

Virgin Blue Annual General Meeting - Chairman's Address

Ladies and Gentlemen,

In a year which saw the viability of all airlines challenged by unprecedented record fuel prices, Virgin Blue delivered a credible result for the 2008 financial year, with underlying profit after tax of \$140 million

During the last few months, we have completed a strategic review of the business and accelerated a fuel mitigation programme including commencement of a \$50 million group-wide cost savings programme.

Initiatives also included reducing planned 2008/9 capacity growth via deferral of aircraft deliveries, redeployment of aircraft to trans-Tasman and Pacific routes, the introduction of new services to uncontested routes and a freeze on all executive salaries.

Importantly, investment in key strategic initiatives continued, including VAustralia, Pacific Blue's entry to the New Zealand domestic market, the introduction of Embraer aircraft to Australian operations and the launch of a series of product initiatives to enhance our ability to compete in more markets and segments.

Directors are continuing to assess a range of initiatives to ensure that we remain competitive.

We said at our annual results announcement in August, that looking forward, we expect the operating environment for the 2009 financial year to be the most difficult Virgin Blue has yet experienced.

Despite a recent easing of global oil prices which has brought some relief, the softening economic conditions are presenting a continuing challenge to our business.

In fact, the economy, the global financial crisis and the impact on consumer confidence will combine to overtake fuel as the biggest issue for our industry in the next 12-24 months.

Whilst we believe that our New World Carrier strategy will assist us in mitigating the impact of the challenging economic environment, the company remains heavily focussed on cost reduction programs, capacity management and working capital efficiency.

As a consequence of the extreme volatility in fuel and currency markets, there will be a requirement under IFRS to mark to market certain of our hedge positions, whilst this has no impact on our cash position, based on current market prices this could entail a pre-tax accounting charge in the current period of around \$200 million.

Ironically, shareholders should also note that the company has, based on current exchange rates, an unrealised foreign currency gain, also approximating \$200 million, which and required by IFRS has not been recorded through the profit and loss account.

Notwithstanding this accounting treatment, which has also impacted several major airlines, our overall risk management policy continues to serve us well in terms of delivering a conservative economic outcome and protecting our underlying cash position, which remains strong.

Looking forward, we remain enthusiastic about the launch of our new venture V Australia in early 2009. Despite launching in less than optimal circumstances, the fact remains that the Australia to

US market has limited competition and we remain convinced of the potential of V Australia in the medium to long term.

During the past few months, industry rationalisation on a regional and global scale has gained momentum. We expect this to continue and believe that economic conditions will drive further need for consolidation, including merger activity, across the industry.

Our performance in the past 12 months was due to the outstanding efforts of the Virgin Blue team in a very difficult year.

In addition to delivering daily operations now serving 16 million Guests per annum they succeeded in providing a series of major projects to improve our long term competitiveness and adapted our business to an unprecedented operating environment.

I take this opportunity to acknowledge the hard work of all our people who together deliver the award winning service delivered to our Guests and who are the pillars that will ensure Virgin Blue will continue to succeed in the challenging times ahead.

I now ask upon the Company's CEO, Brett Godfrey, to address you on the Group's operations.

Neil Chatfield
Chairman