

8 November 2022

## CIRCULAR TO CREDITORS

Dear Sir / Madam

### Project Volar Creditors' Trust (the Trust)

We refer to our previous updates to creditors, including our last update to creditors dated 2 September 2022.

### Payment of Interim Distribution

As mentioned in our [circular to creditors dated 2 September 2022](#), we have recently declared and paid an interim distribution to creditors of the Trust:

Dividend Pool	Funds Available for Distribution (AUD\$m)	Rate of Return (cents / AUD\$1)	Rate of Return (%)
Pool A	319.7	0.053195	5.3195%
Pool B	10.0	0.005052	0.5052%

For various reasons, including differing structures, note documentation, governing law and clearing systems, the interim distribution for noteholders was paid to your relevant note trustee or registrar and subsequently distributed to beneficial holders of the notes in accordance with paragraph 5 of our [circular to creditors dated 7 April 2021](#).

If noteholders have any queries regarding their interim distribution we recommend that you contact your relevant note trustee or custodian for further information.

The Trustees are continuing to reconcile and re-distribute payments that have been made to creditors via EFT and cheque that have 'bounced' or reversed, and we thank you for your patience throughout this process.

### Contingent Value Entitlement (CVE)

Creditors will recall from our circular dated 2 September 2022 that we hold a balance of cash which we will use to make a final distribution to creditors after the Contingent Value Entitlement (CVE) has been calculated, and if applicable, paid. The CVE requirements are set out in clause 2.1 in Schedule 2 of the [Primary Deed to Company Arrangement \(DOCA\)](#).

In summary, the CVE is effectively an "earn out arrangement" and operates such that if Virgin Australia hits certain profitability levels, the purchasers of Virgin Australia (Bain) will be required to pay a further purchase price to the Trust.

The CVE is to be paid by Bain if Virgin Australia meets the following criteria for the financial years ending 30 June 2022 (FY22) and 30 June 2023 (FY23).

Relevant Financial Year	EBITDAR* target (AUD \$m)	CVE payable to the Trust (AUD \$m)
FY22	1,000.0	62.5
FY23	1,200.0	62.5

\*Definition of EBITDAR can be found in clause 1.1 in Schedule 2 of the [Primary DOCA](#).

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Virgin Australia's audited accounts for FY22 were provided to us on 14 September 2022. We have undertaken a calculation of the FY22 CVE EBITDAR target using the definition in clause 1.1 in Schedule 2 of the DOCA.

In preparing the above calculation, as well as a detailed review of the accounts, we also discussed various aspects of the accounts with the external auditors and the CFO of Virgin Australia.

The calculation undertaken by the Trustees confirmed that Virgin Australia did not meet the FY22 EBITDAR target and was not liable to pay the FY22 CVE to the Trust.

### Timing of Final Distribution

As noted in our [circular to creditors dated 2 September 2022](#), subject to the outcome of the FY23 CVE with Virgin Australia, we intend to make a final distribution in late 2023. Further information regarding the quantum and timing of this final distribution will be provided in due course.

### Further Queries

In the event you have any queries regarding the contents of this circular, or the administration in general, please contact us at [virginadmin@deloitte.com.au](mailto:virginadmin@deloitte.com.au).

Yours faithfully



**Richard Hughes**  
Trustee