

These criteria include that:

- at least two-thirds of Board members of are Australian citizens;
- the Chairperson is an Australian citizen;
- the airline's operational base must be in Australia;
- the airline's head office must be in Australia; and
- the airline is substantially owned and effectively controlled by Australians.[20]

The Air Navigation Act supports the Commonwealth's ability to regulate the ownership and control of international airlines to ensure compliance with the relevant designation criteria in an ASA. In particular, if foreign persons have relevant interests in shares in the Australian international airline that represent, in total, more than 49% of the total value of the issued share capital of the Australian international airline, the Minister can require that the Australian international airline take all necessary action to ensure that its constitution imposes restrictions on such foreign persons owning in excess of 49%, and can confer certain powers on the directors of the airline to enable the directors to enforce this restriction.

In 2012, the international airline business, conducted by VAIH, was separated from the rest of Virgin Australia through a restructure to ensure continued compliance with the foreign ownership restrictions outlined above. The restructure involved the making of an in-specie dividend of shares in VAIH to Virgin Australia shareholders on the basis of one new VAIH share for every existing Virgin Australia share held on the record date. The dividend was satisfied by the transfer of shares in VAIH to a trustee company (The Trust Company (Australia) Limited) (**The Trust Company**) which holds the right, title and interest to the shares non-beneficially on separate trusts for Virgin Australia's shareholders. One remaining share in VAIH is held by a wholly owned subsidiary of Virgin Australia.

A number of mechanisms were also put in place to ensure continued compliance with foreign ownership laws under the Air Navigation Act and allow for VAIH shares to be reacquired by Virgin Australia where it is permitted to do so, including the following:

- the trust deed between The Trust Company and VAIH restricts the transfer of a beneficial interest in the VAIH shares, including by requiring a wholly-owned subsidiary of Virgin Australia's approval or involvement in any such transfer;
- under the terms of VAIH's constitution, the board of VAIH must consist of two directors appointed by Virgin Australia and three independent directors. The board must also consist of a majority of independent Australian citizens, with an independent Australian citizen Chair. VAIH's head office and operational base must be located in Australia and directors are able to enforce foreign ownership compliance including, where necessary, through the disposal of shares; and
- under the terms of VAIH's constitution, VAIH is obliged to buy-back the shares held by The Trust Company in the following circumstances:
  - it becomes permissible for foreign persons to hold 100% of the issued share capital in VAIH under the Air Navigation Act;
  - an 'Australian Person' (as defined in the Air Navigation Act, which includes a body corporate incorporated under Australian laws in certain circumstances) outside of Virgin Australia acquires at least 51% of the issued capital in Virgin Australia;
  - Virgin Australia provides a buy-back notice to VAIH (subject to compliance with the Air Navigation Act or any condition under an international airline licence); or
  - in September 2036, being approximately 25 years from the distribution of the in-specie dividend.

9.9.3.1 Australian transport security regulatory framework

The security of the Australian aviation environment is regulated through the *Aviation Transport Security Act 2004* (Cth) (**Aviation Security Act**) and the *Aviation Transport Security Regulations 2005* (Cth) (**Aviation Security Regulations**) The *Security of Critical Infrastructure Act 2018* (Cth) (**Security of Critical Infrastructure Act**) imposes further security obligations on responsible entities for critical infrastructure assets.

Compliance with the Aviation Security Act is enforced by the Secretary of the Department of Home Affairs. The Aviation Security Act and the Aviation Security Regulations require air service operators and persons occupying or controlling an area of an airport to have in place an approved transport security program to manage

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[20] See Ownership provisions and Control criteria, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *International airline licences – introduction*, available at: https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/international-aviation/international-airline-licences/introduction.

security risks. A transport security program is held by the relevant aviation industry participant. If the aviation industry participant entity remains the same, the program is not automatically cancelled, suspended or varied, even in the event of a change of control of that entity. If a participant's risk profile, operations, measures or procedures change, it must submit proposed changes to the program to Home Affairs for assessment.

The Aviation Security Act, Aviation Security Regulations and Security of Critical Infrastructure Act require:

- aircraft crew and staff to hold and display security identification cards;
- aircraft operators to comply with on-board security requirements;
- aircraft operators to report aviation security incidents; and
- responsible entities for critical aviation assets to report cyber security incidents to the Australian Cyber Security Centre and take reasonable steps to notify their third-party data storage or processing providers where those providers are storing or processing business critical data for a critical aviation asset.

9.9.3.2 Other regulatory frameworks

There are other key regulatory frameworks specific to the aviation industry, including the framework governing the allocation of permission to arrive or depart an airport at a specified time (known as 'slots'). Historically, the position adopted at Australian airports is that slots can be traded from airline to airline but not sold.

Slots are allocated by Airport Coordination Limited Asia Pacific Coordination at Sydney and Capacity Optimisation Group (formerly known as Airport Coordination Australia) at the other Australian slot-controlled airports. Slots are allocated in accordance with the Worldwide Airport Slot Guidelines and Sydney Airport-specific regulations. The Federal Government passed reforms to the *Sydney Airport Demand Management Act 1997* (Cth) in November 2024 to improve the use of Sydney Airport, including a strictly controlled recovery period that will help reduce delays when there is a period of disruption or severe weather, civil penalties for 'slot misuse' and enhanced transparency requirements. The allocations are not route, aircraft, or flight number specific and may be changed by an airline from one route or type of service to another subject to final confirmation by the relevant slot coordinator. The allocations are made twice per year in accordance with the Northern Summer and Northern Winter scheduling seasons. The primary basis for the allocation of slots is historical usage and whether or not slots have been used by an air carrier at least 80% of the time in the previous comparable season (the 'use it or lose it' or '80/20' rule). For example, if an airline has a 10am Monday slot, it will need to plan to operate that slot for a minimum of five consecutive weeks at that time, on that day of the week in order to constitute a slot series and therefore to be eligible for historical precedence. If four of the five flights operated within the five consecutive week period, historical precedence would be granted. Once historical slots have been allocated, at least 50% of the remaining available slot pool must be made available to new entrants. Slots are equitably allocated to new entrants, airlines that wish to make changes to historical timing and airlines requesting new slots that do not qualify for new entrant status.

In Australia, eight ports are slot controlled, for all operations (Sydney, Adelaide, Brisbane, Darwin and Perth) and for international operations only (Melbourne, Gold Coast and Cairns). The allocation of slots at Sydney Airport is governed by a specific statutory regime. The regime differs from worldwide industry standards as it contains special provisions which include restricting aircraft movements, ensuring equitable distribution of slots by time of day, ensuring guaranteed slots for certain regional services and enabling ministerial direction to vary the regime.

The *Radiocommunications Act 1992* (Cth), which requires aircraft to hold a radiocommunications licence to operate radiocommunications devices or to possess radiocommunications equipment fixed to an aircraft.

The *Air Navigation (Aircraft Engine Emissions) Regulations 1995* (Cth), which requires aircrafts to comply with certification standards in relation to fuel venting and for aircraft engines in relation to smoke emission and gaseous emissions.

The *Air Navigation (Aircraft Noise) Regulations 2018* (Cth), which requires aircrafts to comply with certain standards in relation to aircraft noise.

Other key regulatory agencies which administer regulatory frameworks which apply, but are not specific, to the aviation industry include:

- the Australian Competition and Consumer Commission (**ACCC**);
- the Australian Transaction Reports and Analysis Centre (**AUSTRAC**);
- the Fair Work Commission;
- the Australian Securities Investment Commission (**ASIC**); and
- the Office of the Australian Information Commissioner (**OAIC**).

9.10 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.10 contains a general description of these laws.

9.10.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Virgin Australia either themselves or through an associate.

9.10.2 *Foreign Acquisitions and Takeovers Act 1975* (Cth) and Federal Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) applies to acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more different foreign persons (**Aggregate Substantial Interest**), where the acquisition meets a threshold value (which varies by investor type and industry). Where a foreign person holds a Substantial Interest in Virgin Australia or foreign persons hold an Aggregate Substantial Interest in Virgin Australia, Virgin Australia will be a "foreign person" for the purposes of FATA. Additional rules apply to 'foreign government investors' and 'national security businesses'.

Broadly speaking, the acquisition by foreign governments or their related entities ("foreign government investors") of a direct interest in an Australian company may not occur unless notice of the acquisition has been given to the Federal Treasurer and the Federal Treasurer has either decided that the Commonwealth has no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. This can include further acquisitions of shares or voting power in Virgin Australia by Qatar Airways Group Q.C.S.C. or its associates. A "direct interest" is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity.

Similar to the above, the acquisition by a foreign person of a direct interest in an Australian company carrying on a national security business may not occur unless notice of the acquisition has been given to the Federal Treasurer. As an "aircraft operator", Virgin Australia is carrying on a "national security business".

Where a foreign government investor holds a direct interest in an Australian company, that Australian company would also be deemed to be a foreign government investor. For this reason, as at the date of the Original Prospectus Virgin Australia is deemed to be a "foreign government investor" for the purposes of FATA.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without no objection notification or contravening a condition in a no objection notification.

9.10.3 Foreign ownership restrictions

Foreign ownership restrictions also exist within the Australian civil aviation framework and the International airline framework, as summarised in Sections 9.9.2 and 9.9.3 above.

9.11 Industrial relations

In Australia, industrial relations are governed by a combination of statute, modern awards, enterprise agreements and common law agreements.

9.11.1 Overview of regulation of enterprise agreements

Unions negotiate with employers to enter into a collective agreement on behalf of their members, known as an enterprise agreement. An enterprise agreement must be approved by the national workplace relations tribunal called the Fair Work Commission. Amendments to the primary legislation governing employment in Australia, the *Fair Work Act 2009* (Cth), which commenced in June 2023, have made it easier for unions to negotiate an enterprise agreement with multiple employers in certain circumstances, such as where the employers have common interests and reasonably comparable businesses, and a majority of the employees agree.

Enterprise agreements primarily cover the employees' responsibilities, remuneration, hours of work and rostering, and other employment conditions. The *Fair Work Act 2009* (Cth) allows employees to take protected industrial action (such as striking) when bargaining for a new enterprise agreement.

9.11.2 Modern awards and other regulation

Some employees who are not covered by enterprise agreements are covered by a modern award. A modern award is an industrial instrument setting out the minimum terms and conditions of employment covering an industry or occupation. Examples of the modern awards which apply to Virgin Australia are the Airline Operations Ground Staff Award 2020 and the Clerks – Private Sector Award 2020. If the Fair Work Commission amends the minimum rate of pay in a modern award, that minimum rate will also apply to eligible employees covered by an enterprise agreement if it is higher than the minimum rate of pay provided for in the relevant enterprise agreement.

Disputes concerning enterprise agreements, industrial action and other workplace relations matters are principally heard by the Fair Work Commission. A separate independent statutory agency, the Fair Work Ombudsman, investigates suspected breaches of workplace laws, awards and enterprise agreements and may commence prosecutions to enforce workplace laws.

Employers are also covered by various work, health and safety laws and regulations, which require employers to ensure, as far as practicable, that employees are not exposed to health and safety risks at work and are provided with a safe and hazard-free working environment. Employees are also protected by workers compensation laws and regulations for workplace injuries.

9.11.3 Overview of Virgin Australia's enterprise agreements

Virgin Australia's employees are represented by the following main unions:

- the Australian Federation of Air Pilots (**AFAP**) and Transport Workers Union (**TWU**) represents pilots;
- the Flight Attendants Association of Australia (domestic division) (**FAAA**) and the TWU represents cabin crew;
- the TWU and Australian Services Union (**ASU**) represent ground crew and guest call centre employees;
- the Australian Licensed Aircraft Engineers Association (**ALAEA**) and the Australian Manufacturing Workers' Union represents engineering and maintenance employees;
- the TWU represents Stores employees; and
- the ASU represents the Integrated Operations Centres employees.

Virgin Australia has four employing entities. Three of these (Virgin Australia Airlines, Virgin Australia Regional Airlines and Virgin Tech) negotiate with six unions (plus one Pilots Association – the Skywest Airlines Pilots' Association) and there are 11 enterprise agreements in force. Enterprise agreements cover approximately 78% of the total workforce.[21] The nominal term of Virgin Australia's current enterprise agreements ranges up to three years in duration and therefore renewals take place on a regular basis. In negotiating enterprise agreements, Virgin Australia draws upon its ongoing commitment to its long-term workplace relations strategy, its existing strong relationship with employee representatives forged through effectively functioning employee consultative committees, and the use of collaborative bargaining techniques to move past potential bargaining deadlocks.

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[21] As at 31 December 2024.

Virgin Australia has had positive and collaborative relationships with external union officials, and expects to maintain such relationships going forward. For example:

- Unlike a number of large employers, with Virgin Australia's simplified employment structures and a preference for insourced services, it has not been subject to any industrial campaigns under the more recent Secure Jobs, Better Pay industrial law changes.
- A number of unions have publicly and actively supported Virgin Australia's insourcing initiatives, application for increased Bali flying (for example, TWU, AFAP and FAAA), and Qatar Airways Group's 25% investment in the Virgin Australia (for example, AFAP and TWU).
- In the latest bargaining round, Virgin Australia did not have any operational disruptions caused by industrial action.[22]
- In the last three years, Virgin Australia has not been subject to any significant industrial litigation brought by unions.

