



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – May 25, 2010

FLIGHT CENTRE UPGRADES 2009/10 PROFIT GUIDANCE

FLIGHT Centre Limited (FLT) today upgraded guidance for the 2009/10 fiscal year.

The company has continued to trade ahead of expectations and, based on current trends, should achieve a pre-tax profit between \$190million and \$200million (excluding any major non-recurring items that may arise).

Previously, the company was targeting a \$160million-\$180million result.

Managing director Graham Turner said FLT's anticipated profit – which would be the company's second strongest full year result – represented 90%-100% growth on the \$99.8million normalised 2008/09 pre-tax result.

FLT's actual pre-tax profit was \$40.4million during 2008/09.

"The encouraging results and momentum we reported at the first half have continued," Mr Turner said.

"Sales volumes have remained healthy globally and trading conditions have gradually started to improve in most of our overseas businesses during the second half.

"The Australian business has continued to perform strongly and has not yet experienced the slowdown in demand that some retailers have reported recently.

“New Zealand and Canada have recorded significant year-on-year growth from a relatively small base, while the UK business should again make the largest profit contribution of any of FLT’s international businesses.

“The strong UK performance is pleasing, considering the economic turmoil locally and in parts of Europe, the short-term disruption to air travel caused by last month’s ash clouds and the ongoing distraction associated with the British Airways strikes.

“In the USA, losses have decreased substantially year-on-year. The corporate business is again trading profitably, wholesaler GoGo continues to contribute positively and the Liberty retail network is on track for healthy profits in the peak May-June booking period.”

As announced previously, the US business is expected to generate trading losses up to \$7million at EBIT level during 2009/10.

Losses were incurred during the eight months to February 2010. The business has traded profitably during the past three months, as expected given its seasonality.

While US results are improving, FLT’s board will continue to monitor current and forecast performance to ensure the associated goodwill balance is appropriate. Any changes to goodwill balances will be non-cash adjustments.

FLT’s record full year profit was achieved in 2007-08, when the company reported a \$212.3million pre-tax result in superior trading conditions.

Factors adversely affecting results this year include:

- Lower than normal international airfare prices, which means strong growth in ticket sales has not led to strong total transaction value growth
- Slower recovery in corporate travel. The global business travel market has started to recover, but has not yet returned to pre GFC levels; and
- Reduced interest earnings in comparison to previous years

The company also continues to monitor the impacts of recent world events, including the unrest in Bangkok, temporary closures of European air space and fluctuations in the Australian dollar.

“Each of these factors will affect results to a degree, but we do not currently anticipate any material impacts,” Mr Turner said.

“Early indications from Bangkok are that few travellers intend to cancel, with most bypassing areas of concern and continuing with their holidays.

“Despite some recent falls, the Australian dollar remains at attractive levels by historical standards.

“Adverse currency movements also continue to be offset by the savings that are available on international airfares.

“Fares generally remain well below traditional levels and in some cases are comparable to those we saw during the height of the discounting last year.”

Within FLT’s operations, recent highlights include:

- The launch of Flight Centre brand’s lowest airfare guarantee to highlight the company’s commitment to beating prices offered by airlines, websites and other travel agencies
- A new agreement with the Commonwealth Bank that allows the CBA’s Award credit cardholders to redeem points for travel at FLT’s Australian shops
- Opening of the first new Liberty shops since FLT acquired the US business in February 2008. An additional two shops are set to open before June 30
- FLT’s corporate travel management brand, FCm Travel Solutions, being appointed to the Federal Government’s travel panel

- Reintroduction of the Corporate Traveller business travel brand to focus on SME accounts
- Completion of a small acquisition in Singapore, which has doubled FLT's corporate travel presence in the country; and
- Acquisition of the remaining 44% stake in FCm India, which has given FLT 100% ownership of the business

FLT's strong results have led to a solid build-up in cash during 2009/10. At June 30 2010, the company is likely to hold up to \$1billion in company and client cash.

Operating cash flow over the full year will be positive, with FLT likely to record a substantial inflow during the seasonally stronger second half. This reflects the build-up in client funds during peak second half booking periods for payment to suppliers following the peak travel periods early in the 2010-11 financial year.

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