STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – June 11, 2014

FLIGHT CENTRE TRAVEL GROUP DELIVERS MARKET UPDATE

THE Flight Centre Travel Group (FLT) today updated the market in relation to its outlook for the 2013/14 financial year.

The company said it expected to achieve a record underlying profit before tax (PBT) in the order of $370million-$380million for the year to June 30, 2014, a result at the low to mid-point of current market guidance.

FLT managing director Graham Turner said the anticipated result represented 8-11% growth on 2012/13.

"Entering the final month of our financial year, we remain comfortable with our overall guidance – specifically, we aim to deliver an underlying PBT between $370million and $385million," Mr Turner said.

"Several countries are on track to achieve record full year results, including Australia, the UK and the USA.

"Our ability to hit the top of our targeted range has, however, been adversely affected by disappointing leisure travel results in Canada and a tougher trading environment for the large Australian leisure business during the past eight weeks.

"While Australian leisure continues to grow and increase market-share, it is not achieving the high levels of growth during the fourth quarter as it recorded earlier in the year.

"This slowdown in growth was most evident in May and corresponded with the widely reported decline in consumer confidence in Australia.

"While demand often rebounds quickly after a short-term downturn in the leisure market, conditions are uncertain and it is obviously impossible to predict the timeframe for recovery.

"On a positive note, international and domestic airfare prices remain highly affordable as the financial year draws to a close.

"This is important because cheap fares have historically proven to be a key factor in stimulating demand and a leisure travel rebound, as travellers move quickly to secure bargain flight deals before they return to more sustainable levels.

"For example, yesterday we advertised return economy fares from Sydney to Singapore for $456 and from Sydney to Hawaii for $892.

"Ten years ago, our cheapest return fare to Singapore cost $843 – almost double today's price.

"As recently as last year, our cheapest Hawaii airfare cost just over $1000. By contrast, yesterday we advertised a three-night airfare and accommodation package to Hawaii for almost the same price."

In the USA, FLT expects to report a full year profit slightly ahead of last year's record result in local currency.

While overall US results continue to improve, the corporate travel business remains the main profit driver. FLT has been monitoring the performance of its acquired leisure (Liberty) and wholesale (GOGO) businesses in the USA to ensure goodwill balances are appropriate and believes impairment is increasingly likely.

As announced previously, the following items have not been included in FLT's underlying results for 2013/14:

- $11million in penalties related to the ACCC's test case against the company. While FLT has appealed both the judgment and the penalties that were subsequently handed down, it was required to pay the penalties during the second half of 2013/14
- A larger one-off gain brought about by systems improvements, which have allowed FLT to accurately calculate and capture an additional component of margin at the time of sale, rather than after the customer has travelled. This change, which was outlined in detail at the half year, led to an $8.7million first half gain but the full year benefit cannot be accurately quantified until the end of the year; and
- Goodwill impairment

FLT will release audited full year accounts in August 2014.

The company also announced today that its assistant company secretary, Stephen Kennedy, had resigned to take up an operational role within FLT's corporate travel business.

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