9.11.3.1 Workplace relations strategy

Virgin Australia applies a comprehensive workplace relations strategy is underpinned by the following principles:

- Engaging and communicating directly and regularly with its people, including consulting transparently on organisational change;
- Fostering collaborative union relationships;
- Having a consistent approach to the negotiation and management of all EBA outcomes;
- Ensuring the EBA content reflects the needs and interests of Virgin Australia's people but delivers a sustainable business into the future. This includes:
  - working together with employee representatives to maximise the productivity benefits under our EBAs; and
  - adopting pay structures that recognise skills and reward performance;
- EBA governance to ensure oversight in the development and execution of our EBAs; and
- Ensuring effective employee consultation committees across EBA workforce groups to proactively resolve issues, and to provide forums for employee involvement in innovation development.

9.11.3.2 Bargaining outcomes

The most recent EBA bargaining round which occurred during 2023 and 2024 (**Rebound**), was the first since the enterprise agreement cost base was reset post COVID-19 and voluntary administration (**Reset**). Virgin Australia renegotiated its enterprise agreements consistent with its workplace relations strategy, in a highly challenging industrial environment, whilst retaining its competitive market position on labour costs.

Of the two outstanding enterprise agreements that are not currently 'in term', one (VARA Stores, which covers eight employees) has been voted up and is awaiting approval by the Fair Work Commission. The other enterprise agreement (VARA Pilots, covering 101 regional pilots) is in renegotiation following its expiry on 30 June 2024. Negotiations for the VARA Pilots EBA continue, following a relatively close 'no' vote in December 2024. 'No' votes are quite common in pilot and cabin crew enterprise agreements. In this case, the VARA Pilots enterprise agreement was impacted by the recent announcement in March 2025 that Virgin Australia Regional Airlines is decommissioning the A320 fleet, which comprises the majority of pilots covered by this enterprise agreement. However, it is important to note that no protected industrial action has been threatened or proposed.

The Rebound bargaining round was negotiated in an environment of historically high inflation (reaching as high as 7.8% and consistently above 4% during the negotiation period), award increases (14.1% increase in the three years over July 2022 to July 2024), and average annual wage increases (consistently averaging above 4% p.a. and as high as 4.7% during the negotiation period).

In addition, most team members had not had a pay increase since July 2019 or 2020 (with at least a two-year wage freeze). The impact of historically high award increases and wage freezes meant that more than half of all EBA covered team members were on award minimums at the commencement of negotiations.

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[22] No significant protected industrial action (PIA) was taken by unions, but PIA was taken by the ALAEA which had no operational impact to Virgin Australia.

EBA increases in the Rebound bargaining round were also impacted by the following:

- being offset by negotiated productivity benefits;
- ensuring award compliance throughout the life of the EBA;
- introducing new skill-based classification structures to control movement between pay levels, and restoring relativities between pay levels which had become compressed due to significant award increases; and/or
- retention of key productivity benefits negotiated in the post-administration Reset bargaining round.

The unique factors present in the Rebound bargaining round have now dissipated and, with Virgin Australia's enterprise agreements now reset, Virgin Australia expects a return to a business-as-usual bargaining environment with moderate consistent enterprise agreement pay increases going forward.

9.12 Sustainability

9.12.1 Overview

Airlines operating aircraft and supplying passenger air services within and in and out of Australia are required to comply with the following sustainability regulatory frameworks:

a. the Safeguard Mechanism under the NGER Act;

b. the CORSIA Scheme;

c. climate-related financial reporting; and

d. prohibitions against misleading and deceptive conduct in the context of greenwashing.

9.12.2 Safeguard Mechanism

The NGER Act establishes a national framework requiring controlling corporations to report annually on GHG emissions, energy production and energy consumption in respect of their corporate group, provided certain thresholds are met (**NGER Scheme**). In conjunction with the NGER reporting obligations, the NGER Act and the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 (**Safeguard Mechanism Rule**), establishes a framework requiring Australia's largest emitters to keep their emissions at or below emission baselines set by the Clean Energy Regulator (**the Safeguard Mechanism**) and take steps to manage any emissions above baseline levels.

Under the Safeguard Mechanism, a responsible emitter who has operational control of a facility with scope 1 GHG emissions of more than 100,000 tCO_2-e per year must ensure the facility's GHG emissions do not exceed the baseline determined by the Clean Energy Regulator. Since July 2023, there has been a new approach to calculating baselines and liability under the Safeguard Mechanism, including re-setting emissions baselines for each facility, imposing a 4.9% per year decline on each facility's baseline. This is designed to gradually reduce GHG emissions from Australia's largest emitting facilities. Additionally, SMCs were introduced and may be issued by the Clean Energy Regulator to covered facilities that emit below their designated baseline.

Virgin Australia is currently liable under the Safeguard Mechanism for air and space transport in each State and Territory it operates in. As an airline, Virgin Australia's baseline is calculated by multiplying its annual production, measured by revenue-tonne-kilometres (i.e. passenger miles flown in Australia), by the default emissions intensity for air transport. Virgin Australia's Baseline Limit for the 2024 reporting period was 2,170,511 tCO_2-e. Virgin Australia's Baseline Limit will decline comparatively each year, requiring Virgin Australia to gradually reduce, or otherwise manage, its total emissions.

If Virgin Australia has, or is likely to, exceed its baseline for a reporting period it is required to manage the excess emissions by surrendering prescribed carbon units (ACCUs) or SMCs to reduce its GHG emissions, implementing measures to reduce the covered emissions of the facility or, if applicable, applying for a multi-year reporting period or an exemption where excess emissions are due to exceptional circumstances. The Clean Energy Regulator has a range of enforcement options available where a responsible emitter fails to manage its excess emissions, including entering an enforceable undertaking, issuing an infringement notice or initiating court proceedings to seek an injunction or civil penalties.

9.12.3 International aviation emissions and CORSIA

While domestic aviation emissions are counted under Australia's national emission reduction targets and measured in accordance with the NGER Scheme, international aviation emissions are dealt with separately as part of Australia's participation in the United Nations agency International Civil Aviation Organization (**ICAO**). In 2022, ICAO Member States committed to net-zero carbon emissions by 2050.

The International Air Transport Association (**IATA**) has also committed to net-zero carbon emissions by 2050, with a proposed transition strategy based on 65% SAF, 13% new propulsion technology (electric and hydrogen), 3% infrastructure and operational efficiency improvements, and 19% offsets and carbon capture. In September 2024, IATA released updated Policy and Finance Net Zero Roadmaps, containing expanded and deepened step-by-step actions for aviation to achieve net zero CO_2 by 2050.

ICAO has been pursuing a number of measures to achieve net zero emissions and to promote sustainable growth of international aviation, including aircraft technology improvements, operational and efficiency improvements, SAFs and a market-based measure (**CORSIA**).

Adopted by ICAO in 2016, CORISA is the global market-based measure for aviation emissions designed to cap carbon emissions from international aviation at a global baseline from FY19. Australia has been a participant since CORSIA's inception and continues to contribute to the development of CORSIA. Australia's international airlines have been monitoring, verifying and reporting emissions under CORSIA since its commencement in FY19. CORSIA emissions data is reported on annually, corresponding to calendar years, with three-year compliance cycles.

Airline offsetting requirements under CORSIA are voluntary from 2021-2026, with mandatory offsetting requirements formally commencing from 2027. However, Australia is one of 129 participating nations that have opted-in to comply with CORSIA obligations from 1 January 2025. Where Virgin Australia is operating international flights between Australia and other CORSIA participating countries, mandatory reporting and, if applicable, offsetting requirements will apply to any emissions in excess of the globally agreed baseline of 85% of FY19 emissions. This will be calculated, at least for the first few CORSIA compliance periods, by multiplying the airline's total CO_2 emissions from covered international flights between CORSIA participating countries by the sectoral growth for the compliance period. If GHG emissions exceed the baseline, the airline will be required to offset their excess emissions through the purchase and retire of CORSIA eligible offset units or the use of CORSIA-compliant SAF in the international flights.

9.12.4 Climate-related financial reporting

From 1 January 2025, entities that prepare financial reports under Chapter 2M of the Corporations Act and meet certain thresholds or are reporting entities under the NGER Act will be required on a phased-in basis to prepare a new annual sustainability report, incorporating climate-related financial disclosures in a climate statement. Virgin Australia will be required to prepare a sustainability report, including a climate statement prepared in accordance with the Australian Accounting Standards Board (**AASB**)'s ASRS S2 Climate-related Disclosures (**AASB S2**) and a directors' declaration that the climate statement is compliant with the AASB S2, for its annual reporting periods from 1 July 2025.

The AASB S2 substantially aligns with the ISSB's International Financial Reporting Standards (**IFRS**) S2 Climate-related Disclosures, which are based on the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**). However, the AASB S2 disclosure standards require increased levels of transparency and more detailed disclosures than the IFRS and TCFD.

The AASB S2 requires reporting entities to disclose comprehensive information about:

- material climate-related financial risks and opportunities, including physical and transition risks, how these may affect the entity's prospects in the short, medium and long-term, and the entity's climate resilience against prescribed temperature scenarios;
- the governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities, including their relevant skills and expertise;
- the entity's processes and policies to monitor climate-related risks; and
- climate-related metrics and targets, including scope 1, 2 and 3 GHG emissions, and whether the entity incorporates a carbon price in decision-making and its planned uses of carbon offsets.

The climate statement will be subject to auditing and assurance on a phased-in basis in accordance with the recently adopted Australian Assurance and Auditing Standards Board assurance standards.

Climate-related financial disclosures will require greater transparency over reporting entity's climate-related financial risk management and decarbonisation efforts, including with respect to the businesses' supply chain, which may come under heightened scrutiny from regulators and third parties. Certain forward-looking statements will be protected from third-party claims for the first 3 years of reporting; however, there will still be a risk of ASIC bringing claims and third parties interrogating the validity of these statements. There is a risk that if a reporting entity fails to comply with the mandatory disclosure requirements, or includes information that is not sufficiently validated, it may be exposed to certain enforcement actions, civil penalties and reputational risks.

9.12.5 Greenwashing

The *Competition and Consumer Act 2010* (Cth) (**Competition and Consumer Act**) and Australian Consumer Law (**ACL**), prescribed in Schedule 2 to the Competition and Consumer Act, provide various prohibitions in relation to marketing and promotion. The ACL prohibits companies from engaging in misleading or deceptive conduct or making false or misleading representations about goods or services. The Corporations Act and ASIC Act contain similar prohibitions against making statements (or disseminating information) that are false or misleading, or engaging in dishonest, misleading or deceptive conduct in relation to a financial product or financial service.

Greenwashing, or the practice of making false or misleading claims about the environmental or sustainability credentials of a company and/or its products or services, has been an ongoing enforcement priority for Australian regulators, including the ACCC and ASIC, for several years. Virgin Australia must comply with these prohibitions when offering or promoting sustainability-related products.

Particular risks of breaching the misleading statement prohibitions arise in relation to making representations about future matters, such as committing to net zero or other sustainability targets, that are not supported with reasonable grounds. Whether a particular statement or conduct is misleading or deceptive will depend on the context and circumstances, and the overall impression created for a customer or investor.

There has been significant scrutiny on the aviation sector overseas and in Australia with respect to net zero and other sustainability claims, in particular regarding the ability of airlines to achieve emissions reduction targets and the legitimacy of achieving those targets through the use of carbon credits and sustainable aviation fuel. In October 2024, environmental activist organisation Climate Integrity submitted a complaint to the ACCC alleging that Qantas had engaged in greenwashing behaviour with respect to its sustainability claims and commitments, in particular relating to the use of offsets and SAF to achieve net zero. There has been no response from the ACCC to date. However, it reinforces that business' sustainability claims are being increasingly subject to rigour assessment and review against the protections under the ACL and/or Corporations Act to ensure that they are adequately verified and reliable.

9.12.6 Emissions metrics

Virgin Australia targets a 22% reduction in net Scope 1 and Scope 2 GHG emissions intensity by 2030, from a 2019 base year.[23] Virgin Australia's emissions performance against this target against the base year of 2019 since adopting this target with effect from FY23 is set out below:

	Units	FY19(vii)	FY23(viii)	FY24
Gross Scope 1 emissions(i)	Tonnes CO2-e	2,697,502	2,268,986	2,480,837
Gross Scope 2 emissions (location-based)(ii)	Tonnes CO2-e	4,790	2,286	7,703
Carbon offset through VA's carbon offsetting program(iii)	Tonnes CO2-e	18,916	25,798	26,090
RTK(iv)	'000 000	2,774	2,552	2,707
Net Scope 1 and 2 Emission(v) intensity(vi)	gCO2-e per RTK	968	880	910

Notes:

i. Gross Scope 1 emissions includes combustion of aviation fuel and other fuels from both domestic and SHI Virgin Australia operations, calculated using the National Greenhouse and Energy Reporting (**NGER**) Measurement Determination factors and methodology.

ii. Gross Scope 2 emissions (location-based) includes consumption of purchased electricity, calculated using the NGER (Measurement) Determination factors and methodology.

