STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - July 25, 2014

FLIGHT CENTRE TRAVEL GROUP RELEASES PRELIMINARY 2013/14 RESULTS

THE Flight Centre Travel Group (FLT) today released preliminary 2013/14 results and provided further details on its non-cash write-downs in India and United States.

Based on unaudited trading results for the year to June 30, 2014, the company expects to report record sales and profits, including total transaction value (TTV) in excess of $16billion and underlying profit before tax (PBT) between $375million and $377million.

The expected profit result is:

- 9%-10% above the record $343.1million underlying PBT achieved in 2012/13; and
- Comfortably within FLT's targeted underlying PBT range for the year (initially $370million-$385million and later revised to $370million-$380million)

As announced previously, underlying PBT does not include some non-recurring items. Specifically, these items are:

- The non-cash write-downs to goodwill and brand names, which were today announced as $13million in India and $48.3million in the United States
- $11million in fines imposed after the ACCC's competition law test case. FLT has appealed both the judgment and the fines that were subsequently imposed; and
- A one-off $19.6million gain* within the Flight Centre Global Product (FCGP) business

Including these items, FLT expects to report a statutory PBT in the order of $322million-$324million, when it releases audited accounts on August 27, 2014.

"For the fourth consecutive year, FLT has traded profitably in all ten of its geographies," managing director Graham Turner said.

"In seven of these geographies – Australia, the United Kingdom, the United States, New Zealand, South Africa, Greater China and Singapore – we will report record profits.

"In addition, we have invested in our business – creating about 1100 new jobs globally – and continued to evolve from a traditional travel agency to a new-age retailer of travel products.

"As this evolution continues, we are improving our network by:

- Developing brands that truly specialise in specific areas of travel and have clear customer value propositions
- Making, combining and sourcing exclusive products and services, rather than just selling suppliers' products. Flight Centre brand launched its exclusive Red Label Fares range in Australia 12 months ago and sold almost 50,000 Red Label tickets during the first year
- Ensuring each brand's people are experts in understanding the brand's speciality and that they in turn are backed by "travel gurus" if additional expertise is required
- Redefining our shops to ensure that corporate, wholesale and retail spaces reflect that our people are retailers first and foremost, not office workers
- Ensuring our brands are available 24/7. Customers will be able to touch, browse and buy our products when and how they want – online, offline, shop, email, chat, phone or SMS
- Better understanding customer habits and proactively using this information to deliver and develop better products, thereby increasing our relevance to customers; and
- Ensuring each brand engages with customers across the five phases of the travel cycle and has content that is relevant and up to date."

The write-downs relate to the corporate travel business in India and the Liberty (leisure) and GOGO (wholesale) businesses in the US.

In India, the corporate travel business has generally been profitable, but it has not delivered the consistent year-on-year profit growth that FLT initially expected.

The US businesses were acquired in 2008, just before the dawn of the US recession and the Global Financial Crisis, along with a product contracting area that has delivered solid returns within the Flight Centre Global Product (FCGP) business.

"While both the India and US businesses are profitable and the US achieved another record result during 2013/14, the profit contribution from various acquired brands in both countries has not been large enough to justify the current carrying values," Mr Turner said.

"The overall US business generated more than $2billion in TTV during 2013/14 and contributed $12.7million to group earnings before interest and tax, but this success was largely driven by the corporate travel business, which is now in 17 cities and growing rapidly.

"In the acquired leisure and wholesale businesses, strategies are in place to build on both businesses' traditional strengths in the vacation package market and to tap into new opportunities, particularly longer haul travel, to improve overall results."

Outlook – 2014/15

FLT expects continued sales and profit growth during 2014/15 and is currently finalising its overall targets.

In line with its normal practices, the company will provide more detailed market guidance for the year ahead when it releases its audited accounts for 2013/14 on August 27.

The tragic loss of MH17 is likely to have a modest impact on results, as most travellers are currently opting to maintain their bookings with Malaysia Airlines or other carriers. In addition, customers who have cancelled future Malaysia Airlines bookings have generally re-booked on other airlines, rather than cancelling their trips outright.

In Australia, FLT also continues to monitor broader market conditions.

While the Australian leisure travel business delivered another record result during 2013/14, the business's growth slowed late in the year, as announced previously. This corresponded with the widely reported decline in consumer confidence in the lead-up to and after the Federal Budget.

"It's impossible to predict a timeframe for a full recovery, although history shows that Australian travellers don't tend to postpone holidays for extended periods," Mr Turner said.

"The cheap fares that we are seeing, both internationally and domestically, can stimulate demand and we will be proactively highlighting these offers to as many customers as possible, via our sales and marketing channels."

FLT will continue to grow its global sales network, predominantly through organic expansion.

The company will also pursue strategic acquisition opportunities and will target businesses that can be vertically integrated without the company taking ownership of significant physical assets.

FLT recently acquired Dublin-based corporate travel specialist Travelplan Corporate Limited and formed an Asia-based destination management joint venture under the Buffalo Tours brand. Future opportunities may include hotel management and tour operations, given FLT's roots in this area and the success of its UK-based Back Roads Touring business.

Capital management update

At June 30 2014, FLT had in the order of $480million in company cash, in line with its internal goal of retaining sufficient cash to cover operating expenses for three months.

The company expects to use some cash for acquisitions, organic expansion and to meet its normal working capital requirements.

If FLT continues to accumulate cash and reaches a level that significantly exceeds its target in the future, the board's current intention is to return surplus funds to shareholders via dividends, rather than one-off distributions.

FLT's current dividend policy is to return 50-60% of net profit after tax (NPAT) to shareholders. Dividend payments for 2013/14 are currently expected to be based on underlying NPAT.

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*As announced at the half year in February, FLT's one-off gain was brought about by systems improvement, which has allowed the company to accurately calculate and capture an additional component of margin within the FCGP business at the time of sale, rather than after the customer has travelled. FLT generally recognises revenue at the point of sale, so the change brings FCGP in to line with FLT policy.