



**STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 25, 2009**  
**FLIGHT CENTRE LIMITED RELEASES AUDITED 2008/09 RESULTS**

**Result summary**

	<b>2008/09</b>	2007/08
Total transaction value (TTV)	\$11.2b	\$10.9b
Gross profit	\$1.5b	\$1.45b
Income margin (gross profit as a percentage of TTV)	13.49%	13.34%
EBITDA	\$88.5m	\$231.4m
EBIT	\$28.7m	\$187.4m
Pre-tax profit – trading (includes US)	\$99.8m	\$212.3m
Impairment and write-offs (includes US equities)	(\$59.4m)	(\$11.3m)
Pre-tax profit – actual	\$40.4m	\$201.0m
Net profit after tax – actual	\$38.2m	\$134.8m
Dividends		
Interim (paid in March)	9.0c	37.5c
Final (paid in October)	N/A	48.5c

**Highlights**

- **Profit:** Reasonable trading performance but actual results affected by \$59.4m in non-recurring impairment and write-downs, plus \$38m in United States losses and expenses (incurred during first three quarters)
- **Sales:** Income margin maintained on lower yields. Volumes increasing and some evidence of yields stabilising late in year
- **Balance sheet:** Strengthened in challenging conditions, particularly during second half – \$161m in general cash (\$125m at Dec 31) and debt down to \$128m (\$190m at Dec 31)
- **Cash focus:** Cost control focus and conservative capital expenditure management led to significant cash inflow during second half
- **Outlook:** Conditions stabilising, but timing of full recovery uncertain. Some positive momentum from 2008/09 and encouraging early results for 2009/10
- **Guidance – 2009/10:** Initially targeting \$125m-\$135m pre-tax profit after good start and with reasonable contracts, ongoing focus on cash and costs

## **Result overview**

FLIGHT Centre Limited (FLT) today released audited accounts for 2008/09.

The company traded in line with expectations globally and broke even in the US leisure business during the fourth quarter to finish the year with a \$99.8million pre-tax trading profit and a \$40.4million actual pre-tax result.

Results were in line with recent guidance and adversely affected by \$59.4million in one-off asset impairment and write-downs plus \$38million in US trading-related losses and expenses, as outlined in FLT's August 11 market announcement.

Including all one-offs, the company achieved a \$38.2million net profit after-tax.

FLT booked its historic US tax losses, which led to a one-off reduction in its effective tax rate. Assuming normal conditions, the company's tax rate should return to normal levels (30%-34%) for 2009/10.

Sales results were affected by a slowdown in global demand during the second and third quarters and lower than normal yields late in the year, reflecting unprecedented airline and land operator price discounting.

Within this challenging climate, income margin increased to 13.49%.

Shop numbers increased marginally as FLT slowed new store growth and closed 40 US stores. At June 30, sales staff represented 82% of FLT's global workforce.

## **Balance sheet, cash and cash flow**

FLT enhanced its traditional balance sheet strength during 2008/09 by improving its net debt position.

General cash was \$161million at June 30 and debt decreased to \$128million. To reduce debt, FLT repaid its Melbourne and Auckland property loans.

The company's overall cash and investment portfolio totalled \$786million at June 30. Cash represented 88% of this global portfolio, compared to 68% at December 31

2008, after FLT converted some investments to cash as part of a more conservative treasury policy.

Operating cash flow was close to break-even over the full year, with a large second half inflow offsetting the first half outflow. This reflects the business's seasonality, with funds accumulating during peak booking seasons, predominantly the six months to June 30, ahead of peak travel seasons during the following six months.

To boost cash and contain costs, FLT:

- Reviewed capital expenditure, which led to reduced second half spending
- Implemented a freeze on employing support staff, which led to selling staff numbers increasing as a percentage of FLT's total workforce; and
- Implemented a leaner structure, following redundancies in the US predominantly but also in other operations

Excluding Liberty, FLT's major expense item – wages – contracted with revenue, while marketing spend increased to create market share opportunities as competitors reduced spending.

### **Geographic review**

FLT managing director Graham Turner said trading highlights included:

- Continued healthy customer enquiry throughout 2008/09
- Some leisure sectors performing well, including online, youth and adventure
- Business development managers (BDMs) winning new corporate accounts to partially offset client down-trading. To increase future returns, FLT significantly increased BDM numbers globally (now almost 300); and
- Continued wholesale and global product contracting expansion, which should create future margin improvement opportunities

“The year to June 30 2009 was a turbulent period for the travel industry, with turmoil on world financial markets, flu, short-term unrest in some international markets and unprecedented airline discounting all affecting results,” he said.

“In these very challenging conditions, FLT traded solidly, improved income margin and finished the year with a stronger balance sheet than it had 12 months ago.

“The company proactively cut administrative costs and slowed new store growth, but maintained its investment in advertising, sales staff development and growth in specialist areas to create market share opportunities.

“FLT also launched a new sales conversion program to capitalise on the healthy customer enquiry generated throughout the year and initiated significant change in the US to improve performance, particularly in Liberty.”

