FLIGHT CENTRE LIMITED

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 25, 2010

FLIGHT CENTRE LIMITED RELEASES HALF YEAR ACCOUNTS

Result summary

	31 Dec 2009	31 Dec 2008
Total transaction value (TTV)	$5.2b	$5.8b
Gross profit	$722.8m	$773.1m
Income margin (gross profit as a percentage of TTV)	13.9%	13.33%
EBITDA	$100.5m	$53.2m
EBIT	$73.9m	$25.0m
Pre-tax profit (actual)	$73.6m	$34.2m
Pre-tax profit (normalised)	$73.6m	$62.0m
Net profit after tax (NPAT)	$51.1m	$26.1m
Interim Dividend	26.0c	9.0c

Highlights

- Profit: Strong growth in comparison to 2008/09 – actual pre-tax result up 115%
- Sales: Good volumes in most markets and further margin improvement. Cheap fares stimulating demand
- Cash growth: Cash and investment portfolio up 10%, general cash increasing and stronger positive net debt position
- Dividends: $0.26 per share interim dividend declared – 51% of NPAT to be returned to shareholders
- Market conditions: Stabilising after turbulence of 2008/09 but minimal recovery so far in some geographies. Australia rebounding strongly and driving overall profit growth
- Outlook: Continuing to target $160m-$180m pre-tax profit, excluding any major abnormal items

Result overview

FLIGHT Centre Limited (FLT) today released half year accounts for the six months to December 31 2009.

The company traded ahead of expectations during the period to record a $73.6million pre-tax profit and a $51.1million net profit after tax.

FLT's pre-tax profit increased 115% in comparison to the actual $34.2million result achieved during the previous corresponding period and 19% in comparison to the normalised 2008/09 first half result of $62.0million.

The company achieved this profit growth despite the effects of:

- Minimal economic recovery in some key international markets, including the United States and the United Kingdom
- Lower cash yields, which contributed to a $12million reduction in interest income compared to the previous corresponding period; and
- Significantly lower average ticket prices, which meant that healthy increases in ticket sales did not lead to actual TTV growth

Yields, or ticket prices, remain well below traditional levels, following widespread supplier discounting during the second half of 2008/09.

As a result of this discounting, the average yield for international fares sold in Australia during the first half decreased 17% in comparison to the previous corresponding period.

Within this low fare environment, TTV reached $5.2billion globally.

Income margin increased to 13.9%.

FLT continued to open businesses, although growth rates slowed during the GFC.

Numbers increased marginally during the past year to 2020, despite the closure of 40 US businesses in February 2009. The Indian corporate travel operations are not included in FLT's business numbers at December 31 2009, as the company did not control the joint venture during the period.

Balance sheet, cash and cash flow

After bolstering its balance sheet during the second half of 2008/09, FLT built on its financial strength by increasing cash reserves and maintaining debt levels.

FLT's global cash and investment portfolio totalled $726million at December 31, 2009, up from $660million one year earlier.

Cash and fixed interest products represented 97% of this portfolio, with corporate collaterized debt obligations (CDOs) and hybrid products representing the balance. Company cash totalled $230million.

Operating cash flow improved significantly in comparison to the first half of 2008/09.

As expected, a moderate outflow was recorded during the first half of 2009/10, as FLT paid funds that accumulated during the second half of 2008/09 to suppliers. The company expects an operating cash inflow during the seasonally stronger second half, as funds again accumulate during the year's peak booking periods.

In light of FLT's strong cash performance, the company's directors have reinstated its traditional dividend policy.

The directors today declared a $0.26 interim dividend, payable on April 1, 2010 to shareholders registered on March 12, 2010. This represents a 51% return of NPAT to shareholders and a 189% increase on the previous corresponding dividend.

Operational review

Managing director Graham Turner said the company had started the year solidly, with the Australian business driving profit growth so far.

He said while economic recovery had not yet gained significant momentum elsewhere, conditions had stabilised in most markets after the turbulence that affected results from late in the second quarter last year.

“Generally, we can be pleased with our result,” Mr Turner said.

“In addition to achieving healthy overall profit growth, we have:

- Increased ticket sales in most markets
- Boosted overall margins
- Substantially increased cash reserves; and
- Built for the future by continuing to strengthen our global leisure, corporate and wholesale travel footprint

“Leisure results have been good, particularly in Australia, where cheap fares have stimulated demand and consumer confidence appears to have rebounded fastest. Profit has increased significantly in comparison to last year, both in our shops and in our online businesses.

