

Date: 20 February 2008



ASX RELEASE

Half Year Results - 31 December 2007

This release contains:

1. ASX Appendix 4D Half Year Report; and
2. Consolidated Interim Financial Report and Directors' Report for the Half Year Ended 31 December 2007.

Scott Swift
Company Secretary

Media		
Heather Jeffrey -	General Manager Public Affairs, Virgin Blue	- ph: 07 3295 5898
Investors		
Keith Neate -	Chief Financial Officer, Virgin Blue	- ph: 07 3295 3194

**Virgin Blue Holdings Limited
ACN 100 686 226
and its Controlled Entities**

**Additional Information Required by
ASX Appendix 4D**

**Financial Report for the
Half-Year Ended 31 December 2007**

ASX Appendix 4D

Final Report

Name of Entity	Virgin Blue Holdings Limited
ACN	100 686 226
Reporting Period (Reviewed)	6 months ended 31 December 2007
Previous Corresponding Period (Reviewed)	6 months ended 31 December 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up	8.1% to 1,211.9 million
Profit from ordinary activities after tax attributable to members	down	8.8% to 113.3 million
Net profit from the period attributable to members	down	8.8% to 113.3 million

DIVIDENDS (cents per share)

	Amount	Franked Amount
Final Dividend	2 cents	2 cents
Interim Dividend	2 cents	2 cents

On 19 February 2008 the directors determined an interim dividend of 2 cents per share, fully franked based on tax paid at 30%. The record date for the dividend will be 29 February 2008 and will be paid on 28 March 2008. The total amount payable on 28 March 2008 will be \$21.0 million.

The final dividend for the year ended 30 June 2007 was paid on 21 September 2007. The record date for the dividend was 5 September 2007. The total dividend paid was \$20.8 million.

NET TANGIBLE ASSETS

	Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary share	\$0.81	\$0.63

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Entity	Percentage of ownership interest held:		Contribution to net profit:	
	31 December 2007	31 December 2006	31 December 2007 \$'m	31 December 2006 \$'m
Polynesian Blue Limited	49%	49%	1.7	1.4

This report includes financial statements for the Reporting Period and the Previous Corresponding Period which have been reviewed.

**Virgin Blue Holdings Limited
ACN 100 686 226
and its Controlled Entities**

**Interim Financial Report
for the six months ended
31 December 2007**

Virgin Blue Holdings Limited and its Controlled Entities
31 December 2007 Interim Financial Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Virgin Blue Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Virgin Blue Holdings Limited and its Controlled Entities

Corporate Directory

JOINT COMPANY SECRETARIES

Mr Scott Swift

Mr Bernard McInerney

PRINCIPAL ADMINISTRATIVE AND REGISTERED OFFICE

Virgin Blue Holdings Limited

Level 7

131 Barry Parade

Fortitude Valley QLD 4006

Australia

Telephone: (07) 3295 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 19

307 Queen Street

Brisbane QLD 4000

STOCK EXCHANGE

The Company is listed on the Australian Stock Exchange. The Home Exchange is Brisbane.

OTHER INFORMATION

Virgin Blue Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Virgin Blue Holdings Limited and its Controlled Entities

Directors' report

The directors present their report together with the consolidated financial report of Virgin Blue Holdings Limited for the six month period ended 31 December 2007 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are:

Name	Position	Period of directorship
Mr Neil Chatfield	Non-Executive Chairman	Appointed 11 May 2006. Appointed Company Chairman 14 June 2007
Mr Brett Godfrey	Managing Director Chief Executive Officer	Appointed 27 May 2002
Mr Patrick McCall	Non-Executive Director	Appointed 27 May 2002
Mr David Baxby	Non-Executive Director	Appointed 30 September 2004
Mr Paul Little	Non-Executive Director	Appointed 11 May 2006
Mr Bob Watson	Independent Non-Executive Director	Appointed 8 September 2006
Mr Robert Thomas	Independent Non-Executive Director	Appointed 8 September 2006
Mr Bernard McInerney	Non-Executive Director	Appointed 8 September 2006
Mr Terence Mallon	Non-Executive Director	Appointed 17 November 2006
Mr John Ludeke	Non-Executive Director	Appointed 14 June 2007
Mr Stephen Murphy	Alternate Director	Appointed as alternate director for Mr David Baxby and Mr Patrick McCall on 30 September 2004

Review of operations

Net profit after income tax for the six month period ended 31 December 2007 was \$113.3 million which reflects an 8.8% decrease compared with the corresponding six month period ended 31 December 2006.

