

14 May 2020

[REDACTED]  
[REDACTED]  
Via Email: [REDACTED]; [REDACTED]

CC: [REDACTED]; James.Bradley@klgates.com; Jason.Opperman@klgates.com;  
Hannah.Davies@klgates.com

Dear [REDACTED]

Virgin Australia Holdings Ltd  
and certain entities listed in Schedule A  
(All Administrators Appointed)  
(the Companies or Virgin)

I refer to previous correspondence in relation to the appointment of Administrators of Virgin on 20 April 2020 and the draft protocol document provided on 1 May 2020.

Since that time, we have been dealing with Lessors, Financiers as well as their Advisors to address various issues relating to the Protocol document and the Administration more generally.

Thank you for the feedback provided to date on the Protocol terms. This letter provides additional context to assist with the finalisation of the terms of the Protocol by addressing key issues raised by lessors and financiers in the feedback received to date. Further detailed Q&A style responses will also follow this letter.

We also take this opportunity to reiterate that the Protocol terms are to assist the Administrators with the effective running of the Administration over a relatively short period of time. The Protocol terms are required to progress the sale/recapitalisation of the business for the benefit of all creditors, including aircraft lessors and financiers. When this is achieved, there will be an opportunity to renegotiate the lease or financing terms with the successful bidder, including addressing accrued unpaid rentals, costs or the replacement of letters of credit presented during the administration.

#### Inability to pay rental obligations during administration period

The draft Protocol document proposes limited recourse and a standstill of rights which requires a deferral of lease/finance payments during the administration period, and which requires that these deferred payments not be a liability of the Administrators in the administration. The underlying basis of this request is due to the current and forecast liquidity position of the Group and the inability of Virgin Group to effectively utilise the financed assets in the forced and restricted COVID-19 environment.

COVID-19 continues to substantially impact Virgin's ability to generate earnings with revenue dropping substantially from pre COVID-19 levels. Virgin currently generates approximately \$25m in gross revenue from Aircraft use per month. This revenue is before associated direct costs including fuel, wages, landing charges, navigation charges and air services fees.

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The unrestricted cash available to the Administrators continues to be used to meet any shortfall in direct costs and is also applied to meet other aircraft preservation costs including maintenance, insurance, storage and overheads.

Accordingly, there continues to be no surplus available to meet monthly lease and finance costs which totals c.\$40m.

In addition, there is currently no circumstance that will enable meaningful change to utilisation of the Aircraft fleet to generate additional revenue.

At this stage, Federal Government support is limited to the Job Keeper program. Virgin is forecast to receive approximately \$25m per month under the Job Keeper program which of course is utilised to pay stood down employees.

Despite the negative cash flows, the Administrators are committed to ensuring substantial costs for the care and preservation of aircraft are met so that the fleet remains available for the anticipated sale/recapitalisation and for when operations can commence increased capacity, but can't commit to some other costs which some lessors or financiers have asked be met.

#### Standstill past Cape Town Convention (CTC) 60 calendar day Timeframe

The Protocol document requires lessors and financiers to withhold exercising their rights under CTC for a period greater than the CTC 60 calendar day timeframe. This is required because the sale/restructure transaction is currently expected to effectuate no earlier than the end of August 2020. The 60-calendar day period for CTC from the date of the Administrators' appointment ends on 19 June 2020.

The Protocol document addresses this timing mismatch so when binding offers (which is currently due 30 June 2020 and agreement of party exclusivity occurs the Administrators are able to provide bidders with certainty on the availability of the aircraft fleet.

Any repossession of aircraft during this critical stage of the sale timeline, or ability to repossess on an unrestricted basis, could be detrimental to the Administrators' ability to complete a successful transaction.

We note that the Protocol document is not intended to limit the rights of lessors and financiers under the CTC except to the extent set out in the Protocol document.

A detailed Q&A document which addresses several concerns raised by lessors and financiers will be uploaded in the dataroom over the next 24 to 48 hours.