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[23] This target applies to all Virgin Australia domestic and SHI flights. It is not intended to apply to the new LHI flights commencing from June 2025, as these were not a foreseen scope of the business' operations at the time the target was made. To account for these new flights, Virgin Australia will monitor the GHG emissions over the first year of operations, and in FY26 intends to re-baseline in accordance with the Greenhouse Gas Protocol's globally accepted GHG accounting standards and guidance (GHG Protocol) process and, if necessary, renew or amend the target.

iii. Virgin Australia's Climate Action Program enables our guests to mitigate the impacts of their flight emissions. The Program supports climate projects that remove or avoid carbon emissions, while delivering additional benefits – such as improved biodiversity and soil health. The Program is certified by Climate Active, a voluntary government-backed scheme. Our reporting to Climate Active is subject to periodic independent third-party verification. Each year, Virgin Australia publishes a Product Disclosure Statement which details our approach to calculating emissions, the projects supported through the Climate Action Program and the volume of eligible carbon units that have been retired. Each carbon project is carefully reviewed by Virgin Australia's third-party climate expert partners, Environmental Markets Australia. Virgin Australia uses only eligible credits that meet the approved standards set by Climate Active, including those from the ACCU Scheme, the Clean Development Mechanism, Gold Standard, and Verra.

iv. Includes cargo and assumed per passenger weight of 100 kilograms.

v. Net Scope 1 and 2 emissions are calculated by subtracting the quantity of carbon offset from the aggregate of gross Scope 1 and 2 emissions in each reporting period (example above).

vi. Net Scope 1 and 2 emissions intensity is measured by dividing net Scope 1 and 2 emissions by RTKs in each reporting period.

vii. The FY19 baseline was revised in FY23 during the development of the FY30 target to reflect the post-administration operation and flight paths. The only emissions source impacted by this adjustment was the aviation fuel. For the revised baseline, the Tiger Airways Australia, LHI operations/routes, domestic freighters and Alliance Airlines operations (including wet lease) were removed from the reported data and an uplift applied to reflect realistic fuel consumption by ground services (Diesel and LPG). See Section 3 for further details of the changes made to the business during and following the period of Administration in 2020.

viii. Virgin Australia has not included Scope 1 and Scope 2 GHG emissions from FY20 to FY22 (inclusive). Virgin Australia does not consider that such information would be material for investors and is not representative of the Virgin Australia business as it has been recently conducted for the following reasons:

- Airlines were significantly impacted by the outbreak of COVID-19 during these years and did not operate at scale; and
- In April 2020, following the outbreak of COVID-19, Virgin Australia entered voluntary administration. During administration (April 2020 to November 2020), Virgin Australia underwent a comprehensive reset of the operating model and cost base which included, amongst other things, discontinuing low-cost carrier Tigerair, discontinuing dedicated cargo freighter operations, discontinuing long-haul international services (including routes to Hong Kong and Los Angeles from each of Sydney, Melbourne and Brisbane) and certain underperforming short-haul international routes and simplifying the fleet from seven aircraft types in 2019 to three aircraft types across VAA and VARA as at 31 December 2024.

9.13 Regulatory relief

The ASX has given in principle advice that it will grant the following Listing Rule waivers and confirmations:

- confirmation that the form of the Constitution of Virgin Australia is acceptable to the ASX pursuant to condition 2 of ASX Listing Rule 1.1;
- confirmation that the timetable Virgin Australia has adopted in connection with the Offer is acceptable to the ASX for the purposes of Listing Rule 7.40;
- confirmation that Virgin Australia may seek admission to the Official List of the ASX under the profit test in ASX Listing Rule 1.2;
- confirmation that Virgin Australia may undertake deferred and conditional settlement trading of the Shares, subject to certain conditions to be approved by the ASX;
- confirmation that ASX would be willing to grant a waiver of Listing Rule 1.1 Condition 12 in relation to the Share Rights;
- confirmation that Virgin Australia will be entitled to rely on exceptions 13(a) and 9 of Listing Rule 7.2, respectively, for the issuance of the Share Rights and the Shares upon conversion of those Share Rights;
- confirmation that shareholder approval under Listing Rule 10.11 is not required for the issuance of the STI Award, LTI Award and One-Off Equity Grant (and any future issuance of Shares upon conversion of those Rights) to Dave Emerson;
- that shareholder approval under Listing Rule 10.14 is not required for the issuance of the STI Award, LTI Award and One-Off Equity Grant (and any future issuance of Shares upon conversion of those Share Rights) to Dave Emerson; and
- assuming that ASX regards the Share Rights as "performance securities" under ASX Guidance Note 19 (**GN19**):
  - such Share Rights will comply with Listing Rule 6.1;
  - security holder approval for the issue of STI Awards, LTI Awards, One-Off Equity Grants and VA Take-Off Grants is not required under GN19 (and confirmations regarding the disclosure required for such confirmation); and
  - Virgin Australia will not need to include an independent expert's report in this Prospectus to meet the requirements of GN19.

9.14 Taxation considerations

9.14.1 Overview

The following comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for non-Australian resident Shareholders, or Australian tax resident Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (Cth) (the Taxation of Financial Arrangements or **TOFA** regime).

This summary is based on Australian tax law, and our understanding of the practice of the tax authorities, at the time of issue of the Prospectus. The laws are complex and subject to change periodically as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. It does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal will depend upon each Shareholder's specific circumstances.

Shareholders should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.14.2 Dividends on a Share

9.14.2.1 Individuals and complying superannuation entities

Where dividends on a Share are distributed by Virgin Australia, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid and in the case of a franked dividend, also include in assessable income any franking credit attached to that dividend. These Shareholders should be entitled to a tax offset equal to the franking credit attached to any franked dividend subject to being a 'qualified person' (refer further comments below). The tax offset is applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by Virgin Australia is unfranked, the Shareholder receives no tax offset.

9.14.2.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend, subject to the corporate Shareholder being a qualified person (refer further comments below).

A Corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Corporate Shareholders can then pass on the benefit of the franking credits to its own shareholder(s) on the subsequent payment of franked dividends.

Excess franking credits received cannot give rise to a refund but may be able to be converted into carry forward tax losses.

9.14.2.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to their share of the franking credit subject to the qualified person rules being satisfied (refer further comments below).

Shares held at risk/qualified person

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares "at risk" for more than 45 days continuously, measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000. Furthermore, special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. In addition, a Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold their Shares at risk for the required holding period around all dividend dates. Practically, this should not impact Shareholders who continue to hold Shares and also do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

9.14.2.4 Distribution washing

Any franked distributions which a Shareholder receives as a result of "distribution washing" will not entitle the taxpayer to a tax offset or require the taxpayer to include the amount of the franking credit in their assessable income. A distribution will be considered to be one received as a result of distribution washing where the taxpayer has also received a corresponding distribution in respect of a substantially identical interest that the taxpayer sold before acquiring the current interest.

9.14.3 Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (**CGT**) event.

A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction/incidental costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A capital loss will arise where the reduced cost base of the Share (essentially the cost base of the Share excluding costs related to ownership) exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

A net capital gain arises where a taxpayer's capital gains for a year exceed their capital losses for that year, plus any unused capital losses from prior years. Any net capital gain will be included in assessable income.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half. For a complying superannuation entity, any net capital gain may be reduced by one-third.

9.14.4 Goods and Services Tax (GST)

Shareholders should not be liable for GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

No GST should be payable in respect of dividends paid to investors.

9.14.5 Stamp Duty

No stamp duty should be payable by Shareholders on the acquisition and holding of Shares in Virgin Australia at a time when all of its securities are quoted and Virgin Australia is entered on the official list of the ASX unless they acquire, either alone or with an associated/related person or under an associated transaction, an interest of 90% or more in Virgin Australia. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares provided the Shares remain quoted and Virgin Australia remains listed on the ASX at the time of transfer.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.14.6 Tax file numbers (TFN)

Resident Shareholders may, if they choose, notify Virgin Australia of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event Virgin Australia is not so notified, withholding tax will automatically be deducted from unfranked dividends and /or distributions. The current rate of withholding tax is 47%, which is made up of the highest marginal tax rate (currently 45%), plus Medicare Levy (currently 2%).

Virgin Australia is required to withhold and remit to the Australian Taxation Office such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Shareholders will be able to claim a tax credit in respect of any tax withheld on dividends in their income tax returns.

9.15 Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

9.15.1 Bermuda

This Prospectus may be distributed, and the Shares may be offered and sold, only from outside Bermuda to institutional and professional investors in Bermuda. No offer or invitation to subscribe for Shares may be made to the public in Bermuda or in any manner that would constitute engaging in business in or from within Bermuda. In addition, no invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for Shares.

9.15.2 Canada (British Columbia, Ontario and Quebec provinces)

This Prospectus constitutes an offering of Shares only in the Provinces of British Columbia, Ontario and Quebec (the "**Provinces**"), only to persons to whom Shares may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This Prospectus is not a prospectus, an advertisement or a public offering of securities in the Provinces. This Prospectus may only be distributed in the Provinces to persons who are (i) "accredited investors" (as defined in National Instrument 45-106 – *Prospectus Exemptions*) and (ii) "permitted clients" (as defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*) if a lead manager offering the Shares in Canada is relying upon the international dealer exemption under NI 31-103.

No securities commission or authority in the Provinces has reviewed or in any way passed upon this Prospectus, the merits of the Shares or the offering of the Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws. While such resale restrictions generally do not apply to a first trade in a security of a foreign, non-Canadian reporting issuer that is made through an exchange or market outside Canada, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Statutory rights of action for damages and rescission. Securities legislation in certain Provinces may provide a purchaser with remedies for rescission or damages if an offering memorandum contains a misrepresentation, provided the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province. A purchaser may refer to any applicable provision of the securities legislation of the purchaser's Province for particulars of these rights or consult with a legal adviser.

Certain Canadian income tax considerations. Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as there are Canadian tax implications for investors in the Provinces.

Language of documents in Canada. Upon receipt of this Prospectus, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

9.15.3 Cayman Islands

This Prospectus may be distributed, and the Shares may be offered and sold, only from outside the Cayman Islands to institutional and professional investors in the Cayman Islands. No offer or invitation to subscribe for Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

9.15.4 China

Neither this Prospectus nor any other document relating to the Shares may be distributed to the public in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). This Prospectus has not been approved by, nor registered with, any competent regulatory authority of the PRC. Accordingly, the Shares may not be offered or sold, nor may any invitation, advertisement or solicitation for Shares be made from, within the PRC unless permitted under the laws of the PRC.

The Shares may not be offered or sold to legal or natural persons in the PRC other than to: (i) "qualified domestic institutional investors" as approved by a relevant PRC regulatory authority to invest in overseas capital markets; (ii) sovereign wealth funds or quasi-government investment funds that have the authorization to make overseas investments; or (iii) other types of qualified investors that have obtained all necessary PRC governmental approvals, registrations and/or filings (whether statutorily or otherwise).

9.15.5 European Union (Excluding Austria)

This Prospectus has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this Prospectus may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "**Prospectus Regulation**").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

9.15.6 Hong Kong

WARNING: This Prospectus 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, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). Accordingly, this Prospectus may not be distributed, and the Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the 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 Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted 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 Prospectus 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 Prospectus, you should obtain independent professional advice.

9.15.7 Japan

The Shares have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "**FIEL**") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors.

Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

9.15.8 Kuwait

This Prospectus does not constitute an offer or invitation to subscribe for or purchase any securities in Kuwait. The Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority. An offering of Shares is, therefore, restricted in Kuwait. No private or public offering of Shares is being made in Kuwait and no marketing or solicitation activities are being undertaken to market the Shares in Kuwait. This Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within Kuwait and no agreement relating to the sale of Shares will be concluded in Kuwait.

9.15.9 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMC Act**").

The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.15.10 Norway

This Prospectus has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this Prospectus shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

9.15.11 Qatar

This Prospectus is provided on an exclusive basis to the specifically intended recipient thereof upon that person's request and initiative, and for the recipient's personal use only.

Nothing in this Prospectus constitutes an offer or sale of securities in the State of Qatar or in the Qatar Financial Centre or any attempt to do business as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre.

This Prospectus and any related document have not been reviewed, approved, registered or licensed by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority or any other regulator in the State of Qatar.

Recourse against the Company or others involved with the Offer may be limited or difficult and may have to be pursued in a jurisdiction outside the State of Qatar and the Qatar Financial Centre.

Any distribution of this Prospectus by the recipient to third parties in State of Qatar or the Qatar Financial Centre is not authorised and would be at the liability of such recipient.

9.15.12 Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Shares should conduct their own due diligence on the accuracy of the information relating to the Shares. If you do not understand the contents of this Prospectus, you should consult an authorised financial advisor.

9.15.13 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the 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 13 of the Securities and Futures Act 2001 of Singapore (the "**SFA**") or another exemption under the SFA.

This Prospectus has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

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

9.15.14 South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act 2008 and may not be distributed to the public in South Africa. This document has not been registered with nor approved by the South African Companies and Intellectual Property Commission.

Any offer of New Shares in South Africa will be made by way of a private placement to, and capable of acceptance only by, investors who fall within one of the specified categories listed in section 96(1)(a) of the South African Companies Act.