In the 6 months to 31 December 2007, EBIT (earnings before interest and tax) decreased by 5.6% to \$176.1 million.

As shown in the financial statements, basic earnings per share for the six month period ended 31 December 2007 was 10.8 cents per share and on a diluted basis, was also 10.8 cents per share.

**Virgin Blue Holdings Limited and its Controlled Entities
Directors' report (continued)**

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5, and forms part of the directors' report for the six months ended 31 December 2007.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this 19th day of February 2008.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'Brett Godfrey', is written over a horizontal line.

Brett Godfrey
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Virgin Blue Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2007 there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG



Robert S Jones

Partner

Brisbane, 19 February 2008

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Income Statement
For the six months ended 31 December 2007

	31 December 2007 \$'m	31 December 2006 \$'m
Revenue and income		
Revenue from continuing operations	1,209.9	1,113.4
Share of net profits of associate accounted for using the equity method	1.7	1.4
Other income	0.3	6.5
	<hr/> 1,211.9	<hr/> 1,121.3
Operating expenditure		
Aircraft operating costs	69.5	73.7
Airport charges, navigation and station operations	217.2	192.0
Contract and other maintenance costs	57.7	54.4
Commissions and other marketing and reservations costs	67.6	56.1
Fuel and oil	266.3	262.3
Labour and staff related costs	253.0	205.9
Other expenses from ordinary activities	47.4	41.6
Depreciation and amortisation	57.1	48.7
	<hr/> 1,035.8	<hr/> 934.7
Earnings before interest and tax	<hr/> 176.1	<hr/> 186.6
Finance costs	32.1	28.9
Interest revenue	18.3	20.1
Profit from continuing operations before income tax expense	<hr/> 162.3	<hr/> 177.8
Income tax expense	49.0	53.5
Net profit for the six months attributable to the members of Virgin Blue Holdings Limited	<hr/> 113.3 <hr/> <hr/>	<hr/> 124.3 <hr/> <hr/>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	10.8 cents	11.9 cents
Diluted earnings per share	10.8 cents	11.8 cents

The above Income Statement is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Balance Sheet
As at 31 December 2007

	Note	31 December 2007 \$'m	30 June 2007 \$'m
Current assets			
Cash and cash equivalents		771.2	704.0
Trade and other receivables		102.1	74.3
Inventories		0.5	0.4
Derivative financial instruments		63.1	26.4
Total current assets		<u>936.9</u>	<u>805.1</u>
Non-current assets			
Investments accounted for using the equity method		4.5	2.8
Other financial assets		25.6	24.8
Property, plant and equipment		1,963.2	1,425.0
Deferred tax assets		0.7	0.7
Intangible assets		47.0	47.3
Total non-current assets		<u>2,041.0</u>	<u>1,500.6</u>
Total assets		<u>2,977.9</u>	<u>2,305.7</u>
Current liabilities			
Trade and other payables		242.7	163.3
Interest-bearing liabilities		228.5	86.7
Provisions		41.6	44.0
Derivative financial instruments		60.1	105.0
Current tax liabilities		19.2	0.1
Unearned revenue		347.8	332.7
Total current liabilities		<u>939.9</u>	<u>731.8</u>
Non-current liabilities			
Trade and other payables		0.4	0.5
Interest-bearing liabilities		1,028.9	759.7
Provisions		43.0	38.0
Deferred tax liabilities		67.7	29.9
Unearned revenue		2.0	2.3
Total non-current liabilities		<u>1,142.0</u>	<u>830.4</u>
Total liabilities		<u>2,081.9</u>	<u>1,562.2</u>
Net assets		<u>896.0</u>	<u>743.5</u>
Equity			
Contributed equity	10	406.0	405.3
Reserves	11	10.2	(49.1)
Retained profits		479.8	387.3
Total equity		<u>896.0</u>	<u>743.5</u>

