FLIGHT CENTRE LIMITED

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 24, 2010

FLIGHT CENTRE LIMITED RELEASES FULL YEAR ACCOUNTS

Result summary

	30 June 2010	30 June 2009	Growth
Total transaction value (TTV) Actual Underlying (excluding India)	 **\$11.0b** **\$10.9b**	 \$11.2b \$10.9b	 **(2.0%)** **Flat**
Gross profit	**\$1.6b**	\$1.5b	**1.7%**
Income margin (gross profit as a percentage of TTV)	**14.1%**	13.6%	
EBITDA	**\$257.3m**	\$86.3m	**198.1%**
EBIT	**\$203.5m**	\$26.6m	**665.0%**
Normalised profit before tax (PBT)	**\$205.1m**	\$99.8m	**105.5%**
Actual PBT	**\$198.5m**	\$40.4m	**391.5%**
Net profit after tax (NPAT)	**\$139.9m**	\$38.2m	**266.5%**
Dividends Interim (paid April 1, 2010) Final (to be paid October 7, 2010)	 **26.0c** **44.0c**	 9.0c N/A	 **188.9%** **N/A**

Highlights

- Record results: NPAT, EPS and ticket sales at all-time highs, improved results in all geographies, record EBIT from Australia and Canada
- Stronger balance sheet: Company cash doubled and moderate debt levels maintained – $144m positive net debt position at June 30
- Shareholder returns: Almost $70m to be returned to shareholders via $0.26 per share interim dividend (paid April 2010) and $0.44 per share final dividend (to be paid October 2010)
- Outlook: Further profit growth expected during 2010/11, despite some ongoing volatility. Initially targeting $220m-$240m PBT

- Future growth drivers: Shop expansion, further modest recovery in airfare yields, corporate travel rebounding, stronger trading conditions overseas, improved contributions from India and USA

Result overview

FLIGHT Centre Limited (FLT) today released audited full year accounts for the 12 months to June 30 2010.

Despite continuing volatility in some markets throughout the year, FLT achieved:

- Record financial results – profit has now increased year-on-year in all but two of FLT's 15 years as a public company
- Record global ticket sales
- Improved margins; and
- Strong cash growth, with company funds more than doubling during 2009/10

FLT's underlying pre-tax profit (before impairment and non-recurring items) was $205.1million, a result well above its initial target of a $125million-$135million PBT. Non-recurring items included $6million in expenses incurred in the USA and $600,000 in impairment relating to FLT's head office property in South Africa.

The company's actual PBT was $198.5million.

After-tax, the company achieved a $139.9million profit, a record NPAT result and a 267% increase on 2008/09.

In recording these strong profit results, FLT overcame the effects of:

- Minimal economic recovery in some key markets, including the USA and UK, the company's second and third largest operations
- A $10million reduction in year-on-year interest income, reflecting the lower interest rates in Australia during the first half
- Short-term disruption caused by the volcanic ash cloud in Europe, airline strikes and unrest in some major international markets
- Slower recovery in the global corporate travel sector; and
- Significantly lower ticket prices (yields), a legacy of the unprecedented airfare discounting that has taken place since the second half of 2008/09

Ticket sales increased healthily, as cheap fares continued to stimulate demand and as FLT benefited from initiatives launched to increase market share.

Underlying TTV (excluding India) was flat in comparison to 2008/09 because of the lower airfare yields and the effects of exchange rate movements on overseas sales results when translated into the stronger Australian dollar. If 2009/10 TTV results for the company's international businesses were converted at the same rates as 2008/09's results, underlying TTV would have increased about 5%.

FLT's actual TTV result for 2009/10 was slightly down in comparison to 2008/09 but included just two full months of results from India, while the previous corresponding period included nine months. FCm India was deconsolidated in April 2009 and reconsolidated on April 26, 2010 after FLT acquired 100% of the business.

Gross profit increased, which led to further growth in income margin to 14.1%.

Growth in FLT's wholesale product area and the shift to fixed margin contracts, which has delivered certain over-ride earnings, contributed to income margin growth.

Nett shop numbers increased 3%, excluding India, to 2045.

Balance sheet, cash and cash flow

After bolstering its balance sheet during the second half of 2008/09, FLT built on its financial strength by increasing cash reserves and maintaining moderate debt levels.

General cash totalled $322.3million at June 30 2010, compared to $160.9million one year earlier, and was part of a $999.5million global cash and investment portfolio. This portfolio consists of company cash, cash that accumulates within FLT under its business model and airline, hotel and other supplier creditors.

Total debt at June 30 2010 was $178.1million, giving FLT a $144.2million positive net debt position at year-end.

