

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 24, 2009
 Flight Centre Limited Releases 2009 Half Year Accounts



Results Summary

RESULTS	2008/09	2007/08	Variance
TTV			
Established businesses	\$4.8b	\$4.8b	0%
Trading result (established business and Liberty)	\$5.8b		20.8%
GROSS PROFIT**			
Established businesses	\$648.1m	\$642.9m	0.8%
Trading result (established business and Liberty)	\$768.4m		19.5%
EBITDA			
Established businesses	\$89.5m	\$105.2m	(14.9%)
Trading result (established business and Liberty)	\$82.0m		(22.1%)
FLT actual (trading result and abnormals*)	\$54.2m		(48.5%)
EBIT			
Established businesses	\$69.5m	\$85.7m	(18.9%)
Trading result (established business and Liberty)	\$52.8		(38.4%)
FLT actual (trading result and abnormals*)	\$25.0m		(70.8%)
PBT			
Established businesses	\$77.7m	\$90.9m	(14.5%)
Trading result (established business and Liberty)	\$62.0m		(31.8%)
FLT actual (trading result and abnormals*)	\$34.2m		(62.4%)
NPAT			
Established businesses	\$52.7m	\$61.2m	(13.9%)
Trading result (established business and Liberty)	\$55.8m		(8.8%)
FLT actual (trading result and abnormals*)	\$26.1m		(57.4%)
DIVIDENDS	\$0.09	\$0.375	(76%)

*Abnormals are FLT's one-off investment portfolio losses of \$29.9million before tax

**FLT's statutory accounts show first half revenue as \$874m, following a change in UK reporting requirements. For comparative purposes, gross profit amounts are included above to remove any distortion when comparing revenue between periods

Result Summary

FLIGHT Centre Limited (FLT) today released its accounts for the first half of 2008/09.

In a challenging global trading cycle during the six months to December 31, 2008, the company's established businesses (excluding United States acquisition Liberty) achieved a \$77.7million pretax trading profit.

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.

As announced previously, losses and non recurring restructuring expenses within Liberty, which was acquired during the second half of 2007/08, and one-off losses within FLT's global investment portfolio significantly affected FLT's overall performance during the first half. These combined losses amounted to \$43.5million, giving FLT an actual pre-tax result of \$34.2million, in line with recent guidance.

The investment losses of \$27.8million consisted of:

- \$21.8million in impaired US equities, which were secured as part of the Liberty acquisition and sold early in the second half
- \$3.3million relating to an impaired Australian note, which the company elected to write-off; and
- A \$2.7million impairment writedown within the company's small structured products portfolio

Liberty's losses of \$15.7million included:

- An estimated \$6.7million in non recurring restructuring expenses; and
- \$9million in ongoing trading losses

Overall, the company's after tax profit result was \$26.1million. FLT has recognised some of the losses incurred by Liberty, which has reduced the company's effective tax rate.

Sluggish sales globally during the second quarter impacted on FLT's results, following a reasonable first quarter of profit and total transaction value (TTV) growth.

TTV in FLT's established businesses (excluding Liberty) was flat at \$4.8billion, while revenue increased marginally to \$648.1million.

Excluding Liberty, shop numbers increased 9% year-on-year, while selling staff numbers increased 8.6%. At December 31, sales staff represented 80.4% of the fulltime workforce in FLT's established business.

The company's cash and investment portfolio was \$657million, compared to \$631.9million last year.

Currently, about 78% of the overall portfolio is cash, 19% is in fixed income investments and 3% is in corporate collateralized debt obligations (CDOs), half of which are due to mature late in 2010. The CDOs relate to blue-chip US corporations and are not directly exposed to subprime mortgage products.

While significant impairment issues arose during the first half, FLT's fixed income and CDO portfolio has historically generated strong returns. FLT intends to hold these securities in the short-term, given the prevailing market conditions.

FLT's directors today declared a \$0.09 per share fully franked interim dividend payable on March 27 2009 to shareholders registered on March 6 2009. This represents a 34% return of after-tax profit to shareholders, outside of FLT's current policy of returning 50-60%, subject to the business's needs.

While the company does not currently intend to alter its policy permanently, FLT's board believes the reduced pay-out is prudent in the current climate.

The board will continue to consider FLT's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future returns.

Operational review

While overall profit results were below FLT's initial expectations, the company performed reasonably in some market sectors.

