ASX/MEDIA RELEASE

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EQUITY RAISING AND TRADING UPDATE

- **Fully underwritten $231.4 million equity raising, supported by Virgin Group**
- **Capital to be used to improve liquidity and increase financial flexibility**
- **Expect underlying trading result for FY09 (inc. VAustralia) to be between breakeven and a $10 million loss after tax**
- **Expect Group net loss after tax for FY09 to be between $160 – 165 million**
- **FY10 result is forecast to be breakeven, with positive Group cash flow**
- **CEO succession planning**

Virgin Blue (ASX: VBA) today launched a fully underwritten equity raising of approximately $231.4 million to improve liquidity and provide increased financial flexibility.

Virgin Blue Chief Executive Officer Brett Godfrey said "This is an opportunity to invest in one of the industry's most respected airline brands."

"The proceeds of this raising will significantly strengthen Virgin Blue's capital position, and improve liquidity and financial flexibility which we believe is prudent in the light of challenging conditions facing the airline industry."

"Our company has this fiscal year invested $850 million in the business and expanded our network with the launch of 22 new routes and achieved sustainable cost reductions throughout our business. These initiatives, combined with the proceeds of this capital raising and our new code share agreement and planned joint venture alliance with Delta Air Lines will ensure we are well placed to move quickly to participate in the upside as markets recover."

EQUITY RAISING

The equity raising will consist of:

- an institutional placement of approximately 105.2 million shares ("Institutional Placement") to raise approximately $21.0 million; and
- a 1 for 1 non-renounceable pro-rata entitlement offer ("Entitlement Offer") to raise approximately $210.4 million

at an offer price of $0.20 per share (together, "the Offer").

The Offer is fully underwritten by Credit Suisse (Australia) Limited and J.P. Morgan Australia Limited.

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Virgin Blue will use the proceeds of the Offer to increase Virgin Blue's liquidity and provide increased financial flexibility. When market conditions improve, this will also enable Virgin Blue to quickly pursue available growth opportunities, including flying new routes and the acquisition of aircraft on favourable terms.

TRADING UPDATE

Financial and operating performance

The summary, unaudited financial results for the financial year ended 30 June 2009 are as follows:

Year ended 30 June	Est. 2009 $ million	2008 $ million	Change
Revenue	2,630 – 2,640	2,352	+11.8 to12.2%
EBITDAR*	355 – 360	417	-14.9 to -13.7%
Net (loss) / profit after tax	(160) – (165)	98	Nm
Net profit/(loss)after tax split as			
Short haul – profit	25-30	95	-73.6 to -68.4%
Long haul – VAustralia			
- Pre-operational costs/fx	(60-65)	(9)	Nm
- Trading losses	(30-35)	-	Nm
Financial Instruments	(90-95)	12	Nm

Operating Statistics	Est. 2009	2008	Change
Short haul			
ASK – capacity	26.6bn	23.3bn	+14.2%
RPKs – demand	21.0bn	18.8bn	+11.7%
Guests carried	18.2m	16.7m	+9.0%
Load factor	79.1%	80.5%	-1.4^{pts}
CASK – excl fuel	6.48	6.81	-4.8%
Long haul			
ASK – capacity	1.2bn	-	Nm
RPKs – demand	0.8bn	-	Nm
Guests carried	c.65,000	-	Nm
Load factor	62.3%	-	Nm

*Excludes VAustralia pre operational costs and fx

Excluding one offs the underlying trading result for FY09 for the Group (including VAustralia) is expected to be between breakeven and a $10 million loss after tax.

Virgin Blue's short haul operations are expected to make a net profit after tax of between $25-30 million, reflecting the strong performance of the business through what has been aviation's most challenging period. Virgin Blue has successfully managed its capacity throughout this period, implementing a decisive and comprehensive redeployment strategy that saw capacity growth in the Australian market reduced to 4.5% from a budgeted growth of over 20%, and 4 aircraft redeployed to international short haul markets. Load factors have held up at 79.1%, down only 1.4pts over the prior year, while capacity is expected to decline a further 5% in FY10 and remain flat in FY11.

While yield for the short haul business decreased at 2.4% for the year (with the exception of May and June 2009 which showed yield improvement) due largely to adherence to the company's New World Carrier strategy, Virgin Blue's short haul business fared better than competitors who have reported greater yield declines to date. Market share increased 0.6 points to 30.7% (as at 31 May 2009, Bureau of Infrastructure, Transport and Regional Economics latest available data). Virgin Blue also successfully delivered cost savings for FY09 of between $80-90 million, while continuing to deliver the best On-Time Performance, now four years in a row for the Australian market.

Capital investment in the year totalled some $850 million, and saw the fleet grow by 14 aircraft, including 11 narrow bodies and three widebody 777-300ER's. With 22 new short haul routes launched in the year, 10 in the domestic market and 12 internationally, Virgin Blue's network footprint has been increased significantly, positioning the company well for when the markets recover.

VAustralia, is expected to make a trading loss after tax of between $30–35 million for the financial year ending 30 June 2009, with a further $60-65 million in associated start-up and foreign exchange losses. Importantly, guest and industry response to VAustralia's product and service offering has been extremely positive in both Australia and the USA and despite a very short launch period due to the Boeing strike which heavily impacted forward sales profile, load factors are currently expected to exceed 75% for July 2009. The planned joint venture alliance with Delta Air Lines will further enhance the competitive position and future profitability of VAustralia, and group cash flows are expected to be sufficient to fund the losses forecast for VAustralia in FY10.

Financial instruments expenses, being the non-cash cost of ineffective fuel and currency hedges, are expected to be between $90-95 million for the year.