The above Balance Sheet is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Statement of Recognised Income and Expense
For the six months ended 31 December 2007

	31 December 2007 \$'m	31 December 2006 \$'m
Exchange differences on translation of foreign operations	0.2	(0.3)
Effective portion of changes in fair value of cash flow hedges	48.9	(32.7)
Net change in fair value of cash flow hedges transferred to profit or loss	8.7	6.9
Income and expense recognised directly in equity	<hr/> 57.8	<hr/> (26.1)
Profit for the period	113.3	124.3
Total recognised income and expense for the period attributable to equity holders of Virgin Blue Holdings Limited	<hr/> 171.1	<hr/> 98.2

Other movements in equity arising from transactions with owners as owners are set out in notes 10 and 11. The amounts recognised in equity are disclosed net of tax.

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Cash Flow Statement
For the six months ended 31 December 2007

	31 December 2007 \$'m	31 December 2006 \$'m
Cash flows from operating activities		
Cash receipts in the course of operations	1,349.5	1,240.6
Cash payments in the course of operations	(1,049.8)	(999.6)
Finance costs paid	(37.0)	(29.5)
Income taxes paid	(15.7)	(16.8)
Net cash inflow from operating activities	247.0	194.7
Cash flows from investing activities		
Interest received	18.7	19.6
Payments for other deposits	(0.8)	(3.2)
Payments for intangible assets	(0.7)	(3.2)
Proceeds on disposal of property, plant and equipment	0.8	-
Payments for property, plant and equipment	(595.6)	(169.3)
Net cash (outflow) from investing activities	(577.6)	(156.1)
Cash flows from financing activities		
Proceeds from borrowings	459.8	155.7
Repayment of borrowings	(42.6)	(70.5)
Proceeds from issue of shares	0.2	-
Dividends paid	(20.8)	-
Net cash inflow from financing activities	396.6	85.2
Net increase in cash and cash equivalents	66.0	123.8
Cash and cash equivalents at the beginning of the financial period	704.0	573.0
Effects of exchange rate changes on cash and cash equivalents	1.2	1.8
Cash and cash equivalents at the end of the financial period	771.2	698.6

The above Cash Flow Statement is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities

Condensed notes to the consolidated interim financial report

For the six months ended 31 December 2007

1 Reporting entity

Virgin Blue Holdings Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six month period ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 is available upon request from the Company’s registered office at 131 Barry Parade, Fortitude Valley QLD 4006, or at www.virginblue.com.au.

2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001. The financial report of the Group complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2007.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

The Group has adopted AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* (April 2007) (AASB 2007-4). There have been no changes to the accounting policies of the Group as a result of the adoption of this standard.

4 Seasonality

As is normal in the airline industry, performance and capacity is very seasonal throughout a 12 month period. Therefore, the first six month period may not be representative of the second six month period of any given year.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2007

5 Critical accounting estimates and judgements

The preparation of the interim financial report requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

6 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

7 Segment reporting

The Group operates predominantly in Australia within the airline industry. All revenue, operating profit and assets relate to operations predominantly in Australia.

8 Property, plant & equipment

During the six months ended 31 December 2007 the Group acquired assets with a cost of \$595.6 million (2006: \$169.3 million) primarily made up of aircraft and aeronautic related assets.

9 Interest bearing liabilities

During the period, the Group entered into additional interest bearing liabilities to finance the purchase of additional aeronautical assets. The facilities are secured over assets purchased and issued capital of VBIANC1 Pty Ltd and VBNC9 Pty Ltd.

Total proceeds from borrowings for the six months ended 31 December 2007 totalled \$459.8 million (2006: \$155.7 million), with repayment of borrowings totalling \$42.6 million (2006: \$70.5 million).