#### Disclaimed assets

For clarification, should the Administrators give notice to any lessor or financier under section 443B(3) of the Corporations Act in connection with an Aircraft or Engine, the obligations of the lessee and the Administrators under the protocol for that asset will immediately terminate, pursuant to clause 5 (d) of the draft protocol agreement.

Given the additional context provided in this letter, as well as correspondence and discussions to date, it is the Administrators position that the terms of the Protocol document can still be finalised prior to 26 May 2020. By agreeing and executing the Protocol document in this time frame, you will be supporting the Administrators' process which aims to facilitate optimal opportunity for a continuation of the business, the continuation of your relationship with Virgin and to maximise returns to creditors.

Should you require any further information in the meantime, please contact me or Mukhtader Mohammed of this office on 0404 285 401.

Yours faithfully

Sal Algeri  
Joint and Several Administrator

A handwritten signature in black ink, appearing to be 'Sal Algeri', with a small dot at the end.

Encl.

List of enclosures

Schedule A: List of entities in Administration

## Schedule A – Virgin Group entities, all Administrators Appointed

Virgin Australia Holdings Ltd, ACN 100 686 226  
Virgin Australia International Operations Pty Ltd, ACN 155 859 608  
Virgin Australia International Holdings Pty Ltd, ACN 155 860 021  
Virgin Australia International Airlines Pty Ltd, ACN 125 580 823  
Virgin Australia Airlines (SE Asia) Pty Ltd, ACN 097 892 389  
Virgin Australia Airlines Holdings Pty Ltd, ACN 093 924 675  
VAH Newco No.1 Pty Ltd, ACN 160 881 345  
Tiger Airways Australia Pty Limited, ACN 124 369 008  
Virgin Australia Airlines Pty Ltd, ACN 090 670 965  
VA Borrower 2019 No. 1 Pty Ltd, ACN 633 241 059  
VA Borrower 2019 No. 2 Pty Ltd, ACN 637 371 343  
Virgin Tech Pty Ltd, ACN 101 808 879  
Short Haul 2018 No. 1 Pty Ltd, ACN 622 014 831  
Short Haul 2017 No. 1 Pty Ltd, ACN 617 644 390  
Short Haul 2017 No. 2 Pty Ltd, ACN 617 644 443  
Short Haul 2017 No. 3 Pty Ltd, ACN 622 014 813  
VBNC5 Pty Ltd, ACN 119 691 502  
A.C.N. 098 904 262 Pty Ltd, ACN 098 904 262  
Virgin Australia Regional Airlines Pty Ltd, ACN 008 997 662  
Virgin Australia Holidays Pty Ltd, ACN 118 552 159  
VB Ventures Pty Ltd, ACN 125 139 004  
Virgin Australia Cargo Pty Ltd, ACN 600 667 838  
VB Leaseco Pty Ltd, ACN 134 268 741  
VA Hold Co Pty Ltd, ACN 165 507 157  
VA Lease Co Pty Ltd, ACN 165 507 291  
Virgin Australia 2013-1 Issuer Co Pty Ltd, ACN 165 507 326  
737 2012 No.1 Pty. Ltd, ACN 154 201 859  
737 2012 No. 2 Pty Ltd, ACN 154 225 064  
Short Haul 2016 No. 1 Pty Ltd, ACN 612 766 328  
Short Haul 2016 No. 2 Pty Ltd, ACN 612 796 077  
Short Haul 2014 No. 1 Pty Ltd, ACN 600 809 612  
Short Haul 2014 No. 2 Pty Ltd, ACN 600 878 199  
VA Regional Leaseco Pty Ltd, ACN 127 491 605  
VB 800 2009 Pty Ltd, ACN 135 488 934  
VB Leaseco No 2 Pty Ltd, ACN 142 533 319  
VB LH 2008 No. 1 Pty Ltd, ACN 134 280 354  
VB LH 2008 No. 2 Pty Ltd, ACN 134 288 805  
VB PDP 2010-11 Pty Ltd, ACN 140 818