An entity or person resident in South Africa may not implement participation in the offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

9.15.15 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to investors who qualify as “professional clients” (as defined in the Swiss Financial Services Act). This Prospectus is personal to the recipient and not for general circulation in Switzerland.

9.15.16 United Arab Emirates

This Prospectus does not constitute a public offer of securities in the United Arab Emirates and the Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this Prospectus nor the Shares have been approved by the Securities and Commodities Authority (“**SCA**”) or any other authority in the UAE.

No marketing of the Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE. This Prospectus may be distributed in the UAE only to “professional investors” (as defined in the SCA Board of Directors’ Decision No.13/RM of 2021, as amended).

No offer of Shares will be made to, and no subscription for Shares will be permitted from, any person in the Abu Dhabi Global Market or the Dubai International Financial Centre.

9.15.17 United Kingdom

Neither this Prospectus nor any other Prospectus 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 Shares.

The Shares may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to “qualified investors” within the meaning of Article 2(e) of the UK Prospectus Regulation. This Prospectus may not be distributed 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 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 Company.

In the United Kingdom, this Prospectus 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 (“relevant persons”). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus.

9.15.18 United States

The Shares have not been, and will not be, registered under the 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 except in transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws.

This Prospectus may not be distributed in the United States unless it is attached to, or constitutes part of, the US International Offering Memorandum that describes selling restrictions application in the United States.

9.16 Consents to be named and disclaimers of responsibility

Each of the parties listed below in this Section 9.15 as a consenting party, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Reunion Capital Partners Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Financial Adviser to Virgin Australia and SaleCo in relation to the Offer in the form and context in which it is named;
- each of Goldman Sachs Australia Pty Ltd, UBS Securities Australia Limited and Barrenjoey Markets Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- each of Wilsons Corporate Finance Limited and Ord Minnett Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to Virgin Australia and SaleCo in relation to the Offer in the form and context in which it is named;
- KPMG Financial Advisory Services (Australia) Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Virgin Australia in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Section 4 in the form and context in which it appears in this Prospectus;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian tax adviser to Virgin Australia in the form and context in which it is so named;
- KPMG has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to Virgin Australia in the form and context in which it is so named;
- Qatar Airways Group has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as having informed Virgin Australia that its shareholding in the Company is strategically significant to it and that it has no current intention to reduce its shareholding, although it is not restricted from doing so. Qatar Airways Group has had no involvement in the preparation of any part of this Prospectus other than in providing this statement, and expressly disclaims and takes no responsibility for, any part of the Prospectus;
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of Virgin Australia in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Virgin Australia. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and

- LNRS Data Services Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent for Diio Mi to be named in this Prospectus in relation to the inclusion of references to its information in the form and context in which it is named or quoted. LNRS Data Services Ltd has had no involvement in the preparation of any part of this Prospectus other than in the form and context in which Diio Mi is named. LNRS Data Services Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

9.17 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under the Prospectus are governed by the laws applicable in Queensland, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

9.18 Statements of Directors

This Prospectus is authorised by each director of Virgin Australia and SaleCo who consents to its lodgement with ASIC and its issue. The Directors have made enquiries and nothing has come to their attention to suggest that, as at the date of the Original Prospectus, Virgin Australia is not continuing to earn profit from continuing operations.

Appendix A

Statutory to Pro Forma Income Statement and Cash Flow Information Reconciliations

Appendix A: Statutory to pro forma income statement and cash flow information reconciliations

The following tables illustrate how the pro forma income statements reconcile to the statutory income statements for the respective periods, taking into account each of the Significant Items and the pro forma adjustments for that period. Specifically:

- The 'category reclass' column adjusts the statutory financial information to disclose a more limited, condensed number of captions, to arrive at the 'Revised statutory' column;
- The 'non-IFRS measures' column further adjusts the presentation to include the Underlying measures used by management which are further discussed as Section 4.2.4.1.
- Significant items (refer to Section 4.2.2) are then adjusted to arrive at the 'Statutory non-IFRS measures' column.
- Lastly, pro-forma adjustments (refer to Section 4.2.2) are made to arrive at the pro forma amounts for each period presented.

The order of the adjustments noted above and included in this Appendix A (i.e. adjusting for reclassifications to Significant Items first followed by pro-forma adjustments) reflects the underlying management reporting used by the business and allows for the reconciliation of the 'Statutory incl. non-IFRS measures' column to previously reported historical financial statements. This differs to the order adopted in Section 4.3.5 that reconciles the statutory revenue and profits to the pro forma revenue and profits by first adjusting for the pro forma adjustments (which include pro forma adjustments related to Significant Items) and then listing the pro forma Significant Items, which ensures that the reconciliation in Section 4.3.5 correlates with the pro forma income statements in Section 4.3.1. As a result, the Significant Items included in Section 4.3.5 will differ to the values included in the following tables, as the Significant Items included in Section 4.3.5 are presented after the impact of pro forma adjustments.

Statutory to pro forma income statement reconciliation (FY25F)

					Significant items			
	Statutory FY25F $m	Category reclass $m	Revised statutory $m	Non-IFRS measures $m	Expiry of future flight credits $m	Restructuring and transformation costs $m	IT transformation projects $m	Impairment of assets and accelerated depreciation $m
Revenue and income								
Airline passenger and freight revenue	5,420	–	5,420	–				
Loyalty program revenue	381	–	381	–				
Other income	3	–	3	–				
Revenue and income	5,804	–	5,804	–	–	–	–	–
Expenditure								
Aircraft variable leases	(85)	–	(85)	–				
Airport charges, navigation and station operations	(1,073)	1,073						
Contract and other maintenance	(378)	378						
Commissions and other marketing and reservations	(421)	421						
Communications and technology	(148)	148						
Direct operating variable		(1,872)	(1,872)	–		3	0	(1)
Fuel and oil	(1,097)	–	(1,097)	–				
Labour and staff related	(1,360)	–	(1,360)	–		15	37	0
Other	(403)	(208)	(611)	–		38	17	(0)
Depreciation and amortisation	(428)	–	(428)	428				
Foreign exchange gain/(loss)	(60)	60						
Impairment of assets	–	–						
Ineffectiveness on cash flow hedges	–	–						
Expenditure	(5,452)	–	(5,452)	428	–	55	54	(0)
Underlying EBITDA				780				
Depreciation and amortisation				(428)				12
Profit/(loss) before net finance costs and tax	352	–	352	(352)				
Underlying EBIT				352	–	55	54	12
Finance income	51	–	51	–				
Finance costs	(218)	–	(218)	–				
Net finance costs	(167)	–	(167)	–	–	–	–	–
Net profit/(loss) before tax	185	–	185	(185)				
Underlying net profit/(loss) before tax				185	–	55	54	12
Income tax benefit/ (expense)	244	–	244	–				
Underlying net profit/(loss)				429	–	55	54	12
Significant items								
Net profit/(loss)	429	–	429	–				

Significant items						Proforma adjustments					
Foreign exchange revaluation on aircraft leases $m	IPO planning and preparation costs $m	Other $m	Tax $m	Significant items $m	Statutory incl non-IFRS measures $m	Public company costs $m	Transaction related remuneration $m	Transaction costs $m	Financing $m	Tax $m	Pro forma FY25F $m
				–	5,420	–	–	–	–	–	5,420
				–	381	–	–	–	–		381
				–	3	–	–	–	–	–	3
–	–	–	–	–	5,804	–	–	–	–	–	5,804
							–				
				–	(85)	–	–	–	–	–	(85)
							–				
							–				
							–				
							–				
		8		11	(1,861)	–	–	–	–	–	(1,861)
				–	(1,097)	–	–	–	–	–	(1,097)
	19			70	(1,290)	(15)	4	–	–	–	(1,301)
49	109	1		214	(398)	(3)	–	–	–	–	(401)
				–			–				
							–				
							–				
							–				
49	128	9	–	294	(4,730)	(19)	4	–	–	–	(4,745)
				294	1,074	(19)	4	–	–	–	1,059
				12	(416)	–	–	–	–	–	(416)
				–			–				
49	128	9	–	307	659	(19)	4	–	–	–	644
				–	51	–	–	–	–	–	51
				–	(218)	–	–	–	(5)	–	(224)
–	–	–	–	–	(167)	–	–	–	(5)	–	(173)
				–			–				
49	128	9	–	307	491	(19)	4	–	(5)	–	471
			(92)	(92)	152	–	–	–	–	(292)	(140)
49	128	9	(92)	215	643	(19)	4	–	(5)	(292)	331
				(215)	(215)	18	20	108	–	(44)	(112)
				–	429	(1)	24	108	(5)	(336)	219

Statutory to pro forma income statement reconciliation (H1FY25)

					Significant items			
	Statutory H1FY25 $m	Category reclass $m	Revised statutory $m	Non-IFRS measures $m	Expiry of future flight credits $m	Restructuring and transformation costs $m	IT transformation projects $m	Impairment of assets and accelerated depreciation $m
Revenue and income								
Airline passenger and freight revenue	**2,846**	–	**2,846**	–				
Loyalty program revenue	**191**	–	**191**	–				
Other income	**2**	–	**2**	–				
Revenue and income	**3,039**	**–**	**3,039**	**–**	**–**	**–**	**–**	**–**
Expenditure								
Aircraft variable leases	**(46)**	–	**(46)**	–				
Airport charges, navigation and station operations	**(552)**	552						
Contract and other maintenance	**(185)**	185						
Commissions and other marketing and reservations	**(209)**	209						
Communications and technology	**(68)**	68						
Direct operating variable		(946)	**(946)**	–			(1)	
Fuel and oil	**(568)**	–	**(568)**	–				
Labour and staff related	**(666)**	–	**(666)**	–		4	20	
Other	**(142)**	(137)	**(279)**	–		16	7	–
Depreciation and amortisation	**(204)**	–	**(204)**	204				
Foreign exchange gain/(loss)	**(69)**	69						
Impairment of assets	**–**	–						
Ineffectiveness on cash flow hedges	**–**	–						
Expenditure	**(2,709)**	**–**	**(2,709)**	**204**	**–**	**20**	**27**	**–**
Underlying EBITDA				**534**				
Depreciation and amortisation				(204)				4
Profit/(loss) before net finance costs and tax	**330**	**–**	**330**	**(330)**				
Underlying EBIT				**330**	**–**	**20**	**27**	**4**
Finance income	**26**	–	**26**	–				
Finance costs	**(107)**	–	**(107)**	–				
Net finance costs	**(82)**	**–**	**(82)**	**–**	**–**	**–**	**–**	**–**
Net profit/(loss) before tax	**248**	**–**	**248**	**(248)**				
Underlying net profit/(loss) before tax				**248**	**–**	**20**	**27**	**4**
Income tax benefit/ (expense)	**225**	–	**225**	–				
Underlying net profit/(loss)				**473**	**–**	**20**	**27**	**4**
Significant items								
Net profit/(loss)	**473**	**–**	**473**	**–**				

Significant items					Proforma adjustments					
Foreign exchange revaluation on aircraft leases $m	IPO planning and preparation costs $m	Other $m	Significant items $m	Statutory incl non-IFRS measures $m	Public company costs $m	Transaction related remuneration $m	Transaction costs $m	Financing $m	Tax $m	Pro forma H1FY25 $m
			–	2,846	–	–	–	–	–	2,846
			–	191	–	–	–			191
			–	2	–	–	–	–	–	2
–	–	–	–	3,039	–	–	–	–	–	3,039
						–				
			–	(46)	–	–	–	–	–	(46)
						–				
						–				
						–				
						–				
			(1)	(947)	–	–	–	–	–	(947)
			–	(568)	–	–	–	–	–	(568)
	–		24	(642)	(8)	2	–	–	–	(648)
57	1		81	(198)	(2)	–	–	–	–	(200)
			–			–				
						–				
						–				
						–				
57	1	–	105	(2,400)	(10)	2	–	–	–	(2,408)
			105	639	(10)	2	–	–	–	631
			4	(200)	–	–	–	–	–	(200)
			–			–				
57	1	–	109	439	(10)	2	–	–	–	431
			–	26	–	–	–	–	–	26
			–	(107)	–	–	–	(3)	–	(110)
–	–	–	–	(82)	–	–	–	(3)	–	(84)
			–			–				
57	1	–	109	357	(10)	2	–	(3)	–	347
			–	225	–	–	–	–	(327)	(103)
57	1	–	109	582	(10)	2	–	(3)	(327)	244
			(109)	(109)	8	–	5	–	29	(67)
			–	473	(1)	2	5	(3)	(299)	177

Statutory to pro forma income statement reconciliation (FY24)

