Financial Results
Six months to 31 December 2008

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23 February 2009

Key Highlights - 6 Months to 31 December 2008

- Underlying profit before tax $60 million – down 69%
  - Higher fuel and lower RASK
  - Launched services into 13 new markets in just over 2 months.
  - Fuel prices : effective WTI averaged USD102 bbl, up 44%.
- Underlying non-fuel CASK down 1.2% to 6.55 cents
- On-going capacity management
  - FY09 domestic growth down from 20.2% to 4.5%, FY10 -2.4%
- Focus on capital retention
  - Cash management and asset realisation programme
  - Underlying business will continue to generate cash

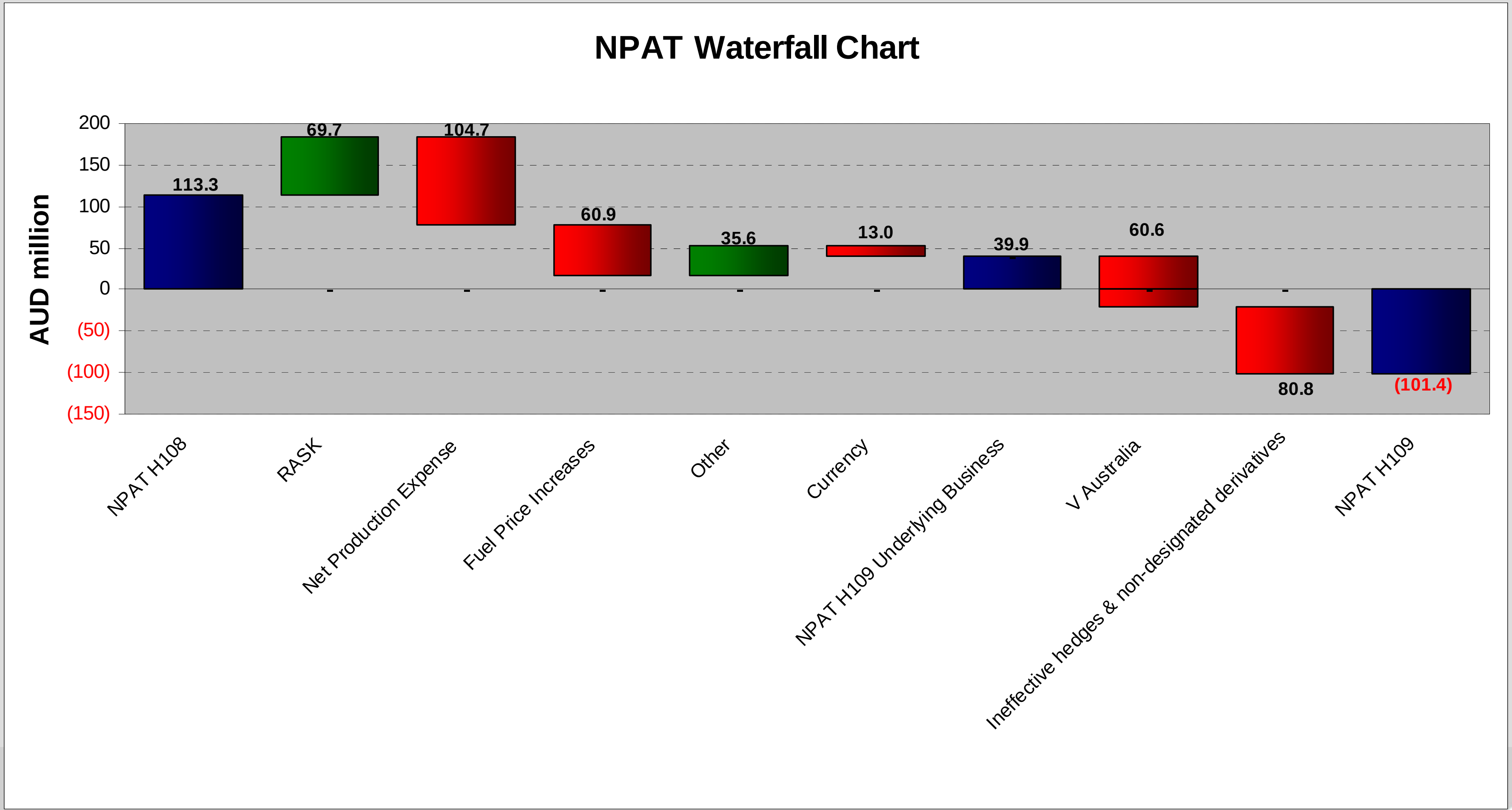
Summary Financial Results

6 months to 31 December	2008 $m	2007 $m	Increase / Decrease
Revenue	1,351.6	1,211.9	+ 11.5%
EBITDAR	223.3	327.4	- 31.8%
EBIT	87.0	207.2	- 58.0%
Operating profit before tax – underlying business	60.0	193.3	- 68.9%
New initiatives - after tax	(60.6)	(21.8)	
Financial Instruments – after tax	(80.8)	-	
Net (loss) / profit after tax	(101.4)	113.3	