10 Share capital

	31 December 2007 \$'m	31 December 2006 \$'m
Ordinary shares, fully paid	427.1	423.3
Treasury shares held by the KEPP Trust	(21.1)	(21.5)
	406.0	401.8
	406.0	401.8

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2007

10 Share capital (continued)

Details	Consolidated \$m
Balance at 1 July 2006	400.9
Issue of shares by Key Employee Performance Plan	0.9
Balance at 31 December 2006	<u>401.8</u>
Balance at 1 July 2007	405.3
Exercise of SEOP – Issue 6 options	0.3
Issue of shares by KEPP	0.4
Balance	<u>406.0</u>

11 Reserves

	31 December 2007 \$'m	31 December 2006 \$'m
Foreign currency translation reserve	(0.3)	(0.6)
Hedging reserve - cash flow hedges	(1.2)	(21.0)
Share-based payments reserve	11.7	9.1
	<u>10.2</u>	<u>(12.5)</u>
Movements		
<i>Foreign currency translation reserve</i>		
Balance at beginning of period	(0.5)	(0.3)
Currency translation difference arising during the period	0.2	(0.3)
Balance at end of period	<u>(0.3)</u>	<u>(0.6)</u>
<i>Hedging reserve – cash flow hedges</i>		
Balance at beginning of period	(58.8)	4.8
Revaluation – gross	45.3	(47.6)
Deferred tax	(24.6)	11.1
Transfer to net profit	8.7	6.9
Transfer to initial carrying amount of hedged item	28.2	3.8
Balance at end of period	<u>(1.2)</u>	<u>(21.0)</u>
<i>Share-based payments reserve</i>		
Balance at beginning of period	10.2	8.5
Options expense	1.9	1.5
Options / performance rights exercised	(0.4)	(0.9)
Balance at end of period	<u>11.7</u>	<u>9.1</u>

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2007

12 Dividends paid

The following dividends were declared and paid by the Group during the six months ended 31 December 2007:

	31 December 2007 \$'m	31 December 2006 \$'m
21 September 2007: \$0.02 per qualifying ordinary share fully franked (2006: \$nil)	20.8	-

Refer to note 16 for details of dividends declared subsequent to 31 December 2007.

13 Commitments

Commitments for the acquisition of property, plant and equipment (primarily aircraft and aeronautic assets) contracted for at the reporting date but not recognised as liabilities, payable:

	31 December 2007 \$'m	31 December 2006 \$'m
Within 1 year	943.0	254.2
One year or later and no later than five years	1,699.4	709.2
	<u>2,642.4</u>	<u>963.4</u>

14 Contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2007.

15 Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

On 31 August 2007 the Group completed an agreement with Toll Priority (a subsidiary of the ultimate parent company) under which Toll Priority is provided with exclusive access to all freight capacity in aircraft operated by the Group. Revenue received under the contract to 31 December 2007 totalled \$8.5 million. At the end of the financial period, receivables of \$2.5 million were owed by Toll Priority to the Group.

Other than as disclosed in these financial statements, there have been no other material changes in the nature or amounts of related party transactions since 30 June 2007.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2007

16 Subsequent Events

a) Dividends

Subsequent to 31 December 2007, the Directors have declared the following dividend, fully franked based on tax paid at 30%:

	Cents per share	Total amount \$'m
Interim dividend - ordinary	<u>2.0</u>	<u>21.0</u>

The financial effect of this dividend has not been brought to account in the financial statements for the six month period ended 31 December 2007 and will be recognised in subsequent financial reports.

Other than the matter noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Virgin Blue Holdings Limited

Directors' declaration

In the opinion of the directors of Virgin Blue Holdings Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 6 to 14, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 19th day of February 2008.

Signed in accordance with a resolution of the directors:



Brett Godfrey
Director



Independent auditor's review report to the members of Virgin Blue Holdings Limited

Report on the Financial Report

We have reviewed the accompanying interim financial report of Virgin Blue Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration (set out on pages 6 to 15) of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Virgin Blue Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Virgin Blue Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

KPMG

KPMG

Robert S. Jones

Robert S Jones
Partner

Brisbane, 19 February 2008