Debt increased modestly during the year, predominantly because of increased employee participation in the company's Business Ownership Scheme and inclusion of the Indian business's client-related debt.

As expected, overall cash grew rapidly during the six months to June 30 as company and client funds accumulated during peak second half booking periods for payment to suppliers after the peak travel periods early in the first half of 2010/11.

This led to an operating cash inflow during the second half, after the moderate outflow recorded during the first half.

Over the full year, a $243.1million operating cash inflow was recorded.

In light of FLT's strong cash performance, the company's directors today declared a fully franked $0.44 final dividend payable on October 7, 2010 to shareholders registered on September 16, 2010. This follows the $0.26 interim dividend (paid April 1, 2010) and represents an overall 50% return of NPAT to shareholders.

Operational review

Managing director Graham Turner said the company's results had rebounded after 2008/09, when challenging market conditions saw FLT record only the second year-on-year profit decline since it listed on the Australian Securities Exchange in 1995.

"FLT's results and achievements in several areas during 2009/10 have surpassed those of any other year," he said.

"Despite the fact that global economic conditions have not yet fully recovered, customer enquiry was at strong levels and more tickets were sold than ever before.

"This demonstrates the strength and diversity of the FLT business, which now stretches to 11 countries and encompasses 31 brands, and highlights the success of the initiatives introduced in previous years to grow market share.

"These initiatives have included:

- In leisure travel, continued expansion of the company's flagship brands and sales force, plus the launch of new brands in segments where FLT was previously under-represented. Cruising is an example
- In corporate travel, targeting and winning new accounts, the FCm Travel Solutions global travel management network's continued development and Corporate Traveller brand's reintroduction to focus on SME accounts

- In wholesale, development of Flight Centre Global Product, the business responsible for negotiating directly world wide with land-based suppliers; and
- Expansion in other carefully selected sectors with strong growth prospects and where the FLT business model could be applied, such as events, foreign exchange, bikes and recruitment

Within FLT's businesses, Mr Turner said highlights included:

- Record profit and sales results in Australia and Canada
- Near record profit in the UK, when measured in local currency, despite the ash cloud, British Airways' strikes and continued turmoil in the local economy
- Strong growth in New Zealand, where EBIT almost doubled
- Good second half results in South Africa, which led to a small EBIT increase over the full year
- Breakeven overall EBIT results from the emerging Asia and Middle East corporate businesses. The Greater China business, formerly a loss-making operation, broke-even over the last four months of the year; and
- Significantly reduced US losses, which were in line with FLT's revised expectations. The US businesses lost $2.3million at EBIT level, excluding the abnormal items outlined previously

In the US, wholesaler GoGo was profitable and should improve during 2010/11, as integration with FLT's global wholesale product system has now been completed.

The US corporate business returned to profitability over the second half of the year and has started 2010/11 well after five consecutive months of profit. The business is expected to generate further modest profits during 2010/11 and is set for geographic expansion, with Manhattan and Washington offices due to open.

After incurring losses during the first half, the Liberty retail business made profits in its key booking periods and was profitable overall during the second half.

Three new leisure shops were opened late in the year, the first expansion since FLT acquired Liberty in February 2008.

The flightcenter.com website, which was launched late in 2009/10 to operate as a transactable online airfare site alongside the Liberty website, achieved promising early results and has been profitable since its third month.

"Results from some of our emerging businesses have also been encouraging," Mr Turner said.

"These include:

- Cruiseabout, which contributed almost $1million in profit during a period of considerable expansion. We now have 15 shops in Australia.
- The online leisure businesses, which contributed good profit growth in addition to delivering enquiry to our global retail shop network
- The Intrepid retail joint venture, which was profitable in its first full year and is expanding in Australia and overseas; and
- The joint venture cycle business, Pedal Group, which includes retailer 99 Bikes and wholesaler Advance Traders Australia (ATA). In their second full year, these businesses generated more than $20million in sales and $230,000 in EBIT, with ATA's sales almost doubling during 2009/10."

In the e-commerce area, FLT expanded its presence in three areas – websites used to generate enquiry for FLT's retail brands, sites used to generate enquiry for online "direct brands" and fully transactional sites, such as flightcenter.com in the USA.

Other new sites include discountcruises.com in the USA and the UK-based roundtheworldexperts.co.uk. The roundtheworldexperts site performed strongly, with TTV almost doubling in local currency during 2009/10 to UK30million pounds.

Flight Centre-branded websites have also been launched in China, Hong Kong, Singapore and Dubai to capitalise on the brand's global strength and to generate additional retail enquiry in these countries.

Outlook – 2010/11

FLT has started the year with good momentum from 2009/10 and achieved healthy profit and sales results in July.

