

Update on Outlook for the Year ending 30 June 2010

Friday, 28 May 2010: Virgin Blue said today that the Group now estimates its reported Net Profit before Tax and Exceptional Items for the 2010 financial year will be in the range of \$20-40 million, compared to previous guidance of \$80 million.

Since the guidance given earlier this month, we have continued to see rapid deterioration and increased volatility in the operating environment, particularly in respect of the leisure segment both domestically and internationally. This is consistent with the weakening trend seen recently in the broader retail market as well as an unexpected and sudden decline in consumer confidence in the last month. The decline in demand has coincided with a period of increased industry capacity.

We expect average fares to decrease by over 10%, in line with the trend seen in the recent BITRE data for discount economy fares. Despite the sharp downturn, the short haul business is still expected to make a net profit before tax and exceptional items in the order of \$100 million.

The Company will continue to monitor market conditions and, should these prevail, we have flexibility to adjust capacity through lease returns. However, we remain focussed on defending our core strategic routes.

The Company's focus on cost control has continued, with Cost per Available Seat Kilometre (excluding fuel) expected to show a further decrease over that achieved in the first half.

The profit before tax and exceptional items guidance excludes any adjustments in respect of hedging ineffectiveness. Based on current market conditions and volatility, the Company would expect a credit in respect of this item for the full year.

Further information:

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