FLT acting chief executive officer Shannon O'Brien said the global corporate travel businesses had recorded solid overall profit growth during the first half, along with the online leisure business and youth and adventure brand Student Flights.

"Overall, the strong growth the company experienced during the second half of 2006/07 and throughout 2007/08 has slowed during a more challenging phase of the trading cycle," Mr O'Brien said.

"Customer enquiry has, however, remained at very strong levels in most markets.

"The heavily discounted offers that are currently available globally are proving attractive, although a general lack of consumer confidence means some travellers are choosing to defer holidays, rather than immediately take advantage of the special offers.

"Our challenge is to convert this demand into sales, as we have done historically during other downturns in the trading cycle."

Mr O'Brien said the company made reasonable progress in addressing its strategic priorities of:

- Attracting and retaining the right people: A new global recruitment system was deployed, along with new instore training workshops for all sales staff
- Growing its core, specialist and new businesses: FLT opened new shops, acquired Back Roads Touring (UK), formed an adventure travel joint venture with Intrepid and expanded Cruiseabout nationwide
- Continuing to develop and integrated and aligned sales, customer and marketing approach: FLT's key marketing system was deployed internationally, creating increased ownership at all levels. New sales conversion programs and global marketing workshops were also introduced
- Expanding its integrated global product and buying system: FLT's global product platform is now live in Australia, New Zealand, Canada and the UK, with the USA launch set for the fourth quarter. Major direct contracting hubs are now in place
- Accelerating its global growth in corporate travel: The FCm and Flight Centre Business Travel brands were significantly expanded globally, while Liberty

- Business Travel was launched in the United States. More than 100 new business development managers (BDMs) were employed globally to secure new accounts.
- Replicating its success in the North American corporate travel market in leisure travel: Comprehensive improvement initiatives are underway within Liberty and have led to strong customer enquiry growth and significant cost reduction

To improve results, FLT also continued its focus on cost reduction throughout its global operations.

This led to:

- A general decrease in wages per person in FLT's established businesses. While staff numbers increased 9%, the overall wage bill in FLT's established business was flat. This reflects the company's highly incentivised pay structure, with wages increasing or contracting with revenue
- A freeze on employing support staff, along with a round of redundancies (predominantly in the USA). FLT continues to monitor support staff 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; and
- Discussions with key suppliers, particularly in the advertising and property sectors, to ensure rates reflect current market conditions. In the property sector, FLT has had some success in negotiating more realistic rents in previously expensive shopping centres and other locations

Within FLT's international operations, the Australian leisure business was again the major individual contributor to group profit, although overall results were down in comparison to 2007/08.

In corporate travel, the FCm Travel Solutions and Campus Travel businesses performed strongly, with the expanded network of business development managers winning new accounts to offset reductions in spend from existing clients.

In New Zealand, results were below expectations. Healthy growth in corporate sales staff should generate future returns, along with the recent introduction of the Flight Centre Business Travel brand and specialist First and Business Class shops.

In the United Kingdom, the specialist leisure businesses – Round-the-World, First and Business Class and Flight Centre Business Travel – performed well in a challenging economic climate.

FLT also developed and launched a leisure travel superstore in Kensington High Street. The store houses five specialist sales teams and has been consistently profitable.

In corporate travel, the FCm Travel Solutions business again generated good results, highlighted by improved margins and a focus on increasing sales. Throughout the UK, more than 50 business development managers are now in place and are actively targeting and winning new accounts.

After four years of record growth in South Africa, leisure sales increased marginally in the Flight Centre, Student Flights and Travel Associates brands. The company is investigating new opportunities to increase sales by developing specialist shops in various market niches including cruising, round-the-world and first and business class.

To increase corporate sales in South Africa, the company invested significantly in FCm and Flight Centre Business Travel (mixed retail and corporate model).

In Canada, the leisure business achieved an encouraging reduction in first half losses and a record monthly profit in January 2009. The Flight Centre Business Travel brand grew solidly, with 10 shops now open in Vancouver, Toronto, Calgary and Ottawa.

The corporate business achieved continued profitable growth, with the Vancouver-based West Canada FCm Travel Solutions businesses again performing strongly.

To increase wholesale sales in Canada, the GOGO Worldwide Vacations brand was introduced in February 2009. GOGO will continue to provide wholesale product to FLT's Canadian shops, in addition to selling its product range through other travel groups.

In India and Dubai, sales increased strongly but profit was down on the previous corresponding period. In China and Hong Kong, a modest increase in losses coincided with further restructuring and sales force expansion.

