



ASX RELEASE

## VIRGIN BLUE HOLDINGS LIMITED (ASX:VBA)

### UPDATE ON OUTLOOK FOR SIX MONTHS ENDED 31 DECEMBER 2010

**25 JANUARY 2011:** Virgin Blue continues to assess the impact of the recent major flooding events including disruption of operational and administrative activities. Operations to all ports are returning to normal, including the corporate Headquarters in Brisbane which were evacuated during the floods.

The slowdown in consumer spending experienced across the discretionary retail and leisure sector, together with the recent floods in the Eastern States, could have a significant impact on trading conditions over the coming months. The extent of this impact on revenue cannot be accurately estimated at this time but could be up to \$40 million. A further update will be provided at the Half Year Results on 23 February 2011.

Our Game Change Program continues to be on track with benefits beginning to be realised in the 2012 financial year.

Virgin Blue Group expects that its Underlying Net Profit Before Tax (excluding non recurring items and ineffective hedging) for the six months ended 31 December 2010 will be in the range of \$70-75 million, compared to the prior corresponding period of \$75.6 million.

Underlying Profit Before Tax eliminates the volatility arising from the application of AASB139 in respect of accounting for derivatives used to hedge fuel and currency exposures. As such it better reflects the operating performance of the business. The volatility arising from AASB139 cannot be forecast and does not reflect the underlying economic outcome of the Group's hedging policy, in particular due to certain mark-to-market movements being recorded in periods different to the underlying transaction.

As reported on 11 October 2010, the outage of the Navitaire reservations, check-in and related operating systems in late September 2010 had an estimated pre-tax profit impact of \$15-20 million. Negotiations are continuing with Navitaire for recovery of the loss suffered.

Taking into account the Navitaire outage and the non cash impact of ineffective hedges in respect of future periods of approximately \$17 million (prior period – credit of \$23 million), Virgin Blue expects to report a Net Profit After Tax for the six months ended 31 December 2010 in the range of \$23-26 million, compared to the prior corresponding period of \$62.5 million.

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