	Statutory FY24 $m	Category reclass $m	Revised statutory $m	Non-IFRS measures $m	Significant items Expiry of future flight credits $m	Restructuring and transformation costs $m	IT transformation projects $m	Impairment of assets and accelerated depreciation $m
Revenue and income								
Airline passenger and freight revenue	5,287	–	5,287	–	(281)			
Loyalty program revenue	335	–	335	–				
Other income	12	–	12	–				
Revenue and income	5,634	–	5,634	–	(281)	–	–	–
Expenditure								
Aircraft variable leases	(91)	–	(91)	–				
Airport charges, navigation and station operations	(965)	965						
Contract and other maintenance	(327)	327						
Commissions and other marketing and reservations	(421)	421						
Communications and technology	(124)	124						
Direct operating variable		(1,714)	(1,714)	–	3	1		2
Fuel and oil	(1,196)	–	(1,196)	–				
Labour and staff related	(1,213)	–	(1,213)	–		15	27	
Other	(276)	(121)	(397)	–		42	9	–
Depreciation and amortisation	(341)	–	(341)	341				
Foreign exchange gain/(loss)	4	(4)						
Impairment of assets	(1)	1						
Ineffectiveness on cash flow hedges	–	–						
Administration, impairment and onerous contracts			–	–				
Expenditure	(4,951)	0	(4,951)	341	3	58	36	2
Underlying EBITDA				1,024				
Depreciation and amortisation				(341)				13
Profit/(loss) before net finance costs and tax	683	0	683	(683)				
Underlying EBIT				683	(278)	58	36	15
Finance income	56	–	56	–				
Finance costs	(193)	–	(193)	–		11		
Net finance costs	(137)	–	(137)	–	–	11	–	–
Net profit/(loss) before tax	545	0	545	(545)				
Underlying net profit/(loss) before tax				545	(278)	69	36	15
Income tax benefit/(expense)	–	–	–	–				
Underlying net profit/(loss)				545	(278)	69	36	15
Significant items								
Net profit/(loss)	545	0	545	–				

Significant items					Proforma adjustments						
Foreign exchange revaluation on aircraft leases $m	IPO planning and preparation costs $m	Other $m	Significant items $m	Statutory incl non-IFRS measures $m	Public company costs $m	Transaction related remuneration $m	Transaction costs $m	Expiry of future flight credits $m	Financing $m	Tax $m	Pro forma FY24 $m
			(281)	5,007	–	–	–	–	–	–	5,007
			–	335	–	–	–	–	–		335
			–	12	–	–	–	–	–	–	12
–	–	–	(281)	5,353	–	–	–	–	–	–	5,353
						–					
			–	(91)	–	–	–	–	–	–	(91)
						–					
						–					
						–					
						–					
		(0)	6	(1,708)	–	–	–	–	–	–	(1,708)
			–	(1,196)	–	–	–	–	–	–	(1,196)
	1		43	(1,170)	(15)	1	–	–	–	–	(1,184)
(3)	2	6	56	(341)	(4)	–	–	–	–	–	(344)
			–			–					
						–					
						–					
						–					
						–					
(3)	3	6	105	(4,506)	(19)	1	–	–	–	–	(4,524)
			(176)	848	(19)	1	–	–	–	–	830
			13	(328)	–	–	–	–	–	–	(328)
			–			–					
(3)	3	6	(163)	519	(19)	1	–	–	–	–	501
			–	56	–	–	–	–	–	–	56
			11	(182)	–	–	–	–	(5)	–	(187)
–	–	–	11	(126)	–	–	–	–	(5)	–	(131)
			–			–					
(3)	3	6	(152)	393	(19)	1	–	–	(5)	–	370
			–	–	–	–	–	–	–	(111)	(111)
(3)	3	6	(152)	393	(19)	1	–	–	(5)	(111)	259
			152	152	16	–	6	(278)	–	31	(72)
			–	545	(3)	1	6	(278)	(5)	(80)	187

Statutory to pro forma income statement reconciliation (H1FY24)

					Significant items			
	Statutory H1FY24 $m	Category reclass $m	Revised statutory $m	Non-IFRS measures $m	Expiry of future flight credits $m	Restructuring and transformation costs $m	IT transformation projects $m	Impairment of assets and accelerated depreciation $m
Revenue and income								
Airline passenger and freight revenue	**2,864**	–	**2,864**	–	(267)			
Loyalty program revenue	**165**	–	**165**	–				
Other income	**1**	–	**1**	–				
Revenue and income	**3,030**	**–**	**3,030**	**–**	**(267)**	**–**	**–**	**–**
Expenditure								
Aircraft variable leases	**(47)**	–	**(47)**	–				
Airport charges, navigation and station operations	**(490)**	490						
Contract and other maintenance	**(164)**	164						
Commissions and other marketing and reservations	**(205)**	205						
Communications and technology	**(66)**	66						
Direct operating variable		(860)	**(860)**	–	1	(0)		
Fuel and oil	**(617)**	–	**(617)**	–				
Labour and staff related	**(601)**	–	**(601)**	–		4	12	
Other	**(130)**	(44)	**(173)**	–		14	4	(0)
Depreciation and amortisation	**(160)**	–	**(160)**	160				
Foreign exchange gain/(loss)	**22**	(22)						
Impairment of assets	**–**	–						
Ineffectiveness on cash flow hedges	**–**	–						
Expenditure	**(2,458)**	**(0)**	**(2,458)**	**160**	**1**	**18**	**16**	**(0)**
Underlying EBITDA				**732**				
Depreciation and amortisation				(160)				7
Profit/(loss) before net finance costs and tax	**572**	**(0)**	**572**	**(572)**				
Underlying EBIT				**572**	**(266)**	**18**	**16**	**7**
Finance income	**27**	–	**27**	–				
Finance costs	**(98)**	–	**(98)**	–		10		
Net finance costs	**(71)**	**–**	**(71)**	**–**	**–**	**10**	**–**	**–**
Net profit/(loss) before tax	**501**	**(0)**	**501**	**(501)**				
Underlying net profit/(loss) before tax				**501**	**(266)**	**28**	**16**	**7**
Income tax benefit/(expense)	**–**	–	**–**	–				
Underlying net profit/(loss)				**501**	**(266)**	**28**	**16**	**7**
Significant items								
Net profit/(loss)	**501**	**(0)**	**501**	**–**				

Significant items						Proforma adjustments						
Foreign exchange revaluation on aircraft leases $m	IPO planning and preparation costs $M	Other $m	Finance costs $m	Significant items $m	Statutory incl non-IFRS measures $m	Public company costs $m	Transaction related remuneration $m	Transaction costs $m	Expiry of future flight credits $m	Financing $m	Tax $m	Pro forma H1FY24 $m
				(267)	2,597	–	–	–	–	–	–	2,597
				–	165	–	–	–				165
				–	1	–	–	–	–	–	–	1
–	–	–	–	(267)	2,763	–	–	–	–	–	–	2,763
							–					
				–	(47)	–	–	–	–	–	–	(47)
							–					
							–					
							–					
							–					
				1	(858)	–	–	–	–	–	–	(858)
				–	(617)	–	–	–	–	–	–	(617)
	1			17	(584)	(8)	1	–	–	–	–	(591)
(15)	1			4	(170)	(2)	–	–	–	–	–	(171)
				–			–					
							–					
							–					
							–					
(15)	2	–	–	22	(2,276)	(10)	1	–	–	–	–	(2,285)
				(245)	487	(10)	1	–	–	–	–	479
				7	(153)	–	–	–	–	–	–	(153)
				–			–					
(15)	2	–	–	(237)	335	(10)	1	–	–	–	–	326
				–	27	–	–	–	–	–	–	27
				10	(88)	–	–	–	–	(3)	–	(91)
–	–	–	–	10	(61)	–	–	–	–	(3)	–	(64)
				–			–					
(15)	2	–	–	(228)	274	(10)	1	–	–	(3)	–	262
				–	–	–	–	–	–	–	(79)	(79)
(15)	2	–	–	(228)	274	(10)	1	–	–	(3)	(79)	183
				228	228	8	–	2	(266)	–	8	(20)
				–	501	(2)	1	2	(266)	(3)	(70)	164

Statutory to pro forma income statement reconciliation (FY23)

					Significant items			
	Statutory FY23 $m	Category reclass $m	Revised statutory $m	Non-IFRS measures $m	Expiry of future flight credits $m	Restructuring and transformation costs $m	IT transformation projects $m	Impairment of assets and accelerated depreciation $m
Revenue and income								
Airline passenger and freight revenue	4,747	–	4,747	–				
Loyalty program revenue	253	–	253	–				
Other income	12	–	12	–				
Revenue and income	5,011	–	5,011	–	–	–	–	–
Expenditure								
Aircraft variable leases	(90)	–	(90)	–				
Airport charges, navigation and station operations	(877)	877						
Contract and other maintenance	(280)	280						
Commissions and other marketing and reservations	(399)	399						
Communications and technology	(130)	130						
Direct operating variable		(1,555)	(1,555)	–		2		4
Fuel and oil	(1,226)	–	(1,226)	–				
Labour and staff related	(1,117)	–	(1,117)	–		47	29	
Other	(311)	(163)	(474)	–		44	25	5
Depreciation and amortisation	(309)	–	(309)	309				
Foreign exchange gain/(loss)	(29)	29						
Impairment of assets	(3)	3						
Ineffectiveness on cash flow hedges	(1)	1						
Expenditure	(4,771)	(0)	(4,771)	309	–	93	55	9
Underlying EBITDA				549				
Depreciation and amortisation				(309)				12
Profit/(loss) before net finance costs and tax	241	(0)	241	(241)				
Underlying EBIT				241	–	93	55	21
Finance income	41	–	41	–				
Finance costs	(146)	–	(146)	–		3		
Net finance costs	(105)	–	(105)	–	–	3	–	–
Net profit/(loss) before tax	135	(0)	135	(135)				
Underlying net profit/(loss) before tax				135	–	96	55	21
Income tax benefit/(expense)	(6)	–	(6)	–				
Underlying net profit/(loss)				129	–	96	55	21
Significant items								
Net profit/(loss)	129	(0)	129	–				

Significant items						Proforma adjustments					
Foreign exchange revaluation on aircraft leases $m	IPO planning and preparation costs $m	Other $m	Finance costs $m	Signif-icant items $m	Statutory incl non-IFRS measures $m	Public company costs $m	Transac-tion related remuner-ation $m	Trans-action costs $m	Financ-ing $m	Tax $m	Pro forma FY23 $m
				–	4,747	–	–	–	–	–	4,747
				–	253	–	–	–	–		253
				–	12	–	–	–	–	–	12
–	–	–	–	–	5,011	–	–	–	–	–	5,011
							–				
				–	(90)	–	–	–	–	–	(90)
							–				
							–				
							–				
							–				
		1		7	(1,548)	–	–	–	–	–	(1,548)
				–	(1,226)	–	–	–	–	–	(1,226)
	–	1		77	(1,040)	(16)	6	–	–	–	(1,050)
20	8	1		103	(372)	(4)	–	–	–	–	(376)
				–			–				
							–				
							–				
							–				
20	8	2	–	187	(4,276)	(20)	6	–	–	–	(4,290)
				187	736	(20)	6	–	–	–	722
				12	(296)	–	–	–	–	–	(296)
				–			–				
20	8	2	–	199	439	(20)	6	–	–	–	426
				–	41	–	–	–	–	–	41
				3	(143)	–	–	–	(4)	–	(148)
–	–	–	–	3	(102)	–	–	–	(4)	–	(107)
				–			–				
20	8	2	–	202	337	(20)	6	–	(4)	–	319
				–	(6)	–	–	–	–	(90)	(96)
20	8	2	–	202	331	(20)	6	–	(4)	(90)	223
				(202)	(202)	16	–	8	–	53	(124)
				–	129	(4)	6	8	(4)	(36)	99

Reconciliation of statutory NPAT to EBITDA

	Historical		Forecast	Historical	
	FY23 $m	FY24 $m	FY25F $m	H1FY24 $m	H1FY25 $m
Statutory net profit/ (loss)	**129**	**545**	**429**	**501**	**473**
Income tax expense/ (benefit)	6	–	(244)	–	(225)
Net finance costs	105	137	167	71	82
EBIT	**241**	**683**	**352**	**572**	**330**
Depreciation and amortisation	309	341	428	160	204
EBITDA	**549**	**1,024**	**780**	**732**	**534**

Appendix B

Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These accounting policies are consistent with the last full year reported historical Financial Statements of Virgin Australia Holdings Limited for the year ended 30 June 2024.

Critical Accounting Estimates and Judgements

The preparation of the Financial Information included in Section 4 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Virgin Australia's accounting policies, Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

- Taxation – recognition of deferred tax assets (see "Deferred tax" below);
- Unearned revenue and income – unearned passenger and loyalty program revenue (see "Unearned underlying revenue and income – passenger" and "Unearned underlying revenue and income – loyalty" below); and
- Maintenance provision (see "Maintenance provisions" below).

Revenue – Airlines

The Airline segment generates four primary revenue streams, namely:

- **Airline passenger revenue** comprises revenue from passenger ticket sales for domestic and SHI passenger flight services.
- **Ancillary revenue** refers to revenue generated in association with airline passenger revenue.
- **Freight revenue** is derived from freight (including cargo and animals) on domestic flights.
- **Charter revenue** is derived from providing dedicated charter flying services to major resources, energy and government clients through VARA.

Further details regarding Virgin Australia's revenue streams can be found in Section 3.5.3. Airlines revenue is recognised in the income statement when carriage is performed, net of sales discounts, certain commissions and Goods and Services Tax.

Airlines revenue is generally received in advance of carriage and is deferred to the balance sheet as unearned revenue until the revenue recognition criteria are satisfied.