“In corporate travel, we have continued to offset the effects of client downtrading by winning new accounts, which should allow us to benefit when companies return to normal travel patterns. We have also reintroduced the Corporate Traveller brand to target local and national accounts and complement the global FCm Travel Solutions business, which focuses on larger national and multinational customers.

“In wholesale travel, results have been strong, with our direct-contracting model now in place globally and being a key contributor to FLT’s profit and margin growth.”

Within FLT’s individual businesses, Mr Turner said first half results included:

- Significant profit growth from the Australian business
- Reasonable results in the UK, despite the GFC’s ongoing effects, with TTV in line with last year in local dollars and healthy profits from both the leisure and corporate businesses
- Profits in New Zealand, Canada and South Africa; and
- Moderate losses from the Asian corporate travel businesses, with the Dubai start-up operation already profitable and the Singapore business expected to breakeven by the end of the year

In the USA, losses before tax were in line with expectations and consisted of \$5million in trading losses from the Liberty business, \$1.1million in losses from the

FCm Travel Solutions corporate businesses, $2.1million in interest expense and $3.6million in one-off costs during the first half.

Stronger results are expected during the second half, which is traditionally the peak booking season for US travel agencies.

FLT expects the US retail business to make a positive EBITDA contribution for the full year, a significant improvement on 2008/09 when it lost more than $60million at pre-tax level. While the company continues to target a breakeven profit result for 2009/10, volatile US trading conditions make it extremely difficult to forecast returns.

In India, FLT is close to finalising its agreement to take 100% ownership and control of FCm Travel Solutions India by acquiring joint venture partner Rahul Nath's 44% interest in the business. As announced previously, the agreement is subject to the satisfaction of a number of conditions.

Elsewhere in the company, cycle businesses 99 Bikes and Advance Traders Australia continue to perform encouragingly during their start-up phase.

Both businesses recorded strong sales increases during the first half and generated about $400,000 in EBITDA and $11.6million in revenue.

Outlook – 2009/10

Mr Turner said FLT had started the second half with significant momentum and was well placed for profit growth if current conditions continued.

"While challenges remain, our fundamentals are strong as we enter the next phase of our evolution," he said.

"We have emerged from the difficulties we faced last year with a stronger sales force, stronger brand offerings catering for most market niches, a leaner cost base and a stronger balance sheet.

"Looking ahead, we see continued growth and improvement opportunities, particularly in corporate and wholesale travel and in niche leisure market areas.

“Within our flagship Flight Centre leisure brand, we see real opportunities to boost international and domestic airfare sales in our shops by dispelling the myth that online fares are cheaper.

“To do this in Australia, we will continue to highlight our lowest airfare guarantee, which means Flight Centre consultants will beat genuine written quotes from other Australian-registered businesses, including online players, offers from airlines and competing travel agency groups.

“We will also highlight the fact that our agents can deliver better options to travellers by:

- Offering a full range of global airfares
- Creating money saving itineraries by mixing and matching fares on multiple airlines, including low cost and traditional carriers; and
- Helping customers understand differences between airfares, including stopover options, side trips and other bonuses that could be on offer

“In terms of the outlook for airfares, we believe prices will continue to rise moderately in the short to medium term, as airlines gradually move away from the unsustainable fares we saw last year.”

In addition to its ongoing business improvement initiatives, Mr Turner said FLT would focus on six key areas to improve performance and future shareholder returns.

These key areas included:

- Improving the return on FLT’s investment in India, Canada and the USA
- Ensuring the company’s One Best Way operating culture was in place in all brands and businesses
- Attracting and retaining more of the right leaders
- Procuring and retaining customers across the business
- Further development of the company’s global land and air product buying and distribution system; and
- Selection and incubation of emerging bricks and mortar and online businesses

He said the company continued to target a full year pre-tax profit between $160million and $180million, excluding any major abnormal items.

As part of its normal business procedures, FLT monitors its brands and assets for possible impairment. While no assets are currently impaired, the company and board continue to closely monitor the US retail business's current and forecast performance to ensure the associated goodwill balance is appropriate.

ENDS Media and investor enquiries to Haydn Long 0418 750454

FLT result presentation: FLT's result conference call for investors will be held at noon (QLD time) today. Phone: 1800 098754. Conference ID: 58743745