Summary Operating Results

6 months to 31 December	2008	2007	% Increase/ Decrease
ASK's – capacity	13.16 B	11.33 B	+ 16.1%
RPK's – demand	10.55 B	9.42 B	+ 12.0%
Guests carried	9.24 m	8.16 m	+ 13.2%
Load factor	80.2%	83.2%	- 3.0pts
RASK – total	10.27	10.70	- 4.0%
CASK- underlying excl fuel	6.55	6.63	-1.2%
Jet Fuel US$bbl - average	127.02	88.07	+ 44.2%

Net Profit After Tax Reconciliation



Strategic Focus - Group

- Capacity and fleet management
- Capital retention
- Margin
  - Revenue enhancement – network optimisation, new markets, new products, ancillary revenue, code sharing, regional JV's
  - "Share shift" Accelerate Corporate Account penetration
  - Cost reduction initiatives, process re-engineering

Virgin Blue – Domestic Market

Capacity Management Plan

- Phases I-III
  - Implemented August ’08 to December ‘08
  - Aircraft deferrals – EMB’s into FY10
  - Network optimisation and utilisation flying
  - Capacity redeployment – new/uncontested/international markets
- Capacity reduced from budgeted FY09 **20.2%** to **4.5%**

Virgin Blue – Domestic Market

- Phase IV
  - Announced February 2009
  - 5 aircraft to be removed from flying for up to next 18 months
  - 400 FTE positions
    - Reassignment to VAustralia
    - Flexible working practices – part time, LWOP, job sharing
  - Management pay cuts, up to 30%
  - Board pay cut 10%

- FY09 capacity reduced from **4.5%** to **2.4%**
  - Reduced services on high frequency markets
  - Retain network integrity

- FY10 growth forecast now **-2.4%**

Virgin Blue – Domestic Market

- Market share up 0.8pts to 32.1% at November (1)
- FY09 target $50 million on track
  - Additional, sustainable $40 million identified for 2H09
- Corporate and Government business up 15%
- Best On-Time Performance – **still** (1)

	1H09	FY08	FY07	FY06
VB	1st	1st	1st	1st
QF	3rd	2nd	2nd	3rd
JQ	2nd	3rd	3rd	2nd

(1) source: BITRE

Pacific Blue

- International Operations
  - Fleet increased by October redeployment 4 x 737’s, to total of 10
  - New routes performing to expectations
  - Network efficiencies
  - Core business holding up in difficult environment

- Domestic Operations
  - New regional route launched from existing capacity
  - Market stimulated but average market fares reduced significantly

VAustralia

- AOC issued 19 February 2009
- First Flight 27 February 2009
- Business Rationale
  - Right Aircraft - 777-300ER ideal mission capability
    - All financed
  - Right Market - historically returns very strong
    - target one-stop market
  - Right Product - superior fleet-wide product (J, W and Y)
  - Right model - clean sheet and lower cost base
    - aircraft delivery profile under review
  - Timing . . . . . - Boeing Strike, Global recession though limited production levels.

Fleet Update

At 30 June	At June 2008	Additions + -	At 31 Dec 2008	Future* Deliveries
737- 700 NG	22	-	22	-
737- 800 NG	37	1	38	19
EMB-170 LR	4	2	6	-
EMB-190 LR	5	7	12	6
777-300ER	-	-	-	7
	68	10	78	
Virgin Blue	62	6	68	
Pacific Blue	6	4	10	
V Australia	-	-	-	
	68	10	78	

* 2010-2016

Capital Management

- No Interim dividend.
- Cash management key focus
  - Asset realisation programme – potential $150m+ as required
  - Net cash inflow from operations $124 million.
  - Cash balance $526million.
- No refinancing obligations or covenants under existing debt facilities.
- No cash collateral requirements for hedge book.
- 2H09 total capital expenditure forecast at $300 million.
- Fleet financing will become scarce and more expensive, but…
  - All 777's secured (EXiM guarantee)
  - 737 CY09 secured, LOI 2 x EMB

Risk Management

- Foreign Exchange
  - Approx 80% operating expense cover at 0.87 worst case FY09
  - 80% FY09 Capex hedged at 0.84
- Fuel
  - Approx 74% cover for 2H09 dropping to 35% for FY10, predominantly collars with participation limited from US$89 bbl.
- Financial instruments - Ineffective Hedging expense
  - Non cash expense to 1H09 results of $114 million reflects mark to market of fuel and currency hedges deemed ineffective under IFRS accounting rules, based on current spot

Outlook

- Demand environment most challenging ever
- Domestic fares at 17 year lows
  - Fuel surcharges eliminated
  - Flight to Value
- FY09 outlook remains demanding
  - VB operating at break even
  - VAustralia investment on track, excluding fx loss
- Positioning Airline for next 2 years to deal with current recessional levels.

Thank you

Questions