Virgin Australia was a party to various alliance arrangements. Revenue under these arrangements is recognised in the income statement when Virgin Australia performs the carriage or otherwise fulfils all relevant contractual commitments.

The incremental costs in relation to ticket sales is recognised as an expense when incurred on the basis that airline passenger revenue is expected to be recognised within 12 months.

Members of the Velocity Frequent Flyer program accumulate loyalty points by, amongst other things, travelling on qualifying airline services. The transaction price related to ticket sales is proportionately allocated to the obligation to provide awards to members and to the ticket sales, based on their relative stand-alone selling prices. The portion allocated to the obligation to provide awards to members is deferred to the balance sheet as unearned loyalty program revenue until the revenue recognition criteria are satisfied.

Revenue – Loyalty program

Virgin Australia receives participation fee revenue from participation partners for the rights to have loyalty points allocated to members of the Velocity Frequent Flyer program. This results in an obligation of Virgin Australia to provide awards to members when these points are redeemed.

Loyalty program revenue is comprised of two performance obligations. The stand-alone selling price of the obligation to provide awards to members is calculated using expected redemption costs plus a profit margin and adjusted for the proportion of points not expected to be redeemed (breakage). It is deferred to the balance sheet as unearned revenue. The residual amount, which represents marketing services, is recognised when the points are issued, and Virgin Australia has a right to invoice the participation partner. This occurs as the service is provided, which occurs over time. Consideration is typically received within normal credit terms, following the issuance of points. The consideration is generally received subsequent to the issue of points based on Virgin Australia's normal credit terms.

The following areas have been considered in forming assumptions relating to the behaviour of partners and members in the Velocity Frequent Flyer program which in turn impact upon the estimated stand-alone selling price and breakage rate applicable to loyalty points:

- uncertainty in member behaviour towards engagement with the Velocity Frequent Flyer Program;
- the expected level of member engagement with new partner arrangements; and
- initiatives to engage with partners and members in the Velocity Frequent Flyer program.

Deferred tax

Deferred tax is recognised for all taxable temporary differences arising from the difference between the carrying amount of assets and liabilities and their corresponding tax base. It is measured using tax rates and tax laws that are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates, and interests in joint arrangements, where Virgin Australia is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; or
- arising on initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Australian Accounting Standards require a more stringent test be applied in determining the probability of recovery of a deferred tax asset arising from tax losses.

Maintenance provisions

Virgin Australia accrues provisions for leased aircraft heavy maintenance events that are projected to occur within the last two years of the lease term and for aircraft usage (hours, cycles or time) post the last heavy maintenance event that will be payable to lessors at lease return. Accruing the leased heavy maintenance provisions begins after the last comparable heavy maintenance event is completed (or at lease inception if a comparable heavy maintenance event is not reasonably expected during the term of the lease) and continues over the remaining lease term. Once the lease term is complete or the heavy maintenance event occurs (within the last two years of the lease term), related cash expenses are offset against the accumulated provision.

The calculation of the maintenance provision requires the use of significant estimates and judgements. These include the expected use of the aircraft during the lease term, required timing of prescribed shop visits and forecast or contractual maintenance costs. The provision is discounted using corporate bond rates at the reporting date which most closely match the terms of maturity of the related provision. Changes in judgements and estimates relating to forecast costs and discount rates are recognised in the consolidated income statement.

Unearned underlying revenue and income – passenger

Unearned passenger revenue comprises revenue from passenger ticket sales received in advance of carriage and is classified as current as all passenger tickets are expected to be used within 12 months. It is recognised as revenue when carriage is performed or, in the case of passengers not uplifted, when a passenger is not expected or able to utilise their ticket, based on historical and future trends and fare rules.

Virgin Australia issues credit vouchers in a range of circumstances and classifies these as current as there are no restrictions on the ability of passengers to utilise these credits. Credit vouchers are recognised as revenue when carriage is performed, following redemption of the voucher or when the likelihood of a passenger utilising the voucher becomes remote, based on historical and expected future trends.

In determining the proportion of passengers who are not expected, or able to utilise their ticket or credit voucher in the financial year, management have considered:

- the changes made to fare rules in response to the disruptions caused by COVID-19;
- the terms and conditions associated with credit vouchers and future flight credits issued by Virgin Australia, including the extended period of time provided to passengers to utilise these credits; and
- the significant impact on the behaviour of passengers in response to the COVID-19 pandemic, market conditions and the broader economic conditions.

Unearned underlying revenue and income – loyalty

Unearned loyalty program revenue comprises the obligation to provide awards to members in relation to points which have been issued but not yet redeemed. It is classified as current as there are no restrictions on the ability of members to redeem their points. Virgin Australia expects a portion of the balance will be redeemed beyond 12 months. It is recognised as revenue when the points are redeemed or, in the case of points redeemed for qualifying airline services provided by Virgin Australia, when carriage is performed. Revenue per point is recognised using a weighted average value based on the balance of unearned loyalty program revenue divided by the number of points expected to be redeemed. At each reporting date, Virgin Australia estimates the amount of outstanding points that are expected to be redeemed based on the terms and conditions of the program, experience, historical and future trends. Changes in this estimate are recognised as revenue.

Impairment testing

Virgin Australia assesses at each reporting date whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, Virgin Australia estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's – or where the asset does not generate inflows that are largely independent of those from other assets or groups of assets - the cash-generating unit's (**CGU**s) fair value less costs of disposal and its value-in-use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of CGUs requires judgement regarding the way management monitors Virgin Australia's operations and makes decisions regarding continuing or disposing of those operations. Virgin Australia has determined that its CGUs are consistent with its operating segments.

If an impairment loss was recognised in a prior period for an asset other than goodwill, and the carrying value of the CGU exceeds its recoverable amount, management makes a judgement as to whether any portion of the impairment should be reversed in the profit or loss during the current reporting period. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined, net of amortisation or depreciation had no impairment loss been recognised.

Fair value measurements

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, the determination of which requires the use of estimates and judgements. All assets and liabilities for which fair value is measured or disclosed in the consolidated Financial Information disclosed in Section 4 are categorised within the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are directly or indirectly observable

Level 3 – Inputs are not observable based on market data

Derivative financial instruments

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is based on Level 2 inputs. These financial instruments relate to fuel hedging contracts principally with counterparties with investment grade credit ratings. The fair value of these instruments is determined using estimated discounted cash flows based on fuel prices at the reporting date.

Interest-bearing liabilities

The fair value of Virgin Australia's interest-bearing liabilities is determined based on Level 2 inputs by discounting the remaining contractual cash flows at the relevant credit-adjusted market interest rates at the reporting date.

Maintenance reserve deposits

The fair value of maintenance reserve deposits on leased aircraft is based on Level 3 inputs. Fair value is calculated as the present value of the estimated costs of future maintenance events, based on historical transactions with third party maintenance providers. In Virgin Australia's view, there are no reasonably possible changes in these unobservable inputs that could significantly impact the fair value measurement.

Other financial assets and liabilities carried at amortised cost

The fair value of cash, cash equivalents and term deposits, receivables and payables approximate their carrying amounts largely due to the short-term nature of these instruments. The fair value of other financial assets and variable rate liabilities that are not recognised net of transaction costs approximate their carrying amounts.

Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange rate at the date the transaction qualifies for recognition or the average exchange rate for the month if that is a reasonable approximation of the exchange rates for that month. Subsequently, foreign currency monetary balances are translated to the functional currency at the spot rates of exchange on the reporting date and the resultant exchange differences are recognised in profit or loss. Non-monetary balances that are measured in terms of historical cost are not re-translated. Non-monetary balances that are measured at fair value are translated at the date the fair value was determined with the gain or loss treated in line with the gain or loss recognised on changes to the fair value of the item.

Foreign operations

Virgin Australia has foreign operations which operate in an economic environment in which the predominant currency is not Australian dollars, and which apply a functional currency other than Australian dollars. The assets and liabilities of these operations are translated from their functional currency to Australian dollars at the exchange rates at the reporting dates. The income and expenses are translated to Australian dollars at the exchange rate at the date of the transaction or the average exchange rate for the month if that is a reasonable approximation of the exchange rates on the transaction dates for that month. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When an operation is disposed of, the cumulative amount in the foreign currency translation reserve relating to that operation is reclassified to the income statement. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur are reclassified to other comprehensive income in the consolidated Financial Statements. These exchange differences are reclassified to the income statement on disposal of the foreign operation.

Receivables

Receivables are initially recognised at fair value on the date Virgin Australia becomes a party to the contract. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less an allowance for impairment. Impairment is calculated using an expected credit loss model. No interest is charged on trade receivables. Maintenance prepayments include amounts prepaid to third party maintenance providers for the labour component of heavy maintenance and other major components of aircraft.

Property, Plant and Equipment (PP&E)

PP&E is stated at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price plus any costs directly attributable to the acquisition. This may include transfers from other comprehensive income of any gains or losses on qualifying cash flow hedges of foreign currency purchases of PP&E. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to Virgin Australia and the cost of the item can be measured reliably.

Costs of day-to-day servicing of owned and leased aircraft, including minor airframe checks are recognised in the income statement as incurred.

The cost of major cyclical maintenance and modifications to aircraft are capitalised as improvements where future economic benefits are expected and depreciated over the shorter of the remaining lease term, the estimated useful life of the improvement or the time to the next major maintenance event. The useful life is revised at each reporting date to match the timing of the next scheduled maintenance event.

If Virgin Australia is obligated under its lease agreements to complete an overhaul prior to return of the aircraft based on either use or condition of the aircraft, a provision is recognised at inception of the lease, or as obligations arise, for the present value of the expected payment. Where the maintenance expenditure is expected to give rise to economic benefits over the term of the lease, a corresponding asset is also recognised, reflecting the maintenance components within the payments. The asset is depreciated on a straight-line basis over the life of the lease.

Depreciation is recognised on a straight-line basis over the estimated useful life, taking into account estimated residual values. Assets are depreciated from the date they are purchased and are ready for use, or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Where parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimation of useful lives and residual values requires judgement. Australian dollar residual value estimates are based on US dollar market estimates of future aircraft values and estimates of future use of the aircraft, including maintenance profiles.

The estimated useful lives in years of each class of asset are as follows:

	FY24	FY23
Buildings	**10-40**	10-40
Aircraft and aeronautic related assets		
– Modifications to leased aircraft	**6-13**	6-13
– Rotables and maintenance parts	**9-22**	9-30
– Airframe, engines and landing gear	**5-22**	5-22
– Major cyclical maintenance	**1-10**	1-10
Plant and equipment		
– Leasehold improvements	**1-15**	1-15
– Other	**5-26**	5-26
Computer equipment	**3-5**	3-5
Right-of-use assets		
– Aircraft	**1-9**	1-9
– Property	**1-33**	1-33
– Other	**1-5**	1-5

Lease liabilities

Virgin Australia leases assets, including aircraft, engines, real estate, ground support equipment and aircraft spare parts. Under AASB 16 *Leases*, a contract is a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. ROU assets are presented in PP&E and are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Each separately identifiable component of a ROU asset is depreciated over the lesser of the lease term or the component's useful life.

Lease liabilities are presented in interest-bearing liabilities and are initially measured at the present value of future lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the scope, lease term, in-substance fixed lease payments or assessment to purchase the underlying asset. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero. Virgin Australia remeasures its foreign currency denominated lease liabilities using the exchange rate at each reporting date. Any changes to the lease liabilities due to exchange rate changes are recognised in the income statement. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period during which the event or condition that triggers the payment occurs.

Some property leases contain extension options exercisable by Virgin Australia before the end of the non-cancellable contract period. Virgin Australia assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Virgin Australia is subjected to customary restrictions in aircraft leases which limit Virgin Australia from subleasing aircraft to third parties without lessor consent. Property leases are also subjected to similar restrictions whereby Virgin Australia cannot assign, sublease or license certain properties without consent.

Appendix C

Glossary

Term	Meaning
A	Actual.
A Class Shares	Non-voting Class A shares in the capital of the Company, which will be converted to Shares prior to Listing.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AASB 16 *Leases*	Australian Accounting Standard AASB 16 Leases.
AASB S2	The AASB's ASRS S2 Climate-related Disclosures.
ABN	Australian Business Number.
ABS	Australian Bureau of Statistics.
ACCC	Australian Competition and Consumer Commission.
Accounting Policies	Has the meaning given in Appendix B.
ACCUs	Australian Carbon Credit Units.
ACL	Australian Consumer Law.
ACN	Australian Company Number.
Admission	Admission of the Company to the official list of the ASX.
AFAP	Australian Federation of Air Pilots.
AFSL	Australian Financial Services Licence.
Aggregate Substantial Interest	Acquisition of shares and voting power in a company of 40% or more by a two or more different foreign persons, as defined under the FATA.
AI	Artificial intelligence.
AIOS	Aviation Industry Ombuds Scheme.
Air Navigation Act	*Air Navigation Act 1920* (Cth).
Air New Zealand	Air New Zealand Ltd.
Aircraft Equipment	Aircraft, aircraft engines and associated equipment.
Airfare	The fee paid by airline passengers for a particular journey.
ALAEA	The Australian Licensed Aircraft Engineers Association.
Alliance Aviation, Alliance Airlines, or **Alliance**	Alliance Airlines Pty Ltd.
Allotment	The allotment of the New Share under the Offer.
Amortising Term Facility	Has the meaning given in Section 9.6.2.