Since acquiring Liberty in February 2008, FLT’s key US achievements have included:

- Integration: Unifying leisure, corporate and wholesale travel operations, with Liberty, FCm and GoGo now part of a network of more than 220 businesses. Key FLT systems have now been introduced, including the shop-based incentive model (introduced in Liberty early in 2009/10)
- Costs: An annualized \$USD30million in expenses have been taken out, with almost 700 support positions removed and 40 poorly located shops closed
- New revenue streams: Liberty Business Travel was launched during 2008/09, along with specialist cruise website, discountcruises.com; and
- Wholesale expansion: Through its relationship with FLT’s Infinity wholesale brand, the profitable GoGo business now offers a global wholesale product range to its client network of 12,000 US travel agents, in addition to supplying locally contracted Americas product to FLT consultants worldwide

FLT generated \$2.3billion in TTV in the US during 2008/09 and incurred the previously disclosed \$62million in losses, impairment and non-recurring expenses, plus losses of \$2.1million from the Canadian business, which was adversely affected by the swine flu outbreak late in the year.

Elsewhere, FLT traded profitably in all other regions over the full year, apart from Asia-Middle East. FLT’s established corporate businesses in India, China and Hong Kong were affected by the business travel downturn brought about by the global financial crisis, as were the Dubai and Singapore start-ups.

Achievements in FLT’s other major geographic regions are outlined in an appendix to this announcement.

## **Outlook – 2009/10**

FLT proactively implemented a number of strategies during 2008/09 to improve performance and future shareholder returns.

These key strategies are again in place during 2009/10 and include:

- Growth – increasing market share in core, specialist travel and new businesses through same store sales growth, supplemented by modest shop growth, and by recruiting, retaining and developing the right sales people
- Customer retention – building customer loyalty to increase repeat business, predominantly through improved service, feedback and marketing
- Margin – increasing the range and available margin for all business units through an enhanced global land and air product buying system
- US improvement – achieving a break-even result or small profit through further BDM growth, improved enquiry and conversion, increased product breadth and depth and ongoing cost control; and
- Cash generation – improving FLT's net cash position to ensure the company has the flexibility to pursue opportunities, respond rapidly to improvements in market conditions and the ability to use cash to fund future initiatives

As announced previously, FLT will not declare a final dividend for 2008/09 and will preserve cash in the short-term. FLT's Board expects to restore its policy of returning 50-60% of net profit after tax to shareholders as soon as it is reasonable to do so.

The company will also continue to reduce capital expenditure and expects to spend less than \$60million during 2009/10, as project and building-related spending reduces and new shop growth is more modest.

Mr Turner said FLT would initially target a pre-tax profit between \$125million and \$135million in an improving but still uncertain trading climate during 2009/10.

"While FLT has not yet seen conclusive evidence of a full recovery, the company has started the year with some positive momentum from the fourth quarter, particularly in the US, and has achieved encouraging trading results in July and August," he said.

"Cheap airfares and holiday deals have started to stimulate demand, which has led to improving sales volumes, albeit at lower than normal yields.

“Strategies are in place to ensure we capitalise on the opportunities this presents in the short-term and to ensure that cash reserves continue to build, which will allow us to take advantage of future opportunities.

“We also have reasonable agency contracts with most major suppliers and a stronger sales network, following:

- The growth we recorded in specialist areas during 2008/09
- The addition of new business development managers
- Completion of the shop of the future refurbishment program, with the new design now in place in all stores globally; and
- The global introduction of a comprehensive new sales conversion program

“While there are certain to be some challenges, FLT is in a very solid position.”

ENDS Media and investor enquiries to Haydn Long 0418 750454

Investor conference call

FLT's investor conference call will be held at 11am today (August 25). Dial-in details are as follows:

- Within Australia 1800 098754
- International Toll Dial-In Number +61 293387300

Appendix 1: Geographic performance

<b>REGION</b>	<b>RESULTS AND PERFORMANCE OVERVIEW</b>
Australia	<p>TTV: \$5.9b, down 7%</p> <p><u>Achievements</u>                      1000<sup>th</sup> business opened                      Flight Centre judged Australia's 14<sup>th</sup> most valuable brand at \$630m                      (Source: Interbrand)                      Nationwide Cruiseabout network created                      Promising results from cycle and recruitment marketing JVs                      99 Bikes same store sales up 35%</p>
UK	<p>TTV: \$1.1b, down 8% (down 9% in local currency)</p> <p><u>Achievements</u>                      Strong growth in BDM numbers                      New leisure travel service created for existing corporate clients                      Employment Office launched and Back Roads Touring acquired</p>
NZ	<p>TTV: \$565.9m, down 15% (down 8% in local currency)</p> <p><u>Achievements</u>                      Reasonable finish to 2008/09                      Specialist business travel and round-the-world shops launched, along with external wholesale brand, Escape Holidays</p>
South Africa	<p>TTV: \$405.7m, down 7% (up 4% in local currency)</p> <p><u>Achievements</u>                      Brand diversity – Travel Associates network now has five stores                      16 new BDMs employed to win leisure and corporate business                      New leadership structure implemented, linked to UK</p>
Canada	<p>TTV: \$695.4m, up 4% (up 6% in local currency)</p> <p><u>Achievements</u>                      Reasonable corporate profit, leisure results down and affected by swine flu                      Employment Office and Stage &amp; Screen introduced                      Infinity wholesale business rebranded GoGo</p>