FLIGHT CENTRE LIMITED

Letter Distributed with Interim 09 Dividend Payment (27/3/09)

Dear Shareholder

I write to provide you with a brief update on our company's results during the first half of 2008/09 and to share some of our strategies for the remainder of the year.

Result overview

As you will be aware, Flight Centre Limited's (FLT's) established businesses (excluding United States acquisition Liberty) achieved a $77.7million pretax trading profit during the six months to December 31 2008. This compares to a record $90.9million pretax profit in superior trading conditions during the previous corresponding period and a $53m trading result two years ago.

FLT incurred an additional $27.8million in one-off investment portfolio losses and $15.7million in losses and non recurring restructuring expenses within Liberty. Including one-offs and Liberty, FLT's actual pre tax profit was $34.2million.

After a reasonable first quarter of profit and total transaction value (TTV) growth, sales slowed during the second quarter. TTV in FLT's established businesses was flat at $4.8billion, while revenue increased marginally to $648.1million.

Within this challenging climate, the global corporate travel businesses recorded solid profit growth, along with the online leisure business and youth brand Student Flights.

Pleasingly, customer enquiry – one of our key performance indicators globally – remained at very strong levels. Our challenge is to convert this demand into sales, as we have done historically during other downturns in the trading cycle.

Dividends

Given the current uncertain economic conditions, FLT's board has taken a conservative approach to dividends, a strategy that many other companies have also adopted this year.

While FLT does not currently intend to permanently alter its dividend policy of returning 50-60% of after-tax profit to shareholder, various factors will obviously be considered when determining future returns including FLT's growth requirements, cash position, market conditions and the need to maintain a healthy balance sheet.

Outlook

It is impossible to predict when the economic cycle will turn and when FLT will benefit from the investments it has made and the initiatives it has put into place.

FLT is, however, well placed to capitalize on opportunities that will arise. The company has a strong and diversified brand network that continues to generate healthy enquiry, vast experience at all levels, a commitment to pursuing growth opportunities to increase marketshare and modest debt.

Strategic priorities for the second half include:

- Growth: Increasing marketshare in core, specialized travel and new businesses. Various strategies are in place to improve conversion and sales
- Customer retention: Creating ownership at business and individual level of an effective and aligned approach to sales, product and marketing
- Global buying and distribution: Increasing product range and available margin
- USA: Generating consistent profit growth in the USA corporate, leisure and wholesale businesses
- India: Delivering a more consistent cash return; and
- Cash: Focusing on cash generation through improved earnings, reduced costs and enhanced working capital management

Already this year, FLT's commitment to cost reduction has seen:

- A general decrease in wages per person in FLT's established businesses
- A freeze on employing support staff, along with a round of redundancies (predominantly in the USA). FLT continues to monitor support numbers in relation to trading volumes and will realign back office structures as required

- A review of non-performing businesses and, where appropriate, business closure or restructure
- Reassessment and prioritization of capital expenditure. This will see cap ex fall during the second half; and
- Discussions with key suppliers, particularly in the advertising and property sectors, to ensure rates reflect current market conditions

In the USA, FLT has also consolidated its overall businesses by shifting oversight of the FCm Travel Solutions corporate travel operation from Canada to Chicago.

With this change, FLT's US business now includes:

- FCm offices in Seattle, San Francisco, Los Angeles, Phoenix, Dallas, Boston and Chicago. Together, these businesses will generate TTV in the order of $230million-$250million annually
- Wholesaler GOGO, which is profitable and a key element in our global product platform. GOGO's 40 locations will this year generate about $800million in TTV; and
- The Liberty Travel retail network, which includes about 165 shops. Liberty is expected to generate $700million-$800million in TTV during 2008/09

While Liberty's results have been unsatisfactory to date, FLT's progress in reducing costs – about $US30million in annualized expenses have been taken out – and generating strong enquiry indicates that the company has built the foundations needed to breakeven in the short-term and to sustains profits in the future.

Regards

Graham Turner
Managing Director – Flight Centre Limited