Term	Meaning
Ancillary revenue	Means revenue generated in association with airline passenger revenue. It includes revenue from services such as baggage and change fees, fees for additional legroom, seat allocation, cabin upgrades, booking fees, in-flight food and beverage sales, lounge access, in-flight wi-fi internet access and third party ancillary sales (including travel insurance, hotels, parking and other partner sales).
ANR	*Air Navigation Regulations 2016* (Cth).
ANZ MOFA	Has the meaning given in Section 9.6.4.
AOC	Air operator's certificate.
Applicant	A person who submits an Application.
Application	An application made to apply for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus and any supplementary or replacement prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant.
ASA	Air services agreement.
ASIC	Australian Securities and Investments Commission.
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth).
ASTC	ASX Settlement and Transfer Corporation.
ASU	Australian Services Union.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Corporate Governance Council	The corporate governance council of the ASX.
ASX Listing Rules or **Listing Rules**	The listing rules of ASX, as amended or replaced from time to time, and subject to any waivers or modifications that ASX may grant.
ASX Principles	ASX Corporate Governance Principles and Recommendations 4th edition.
ASX Recommendations	Revised in 2019, the fourth edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532).
ASX Settlement Operating Rules or **ASX Settlement Rules**	The settlement rules of ASX as amended, varied or waived from time to time.
ATO	Australian Tax Office.
AUD, Dollar or **$**	Australian dollars unless otherwise stated.

Term	Meaning
Audit, Risk, Sustainability and Compliance Committee	The Audit, Risk, Sustainability and Compliance Committee, as nominated by the Directors of the Company.
Available Seat Kilometres or **ASKs**	The number of seats available to passengers multiplied by the number of kilometres flown.
Aviation Security Act	*Aviation Transport Security Act 2004* (Cth).
Aviation Security Regulations	*Aviation Transport Security Regulations 2005* (Cth).
Award	Has the meaning given to that term in Section 6.3.4.3.
Bain Capital	Bain Capital Private Equity, LP.
Barrenjoey	Barrenjoey Markets Pty Limited (ABN 66 636 976 059).
Baseline Limit	Has the meaning given in Section 5.2.18.
BC Company	BC Hart Company Pty Ltd, a wholly-owned subsidiary of Virgin Australia (that is not associated with Bain Capital or BC Hart).
BC Hart	BC Hart Investments, L.P., an entity controlled by funds managed by Bain Capital. QIC, commonly referred to as Queensland Investment Corporation, is also a minority investor in BC Hart, as is an entity within the wider Virgin group.
BC Hart Relationship Deed	Has the meaning given to it in Section 6.4.7.10.
BFOD	The cheapest fare available at time of booking across all airlines for a given route.
block hours	The time measured from the moment the door of an aircraft closes at departure of a flight, until the moment the aircraft door opens at the arrival gate following its landing.
BNPP Facility Agreement	Has the meaning given in Section 9.6.6.
Board or **Board of Directors**	The Board of Directors of the Company.
Bonza	Bonza Aviation Pty Ltd.
Bookbuild	The process through which Institutional Investors have been invited to bid under the Institutional Offer, as described in Section 7.5.
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer.
Broker Firm Applicant	A person who submits an Application for the Broker Firm Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker, as described in Section 7.3.
Budget Leisure Passengers	Has the meaning given in Section 2.2.4.
Bullet Term Facility	Has the meaning given in Section 9.6.2.

Term	Meaning
Business Day	A day on which trading takes place on the stock market of ASX.
CAGR	Compound annual growth rate.
Call Option Deed	Has the meaning given in Section 9.4.
Carbon credit	Means an emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.
CASA	Australia Civil Aviation Safety Authority.
CASK	Cost of Available Seat Kilometre. CASK is a measure of the cost to operate each seat for every kilometre.
CCA	Has the meaning given in Section 9.3.3.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CGT	Capital Gains Tax.
Charter Services	Has the meaning given in Section 2.2.8.
CHESS	The ASX's Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.
Civil Aviation Act	*Civil Aviation Act 1988* (Cth).
Civil Aviation Regulations	*Civil Aviation Safety Regulations 1998* (Cth).
Climate-related opportunities	Means the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.
Climate-related physical risks	Means risks resulting from climate change that can be event driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.
Climate-related risks	Means the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate related transition risks.

Term	Meaning
climate resilience	Means the capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Closely Related Party	Has the meaning given in the Corporations Act.
Closing Date	The date on which the Offer is expected to close, being 19 June 2025 in respect of the Retail Offer. This date may be varied without prior notice.
Closure Event	Has the meaning given in Section 9.3.2.
Competition and Consumer Act	*Competition and Consumer Act 2010* (Cth).
Code of Conduct	The formal code of conduct of the Company, governing the employees and representatives of the Company.
Codeshare	A cooperative arrangement between airlines in which an airline (the marketing carrier) sells seats on a flight operated by another airline (the operating carrier) under its own airline designator and flight number, allowing airlines to market and sell seats on each other's services, expanding their network reach and offering passengers more destinations and seamless connections, without additional aircraft deployment.
Co-Lead Managers	Wilsons Corporate Finance Limited and Ord Minnett Limited
Company, Virgin Australia, we, us or **our**	Virgin Australia Holdings Limited (ACN 100 686 226).
Completion	The date on which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer.
Constitution	The Company's constitution that is in effect at Listing.
Continuous Disclosure Policy	The disclosure policy of the Company, outlining the Company's continuous disclosure requirements under the ASX Listing Rules and the Corporations Act.
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (Cth).
CORSIA	The Carbon Offsetting Reduction Scheme for International Aviation.
COVID-19	Coronavirus disease (COVID-19) is an infectious disease.
CPI	Consumer Price Inflation.
CY	Calendar Year.
Directors	The directors of the Company.
Domestic Virgin Trade Mark Licence Agreement	Has the meaning given in Section 9.5.1.
Draft Charter	The draft Aviation Customer Rights Charter released by the Australian Government on 21 December 2024.

Term	Meaning
Earn Partners	Has the meaning given in Section 9.3.2.
EBA	Enterprise bargaining agreements.
EBIT	Profit before net finance costs and tax.
EBITDA	Profit before net finance costs, tax, depreciation and amortisation. EBITDA excludes the cost of leases recognised on-balance sheet in accordance with AASB 16 *Leases* (for which depreciation and interest expense is incurred) but includes the cost of variable lease costs.
Economic Interest	An interest in the Shares other than acquiring the legal or beneficial interest.
Eligible Employees	Has the meaning given to that term in Section 6.3.4.3.
ELT	Executive leadership team.
Escrow Deeds	The deeds relating to the escrow arrangements described in Section 9.7.
Escrow Period	Has the meaning given in Section 9.7.
Escrowed ELT Legacy Planholders	Management Shareholders and current and former employees who are or were members of ELT who have entered Escrow Deeds.
Escrowed GLT Legacy Planholders	Management Shareholders and current and former employees who are or were members of GLT who have entered Escrow Deeds.
Escrowed Legacy Planholders	Escrowed ELT Legacy Planholders and Escrowed GLT Legacy Planholders.
Escrowed Shareholders	The Shareholders in the table set out in Section 9.7.1.
Escrowed Shares	The Shares held by the Escrowed Shareholders the subject of the escrow arrangements described in Section 9.7.1.
ESG	Environmental, Social and Governance.
Everyday Rewards	Everyday Rewards Australia, a customer loyalty program operated by Woolworths Group Ltd.
Executive Director	A Director of the Company that is also a member of Management or an employee of the Company.
Existing Shareholders	The Shareholders who own Shares in the Company prior to Listing.
Existing Shares	The shares on issue as at the Original Prospectus Date (and includes any A Class Shares that are reclassified as Shares).
Exposure Period	The seven-day period after the Original Prospectus Date, which may be extended by ASIC for up to an additional seven days.
F	Forecast.
FAA	United States Federal Aviation Administration.
FAAA	Flight Attendants Association of Australia.
Facility A	Has the meaning given in Section 9.6.4.

Term	Meaning
Facility B	Has the meaning given in Section 9.6.4.
Facility C	Has the meaning given in Section 9.6.4.
Fare unbundling	Means the separation of services (for example meals, checked baggage and seat selection) with customers able to purchase each service individually.
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
Federal Government	Australian Federal Government.
FIFO	Fly-in-fly-out.
Financial Information	The Historical Financial Information and the Forecast Financial Information.
FIRB	Foreign Investment Review Board.
FIRB Governance Conditions	Has the meaning given in Section 6.4.3.
Flybuys	The Australian customer loyalty program jointly owned and operated by Coles Group Ltd and Wesfarmers Ltd.
Forecast Financial Information	The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information.
Forecast Financial Period	The 12 month period ending 30 June 2025 (**FY25F**).
FTE	Full time equivalent employees.
Full-service carrier	Has the meaning given in Section 2.2.5.
Fully Diluted Issued Capital	Has the meaning in Section 7.1.
FX	Foreign exchange.
FY	Financial Year (ending 30 June).
GDP	Gross domestic product.
GHG	Means the seven greenhouse gases listed in the Kyoto Protocol—carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF3); perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
GLAS	Global Loan Agency Services Australia Pty Ltd (ABN 68 608 829 303).
GLT	General leadership team.
Golden Triangle	The routes between Sydney, Melbourne and Brisbane.
Goldman Sachs	Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897).
GRI	Global Reporting Initiative.
GSE	Ground support equipment.
GST	Goods and services tax levied under the GST Act.

Term	Meaning
GST Act	*A New Tax System (Goods and Services Tax) Act 1999* (Cth).
H1	First half.
H2	Second half.
HIN	Holder Identification Number for CHESS.
Historical Financial Information	The Statutory Historical Financial Information and the Pro Forma Historical Financial Information.
Historical Financial Period	The 12 month period ended 30 June 2023 (**FY23**), the 12 month period ended 30 June 2024 (**FY24**), the 6 month period ended 31 December 2023 (**H1FY24**) and the 6 month period ended 31 December 2024 (**H1FY25**).
IASB	International Accounting Standards Board.
IATA	International Air Transport Association.
ICAO	International Civil Aviation Organisation.
IFRS	International Financial Reporting Standards.
Immediate Family Member	A Director or executive leadership team member's partner and their dependent children up to 26 years of age.
Initiatives	Has the meaning given in Section 5.2.2.
Institutional Investor	An investor: • who is a person in Australia who is a wholesale client under Section 761G of the Corporations Act and either a "professional investor" or "sophisticated investor" under Sections 708(11) and 708(8) of the Corporations Act; • who is an institutional investor in certain other jurisdictions (outside Australia or the United States), as agreed by the Company and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing in its discretion to comply); or • who is in the United States, and is either a person that the Joint Lead Managers reasonably believe to be a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act or a dealer or other professional fiduciary within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.5.
Internal carbon price	Means the price used by an entity to assess the financial implications of changes to investment, production and consumption patterns, and of potential technological progress and future emissions-abatement costs. An entity can use internal carbon prices for a range of business applications.
International Trade Mark Licence Agreement	Has the meaning given in Section 9.5.1.
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd ACN 007 363 215.
IPO	Initial Public Offering.

Term	Meaning
ISSB	International Sustainability Standards Board.
Jetstar	Jetstar Airways Pty Ltd, a wholly owned subsidiary of Qantas Airways Ltd.
Joint Lead Managers	Goldman Sachs, UBS and Barrenjoey, and Joint Lead Manager means any one of them.
Legacy Incentive Planholders	Has the meaning given to that term in Section 6.3.4.2.
Legacy Incentive Schemes	Has the meaning given in Section 6.3.4.1.
LHI	Long haul international, meaning long distance international flights often connecting different continents and typically operated using wide-body aircraft.
Limited Recourse Loan	Has the meaning given to that term in Section 6.3.4.2.
Listing	The quotation of Shares on the ASX.
Load Factor	The percentage of ASKs occupied by passengers (RPKs).
Low-cost carrier	Has the meaning given in Section 2.2.5.
LTI Award	Has the meaning given to that term in Section 6.3.4.5.
Management or Executive or **Executive Management**	The management of the Company.
Management Shareholders	A member of the management team of Virgin Australia who owns Shares as at the Original Prospectus Date.
Managing Director	The managing director of the Company, unless specified to be the Managing Director of a different entity.
MEP	Management Equity Plan.
Modern Slavery Act	*Modern Slavery Act 2018* (Cth).
MRO Work	Maintenance, repair and operational work.
nm	Not meaningful.
narrow-body aircraft	A single-aisle aircraft typically used for short haul flights.
Net Promoter Score or **NPS**	Has the meaning given in Section 3.3.2.
New Share	The new Share to be issued by the Company under the Offer.
NGER Act	*National Greenhouse and Energy Reporting Act 2007* (Cth).
NGER Scheme	Has the meaning given in Section 9.12.2.
Non-Executive Director	A Director who is not employed in a full-time executive capacity by the Company.
Non-IFRS Financial Measures	Financial measures under Regulatory Guide 230 “Disclosing non-IFRS financial information”, published by ASIC.