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

With this change, the US business now includes:

- FCm offices in Seattle, San Francisco, Los Angeles, Phoenix, Dallas, Boston and Chicago
- Wholesaler GOGO; and
- The Liberty Travel retail network

FCm generated healthy TTV growth during the first half, while expanding into a new location, San Francisco.

GOGO, which was secured as part of the Liberty acquisition, traded profitably, while significantly expanding the range of product available to its 12,000 United States travel agency partners. GOGO's relationship with Flight Centre's global product area means its product range now covers Australia, New Zealand, Fiji, Thailand, South-east Asia and Dubai, in addition to the Americas, Mexico, Europe and the Caribbean.

In leisure travel, the former Flight Centre-branded shops in LA and Chicago, which are now party of Liberty, lost \$2.9million during the first half and the acquired Liberty business lost \$15.7million, including one-off restructuring costs.

While Liberty's results have been unsatisfactory to date, FLT's progress in reducing costs and generating strong customer enquiry indicates that the company is developing the foundations necessary to sustain future profit.

During 2008/09, TTV in the Liberty leisure business decreased marginally in local currency in comparison to the previous corresponding period, at a time when sharp declines were recorded in overall US retail sales.

New customer enquiry records were established in January 2009.

Other key achievements to date include:

- Reduced costs, with an annualized \$USD30million in expenses, predominantly relating to staff and administration, taken out
- Development of a leaner and more effective support structure, with almost 700 support and shop-based sales and administrative positions rationalised in the Liberty and former Flight Centre businesses since acquisition
- Creation of a smaller but stronger shop network, following the closure of 40 under performing and poorly located stores. This includes nine former Flight Centre shops in Los Angeles and Chicago in February 2009
- Introduction of a new revenue stream, Liberty Business Travel. Business development managers have now been employed in Manhattan, Boston, Los Angeles, Chicago, Philadelphia and Rhode Island; and
- Ongoing deployment of the Flight Centre business model, including a small team structure, a focus on cost-of-seat, individual business profit and loss statements and performance handbooks

In addition, a more effective incentive structure will be in place from July to immediately reward consultants for their sales efforts. This will bring Liberty into line with FLT's operations elsewhere in the world.

FLT expects further overall improvement during the second half as initiatives gain traction, further cost reduction takes place and as key systems are introduced.

Outlook

FLT managing director Graham Turner has returned to lead the business after a period of long service leave. This has allowed Mr O'Brien, who led FLT during Mr Turner's absence, to take on a new operational role as executive general manager responsible for FLT's Australia, New Zealand and Canada businesses. Andrew Flannery, previously FLT's acting chief financial officer, has taken on the CFO role permanently.

Mr Turner said the company would seek to increase sales during the second half by:

- Continuing to aggressively market the outstanding value that is being offered by all suppliers
- Continuing to roll out its new sales conversion program globally to capitalise on the opportunities strong customer enquiry creates
- Continuing to invest in its corporate sales network to generate retail and corporate sales growth
- Filling A-grade retail locations that become available as competitors or other retailers fall away in tough conditions
- Ensuring its sales force remains focused and motivated (via incentive structures, reward and recognition programs)
- Working with major suppliers to ensure contracts reflect current market conditions and are likely to deliver mutually beneficial outcomes; and
- Rolling-out specialist retail shops to increase its marketshare in attractive niches

“The current volatility in world economies continues to affect consumer confidence globally,” he said.

“While demand in some travel sectors has remained healthy, the slowdown in global sales the company experienced in November and December, after a reasonable first quarter, has continued into January and February.

“It is impossible to predict when the economic cycle will turn and, consequently, 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, vast experience at all levels, a commitment to pursuing growth opportunities to increase marketshare and modest debt.”

The ongoing uncertainty that saw sales growth stall during the second quarter after a reasonable first quarter means that FLT is not currently in a position to provide meaningful guidance in relation to its likely full year result at this time.

During the second half, the company will continue to focus on cashflow improvement opportunities by reducing costs and enhancing working capital management.

The company is likely to remain modestly geared, with a medium term plan to hold or reduce overall debt levels.

ENDS: Media and investor enquiries to Haydn Long 0418 750454

Investor conference call

FLT will hold its result conference call at 3pm Queensland time (4pm NSW and Victoria) today. Participants phone 1800 098754 from within Australia or +61293387300 from overseas. The conference ID is 87277237.