Assuming current conditions continue, the company should benefit from:

- TTV growth generated by a return to normal shop and business growth
- Continued growth in international airfare yields, which have increased modestly but have remained well below the highs of 2008/09's first half
- Further recovery in global corporate travel, a sector that began to rebound during 2009/10 but has not yet fully recovered from the GFC's effects
- Stronger trading conditions in key international markets, including the UK, given continued improvements in consumer confidence
- A positive contribution from FCm India, now that FLT has control; and
- Further turnaround in USA results, which should see the business contribute positively to group EBIT over the full year

Market conditions in the 11 countries FLT operates in remain fairly uncertain but the company will initially target 10-20% growth in comparison to the actual pre-tax profit result achieved during 2009/10, excluding any abnormal items that may arise.

"While it is extremely difficult to forecast results at this early stage, we will be disappointed if we don't improve on last year, given the momentum established in 2009/10 in most countries and most businesses," Mr Turner said.

"After successfully moving away from tiered supplier contracts in recent years, we have again sought fixed margins in our contracts globally for 2010/11 and have generally achieved our goal.

"Assuming current business conditions don't significantly deteriorate, we will initially target a pre-tax profit in the order of $220million to $240million.

"Within our businesses globally, we see ongoing growth prospects in all countries, including Australia, which remains FLT's largest and most successful market.

"It is often asked when FLT will reach saturation point in Australia, but the reality is this business continues to set new levels of sales and we see ongoing growth opportunities for the foreseeable future – both in travel and in our other sectors and in online channels as well as offline.

“Expanding our corporate travel marketshare is an obvious strategy, as is expanding our presence in niche leisure travel segments, which we are successfully doing through brands like Cruiseabout, Student Flights and Intrepid retail.

“We also see opportunities to build on Flight Centre brand’s reputation for providing the best value airfares to customers, as it has done since it introduced airfare discounting to Australia in the early 1980s.

“To highlight our commitment to never being beaten on price, we introduced our Lowest Airfare Guarantee in Australia during 2009/10 after using Price Beat Guarantee for the past five years.

“This sends a powerful and clear message to cost conscious travellers who sometimes believe – often wrongly – that online airfares will be cheaper.”

In the US, goodwill relating to the Liberty acquisition remains unimpaired, following the business’s improved results and encouraging second half performance. Non-cash impairment is, however, possible during 2010/11 if economic conditions in the USA or other factors adversely affect trading results during the next 12 months.

While Liberty has not yet contributed positively to EPS, the acquisition has delivered benefits to FLT, particularly in its global product business, while major restructuring efforts have been underway.

GoGo has continued to trade profitably, while access to the business’s directly contracted Mexico, Caribbean and North American rates has fast-tracked growth in FLT’s global product area. Liberty’s North America product range is now available to FLT’s customers and consultants worldwide.

“Within Liberty, underperforming and poorly located shops have been closed, a leaner structure has been put in place and FLT’s key operating systems, platforms and structures have been implemented,” Mr Turner said.

“We are confident the appropriate building blocks are in place and are initiating a shop growth plan, which will see about 10 new shops this year.”

In addition to FLT's normal business improvement initiatives, six key strategies are in place globally to improve results and, ultimately, shareholder returns.

These strategies relate to:

- Attracting and retaining the right leaders in the right numbers through FLT's graduate recruitment program
- Sourcing and manufacturing unique air and land product for FLT customers
- Using FLT's "One Best Way" concept in all major areas, such as brand guides and customer systems
- Applying effective business growth systems and milestones follow-up on new, emerging and acquired businesses, including online travel agency opportunities as well as India and the USA
- Enhancing FLT's global distribution system for air, land and the web; and
- Defending FLT's model and growing market share in and against other internet products

Cost containment remains a priority.

FLT will, however, increase its investment in several key areas, including capital expenditure. As shop growth will return to normal levels, cap-ex will increase in comparison to 2009/10 and is expected to be in the order of $50million-$55million, just under FLT's annual depreciation and amortisation expense.

In Australia, the company has also increased salaries and incentives paid to front-end retail sales staff to better reward travel consultants for the increasing complexity in their roles and to grow sales and productivity overall.

This increased expense will be partially offset by both an expected increase in consultant productivity and a decrease in senior executive remuneration. Executive incentive earnings are tied to profit growth and will decrease in comparison to 2009/10, when the company achieved unprecedented growth in year-on-year profit.

ENDS Media and investor enquiries to Haydn Long 0418 750454

FLT result presentation: FLT's result conference call for investors will be held at 11am (QLD time) today. Phone: 1800 885418. Conference ID: 96098374