The equity raising announced today will be directed towards increasing liquidity and financial flexibility in light of the challenging operating environment facing the industry. On a pro forma basis (before costs) cash balances are expected to increase from $475 million as at 30 June 2009, to approximately $705 million as a result of the announced equity raising. The company's asset realisation program has also delivered $133 million to date, including the sale and lease back of three unencumbered aircraft. A further $215 million is targeted in FY10 through various sale and lease back transactions as part of the Group's capex financing plans.

Given the Group's continued focus on capital preservation, for investment and growth, the Board believe it is prudent to not recommend a Final Dividend at this time.

Outlook

The operating environment over the last 12 months has been the most challenging in the airline's history. In response to these market conditions, Virgin Blue has, in addition to the initiatives announced today, successfully implemented a capacity management plan over the last 12 months. As a result, we believe Virgin Blue is currently well positioned in the markets in which it operates and it remains relevant to both corporate/government and core leisure travellers.

The key drivers of the business – capacity, demand and fuel – remain volatile. However, based on current market conditions, the group result for FY10 is expected to be breakeven, with a positive group cash inflow. The strengthening of Virgin Blue's capital position combined with the current strategic initiatives will position the business to weather the current market environment and move quickly to participate in the upside as markets recover.

CEO SUCCESSION PLANNING

After 10 years of successfully launching and leading Virgin Blue, the company's co-founder and Chief Executive Brett Godfrey has confirmed his decision to retire from the company during the course of 2010. The Board has ample time to manage the succession planning and is confident of appointing the right person to lead the company into the next decade.

At the Board's request Brett has agreed to remain with the company through to the end of 2010.

The agreed transition period will preserve the excellent staff culture Brett has fostered and enable Virgin Blue to continue its New World Carrier strategy.

SHAREHOLDER PARTICIPATION

Virgin Blue's largest shareholder, the Virgin Group, has confirmed its support for Virgin Blue and the equity raising by committing to subscribe for 304.9 million shares under the Offer, being its pro-rata share of the Entitlement Offer and 35% of Institutional Placement. Virgin Group is also acting as a sub-underwriter for 20.0% of the retail component of the Entitlement Offer ("Retail Entitlement Offer"). This equates to a total investment by Virgin Group of between $61.0 - $79.9 million. If there are no subscriptions under the Retail Entitlement Offer Virgin Group's holding in Virgin Blue will increase from 25.5% to 30.2%.

A majority of the Directors and Senior Executives of Virgin Blue eligible to subscribe for shares under the Entitlement Offer (including the Chairman, Chief Executive Officer and Chief Financial Officer) have committed to participate in the Entitlement Offer.

INSTITUTIONAL PLACEMENT AND ENTITLEMENT OFFER

The Institutional Placement and the Entitlement Offer will both be offered at a fixed price of $0.20 per New Share. The offer price of $0.20 per New Share represents a 31.0% discount to the closing price of $0.29 on 24 July 2009 and a 17.6% discount to the Theoretical Ex-Rights Price. New Shares issued under the Offer will rank equally in all respects with issued ordinary shares.

The Offer of $231.4 million is fully underwritten by Credit Suisse (Australia) Limited and J.P. Morgan Australia Limited.

The Entitlement Offer will be conducted on the basis of 1 new Virgin Blue fully paid ordinary share ("New Shares") for every 1 existing Virgin Blue ordinary share ("Share") held ("Entitlement") at 7.00pm (AEST) on Thursday 30 July 2009 (Record Date).

For eligible shareholders, it is important to note that your Entitlement is non-renounceable. This means that shareholders who do not take up their Entitlements in full will not receive any value in respect of those Entitlements they do not take up. Shareholders are able to apply for more shares than their Entitlement.

Certain shareholders resident outside Australia and New Zealand are not eligible to participate in the Entitlement Offer due to securities laws restrictions on the offer of new shares in certain jurisdictions. Virgin Blue will appoint a nominee for ineligible shareholders. Virgin Blue will issue the nominee with rights to subscribe for the Virgin Blue shares that would have been available for subscription by ineligible shareholders had they been eligible to participate in the Entitlement Offer. The nominee will offer those rights for sale to wholesale investors and will work with Virgin Blue to distribute any proceeds of sale (net of expenses) proportionately to all such ineligible shareholders.

Virgin Blue expects to announce the outcome of the Institutional Placement and Institutional Entitlement Offer to the market prior to the start of the trading day on Thursday 30 July 2009.

Eligible Retail Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7:00pm (AEST) on the Record Date;
- have a registered address in Australia or New Zealand
- are not in the United States or a U.S. Person or acting for the account or benefit of such persons;
- are not an institutional shareholder who received an offer to participate in the Institutional Entitlement Offer or who was allocated New Shares under the Institutional Placement (either directly or indirectly via a nominee or custodian); and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Eligible Retail Shareholders will be invited to participate in the Entitlement Offer on the same terms as Eligible Institutional Shareholders. Eligible Retail Shareholders will be able to take up their Entitlement as well as apply for additional New Shares.

STOCK LENDING

Eligible shareholders will be entitled to apply for 1 New Share for every 1 Share held as at 7.00pm (AEST) on the Record Date, Thursday 30 July 2009. In the event a Virgin Blue shareholder has Virgin Blue ordinary shares out on loan, the borrower will be regarded as the shareholder for the purposes of determining the Entitlement (provided that those borrowed shares have not been on-sold).

SHAREHOLDER ENQUIRIES

Retail shareholders who have questions regarding the Retail Entitlement Offer should email virginblueoffer@computershare.com.au or call the Virgin Blue Shareholder Information on 1300 524 982 (local call cost within Australia) or +61 3 9415 4059 (from outside Australia) at any time from 8.30am to 5.00pm (AEST) Monday to Friday or go to Virgin Blue's website at www.virginblue.com.au.

Important Notices

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