Term	Meaning
Offer	The offer under this Prospectus of 1 Share in the Company and the sale of a proportion of the Existing Shares in the Company by SaleCo.
Offer Period	The period from the Opening Date to the Closing Date.
Offer Price	$2.90 per Share.
Official List	The official list of ASX.
OIFA	Has the meaning given to it in Section 9.6.5.2.
On Time Performance or **OTP**	Measured as domestic flights that departed on time as a percentage of all departures operated on any domestic sector. A flight departure is considered on time if it departed the gate within 15 minutes after the scheduled departure time shown in the airline's schedule.
One Off Equity Grant	Has the meaning given to that term in Section 6.3.4.7.
Oneworld	A global airline alliance as referred to in Section 2.3.2.
Opening Date	The opening date for receipt of Application Forms under this Prospectus being 16 June 2025.
Option	An option to acquire a Share.
Original Prospectus	The prospectus issued by the Company and SaleCo dated 6 June 2025, which was lodged with ASIC on that date and was replaced by the Replacement Prospectus.
Original Prospectus Date	The date of the Original Prospectus, being 6 June 2025.
OTP March Report	Has the meaning given in footnote 28 in Section 3.
Performance Right	A right to receive a Share upon the satisfaction of any applicable performance and time-based vesting conditions.
Plan Rules	Has the meaning given to that term in Section 6.3.4.3.
Points Earned	The number of Velocity Frequent Flyer points issued to members.
Points Redeemed	The number of Velocity Frequent Flyer points redeemed by members for available rewards.
Premium Leisure Passengers	Has the meaning given in Section 2.2.4.
Priority Offer	The component of the Offer under which investors who have received a personalised invitation are invited to apply for Shares, as described in Section 7.4.
Privacy Act	*Privacy Act 1988* (Cth).
Pro Forma Financial Information	The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information.
Pro Forma Forecast Cash Flow Information	Pro forma forecast consolidated cash flow information for FY25F.
Pro Forma Forecast Financial Information	The Pro Forma Forecast Income Statement and Pro forma Forecast Cash Flow Information.

Term	Meaning
Pro Forma Forecast Income Statement	Pro forma forecast consolidated statements of profit or loss for FY25F.
Pro Forma Historical Balance Sheet	Pro forma historical consolidated statement of financial position as at 31 December 2024.
Pro Forma Historical Cash Flow Information	Pro forma historical consolidated cash flow information for FY23, FY24, H1FY24, H1FY25.
Pro Forma Historical Financial Information	The Pro Forma Historical Income Statements, Pro Forma Historical Cash Flow Information and Pro Forma Historical Balance Sheet.
Pro Forma Historical Income Statements	Pro forma historical consolidated statements of profit or loss for FY23, FY24, H1FY24 and H1FY25.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which the Prospectus was lodged with ASIC, being 13 June 2025.
Qantas	Qantas' airline segment operating under the brand name Qantas.
Qantas Group	Qantas Airways Ltd. as a whole, including both Qantas and Jetstar.
QantasLink	Qantas Airways' regional brand.
Qatar Airways	The airline operated by Qatar Airways Group.
Qatar Airways Group	Qatar Airways Group Q.C.S.C. and its controlled entities.
Qatar Airways Group Relationship Deed	Has the meaning given to it in Section 6.4.7.10.
QFF	Qantas Frequent Flyer.
QIC	QIC Limited (ACN 130 539 123), commonly known as Queensland Investment Corporation which is a Queensland Government Owned Corporation constituted under the *Queensland Investment Corporation Act 1991* (Qld).
QIC Investments	QIC Investments No. 3 Pty Ltd as trustee for the Strategic Asset Investment Fund (Unlisted No. 1) ABN (51 966 580 528).
QIC Loan	Has the meaning given to it in Section 9.6.5.1.
RASK	Revenue per Available Seat Kilometre.
RBA	Reserve Bank of Australia.
Redemption Partners	Has the meaning given in Section 9.3.2.
Regional Express Holdings or **Rex**	Rex Airlines.
Regulation S	Regulation S under the US Securities Act.
Related Body Corporate	Has the meaning given in the Corporations Act.
Relevant Interest	Has the meaning given in the Corporations Act.

Term	Meaning
Relevant Persons	Has the meaning given to that term in Section 6.3.6.
Remuneration and Nomination Committee	The Remuneration and Nomination Committee of the Company, as nominated by the Directors of the Company.
Retail Offer	The Broker Firm Offer and Priority Offer as described in Sections 7.3 and 7.4 respectively.
ROIC	Return on invested capital.
Revenue Passenger Kilometres or **RPKs**	The combined number of kilometres travelled by paying airline passengers.
RNPCCo	The Remuneration, Nomination, People and Culture Committee.
ROU	Right-of-use.
RPT	Regular public transport, meaning scheduled passenger transport services operated for the public on fixed routes and timetables (in contrast to charter services).
RTK	Means the total number of revenues generating tonnes of both passengers and freight multiplied by the distance flown. For the distance flown, the great circle distance is used. A default value of 100kg is used, which represents the weight of the passenger plus the cabin luggage (as suggested in 'Science-based target setting for the aviation sector – version 1', August 2021).
SAF	Sustainable Aviation Fuel.
Safeguard Mechanism	Has the meaning given in Section 9.12.2.
Safeguard Mechanism Rule	Has the meaning given in Section 9.12.2.
Sale Shares	The Shares held by Existing Shareholders that will be transferred to Successful Applicants under the offer by SaleCo.
SaleCo	Virgin Australia SaleCo Limited (ACN 687 595 366)
Scope 1 GHG emissions	Means the direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.
Scope 2 GHG emissions	Means the indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.
Seat Share	Market share measured by number of passenger bookings.
Securities Trading Policy	The policy of the Company relating to securities trading.
Security	Has the meaning given in Section 9.6.2.
Security of Critical Infrastructure Act	*Security of Critical Infrastructure Act 2018* (Cth).
Selling Shareholder	BC Hart, an entity controlled by funds managed by Bain Capital.
Settlement	The settlement in respect of the Shares.

Term	Meaning
Settlement Date	The date on which Settlement occurs.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Computershare Investor Services Pty Limited.
Share Rights	A right to receive a Share upon the satisfaction of any applicable time-based vesting conditions.
Shareholder	A holder of a Share.
SHI	Short haul international, meaning short international flights usually between neighbouring or nearby countries and typically operated using narrow-body aircraft.
Significant Items	Has the meaning given in Section 4.2.2.
SkyTeam	A global airline alliance as referred to in Section 2.3.2.
Skywest	Skywest Airlines Ltd.
Small & Medium Enterprises or **SMEs Passengers**	Has the meaning given in Section 2.2.4.
SMCs	Safeguard Mechanism Credits.
SMS	Safety Management System.
SRN	Securityholder Reference Number for the Shares (when issued) held on any issuer sponsored sub-register.
Stage Length	The distance an aircraft flies from take-off to landing in a single leg.
Star Alliance	A global airline alliance as referred to in Section 2.3.2.
Statutory Financial Information	The Statutory Historical Financial Information and the Statutory Forecast Financial Information.
Statutory Forecast Cash Flow Information	Statutory forecast consolidated cash flow information for FY25F.
Statutory Forecast Financial Information	The Statutory Forecast Income Statement and Statutory Forecast Cash Flow Information.
Statutory Forecast Income Statement	Statutory forecast consolidated statements of profit or loss for FY25F.
Statutory Historical Balance Sheet	Statutory historical consolidated statement of financial position as at 31 December 2024.
Statutory Historical Cash Flow Information	Statutory historical consolidated cash flow information for FY23, FY24, H1FY24 and H1FY25.
Statutory Historical Financial Information	The Statutory Historical Income Statements, Statutory Historical Cash Flow Information and Statutory Historical Balance Sheet.
Statutory Historical Income Statements	Statutory historical consolidated statements of profit or loss for FY23, FY24, H1FY24 and H1FY25.

Term	Meaning
STI	Short term incentive
STI Award	Has the meaning given to that term in Section 6.3.4.4.
Substantial Interest	Acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates, as defined under the FATA.
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer.
Sydney time	Australian Eastern Daylight Time or Australian Eastern Standard Time as in force at the relevant date.
Syndicate Members	Has the meaning given to that term in Section 6.3.6.
Syndicated Facility Agreement	Has the meaning given in Section 9.6.2.
Taxation of Financial Arrangements or **TOFA**	Has the meaning given in Division 230 of the *Income Tax Assessment Act 1997* (Cth).
TCFD	The Task Force on Climate-related Financial Disclosures.
TFN	Tax File Number.
The Trust Company	The Trust Company (Australia) Ltd.
TWU	Transport Workers Union.
US Person	Has the meaning given in Regulation S under the US Securities Act.
US Securities Act	US Securities Act of 1933, as amended.
UBS	UBS Securities Australia Limited (ABN 62 008 586 481).
UI	User interface.
UK	United Kingdom.
Underlying EBIT	Represents EBIT before Significant Items.
Underlying EBITDA	Represents EBITDA before Significant Items.
United States, **US** or **U.S.**	Has the meaning given in Regulation S.
US Institutional Offer	The offer of Shares under the Institutional Offer to (i) persons in the United States that the Joint Lead Managers reasonably believe to be “qualified institutional buyers” as defined in Rule 144A under the US Securities Act and (ii) dealers or other professional fiduciaries organised or incorporated in the United States acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US Persons for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of the US Securities Act.
US Institutional Offering Memorandum	The offering memorandum under which the Institutional Offer will be made in the United States, which consists of this Prospectus and an offer document ‘wrap’.
USD or **US$**	U.S. Dollars.
UX	User experience.

Term	Meaning
VA Take-Off Grant	Has the meaning given to that term in Section 6.3.4.6.
VA Airlines	Has the meaning given to that term in Section 3.1.
VAA	Virgin Australia Airlines Pty Ltd (ACN 090 670 965).
VABF	Virgin Australia Business Flyer.
VAIH	Virgin Australia International Holdings Pty Ltd.
Value Carrier	Has the meaning given in Section 2.2.5.
VARA	Virgin Australia Regional Airlines.
Velocity or **Velocity Frequent Flyer**	Virgin Australia's loyalty program which is owned by the Velocity Sub-Group.
VFF	Velocity Frequent Flyer Pty Ltd.
VFF Holdco	Velocity Frequent Flyer Holdco Pty Ltd.
Virgin Australia	Virgin Australia Holdings Limited (ACN 100 686 226).
Virgin Australia Incentive Scheme	Has the meaning given in Section 6.3.4.1.
Virgin Group	VEL Holdings Limited and its controlled entities.
Virgin Trade Mark Licence Agreements	The Domestic Virgin Trade Mark Licence Agreement and the International Trade Mark Licence Agreement.
Voluntary Administration	Has the meaning given in the Corporations Act.
VRPL	Velocity Rewards Pty Ltd.
VRPL Loan	Has the meaning given in Section 9.6.3.
WCFA	The Working Capital Facility Agreement described in Section 9.6.5.
wet lease	A leasing arrangement where an airline (the lessor) provides an aircraft along with crew, maintenance, and insurance services to another airline (the lessee), for consideration. Under a wet lease, the aircraft operates under the lessor's Air Operator Certificate (AOC), and the lessor retains operational control of the flight.
WGE Act	*Workplace Gender Equality Act 2012* (Cth).
wide-body aircraft	A twin-aisle aircraft typically used for long-haul flights.
yield	Passenger ticket revenue divided by RPKs.

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Corporate Directory

Company's Registered Office

Virgin Australia Holdings Limited
Level 11
275 Grey Street
South Brisbane QLD 4101, Australia

SaleCo's Registered Office

Virgin Australia SaleCo Limited
Level 11
275 Grey Street
South Brisbane QLD 4101, Australia

Financial Adviser

Reunion Capital Partners Pty Ltd
Level 11, Kyle House
27-31 Macquarie Place
Sydney NSW 2000, Australia

Joint Lead Managers

Barrenjoey Markets Pty Limited
Level 19, Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000, Australia

Goldman Sachs Australia Pty Ltd
Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000, Australia

UBS Securities Australia Limited
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000, Australia

Co-Lead Managers

Wilsons Corporate Finance Limited
Level 32, Governor Macquarie Tower
1 Farrer Place
Sydney NSW, 2000 Australia

Ord Minnett Limited
Level 18, Grosvenor Place
225 George Street
Sydney NSW, 2000 Australia

Australian Legal Adviser

Gilbert + Tobin
Level 35, Tower Two
International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000, Australia

Investigating Accountant

KPMG Financial Advisory Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000, Australia

Auditor

KPMG
Level 11, Heritage Lanes
80 Ann Street
Brisbane QLD 4000, Australia

Australian Tax Adviser

PricewaterhouseCoopers
Level 17, Tower One
International Towers Sydney
100 Barangaroo Avenue
Barangaroo NSW 2000, Australia

Share Registry

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

Virgin Australia Offer Information Line

Between 8.30am and 5.00pm (Sydney time),
Monday to Friday (excluding public holidays)

Toll free within Australia:	1300 273 158
Outside Australia:	+61 3 9415 4264

Offer Website

www.VirginAustraliaIPO.com.au

Company Website

www.virginaustralia.com

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