

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - February 21, 2012

FLIGHT CENTRE LIMITED RELEASES HALF YEAR ACCOUNTS

Results in brief

	31 Dec 2011	31 Dec 2010	Growth
Sales & Margin			
TTV	\$ 6.2b	\$ 5.7b	9%
Gross Profit	\$ 858m	\$ 792m	8.3%
Income Margin	13.9%	14.0%	
Net Margin	1.9%	1.8%	
Profit			
EBITDA	\$ 137.5m	\$ 121.3m	13.4%
EBIT	\$ 112.7m	\$ 97.5m	15.6%
PBT	\$ 119.7m	\$ 101.1m	18.4%
NPAT	\$ 81.6m	\$ 70.5m	15.7%
Dividends			
Interim Dividend	41.0c	36.0c	13.9%

Highlights

- Record results
 - o First half PBT 18% higher than previous best
 - o TTV 9% higher than 2010/11
- Improved shareholder returns
 - o Earnings per share up 16%
 - o Interim dividend up 14% \$41million in funds to be returned to shareholders
- Global businesses contributing positively
 - o EBIT profits in nine of ten regions, US losses halved
 - o Combined overseas EBIT up 52%
 - o TTV growth in all countries in local currency

- Upgraded 2011/12 profit target
 - Trading 20-22% ahead of same period last year after seven months, above initial full year guidance of 8-12% PBT growth
 - Now targeting 10-18% full year growth, excluding any major abnormal items

Result overview

FLIGHT Centre Limited (FLT) today announced record first half results.

The company grew solidly during the six months to December 31 to surpass its previous profit and sales milestones for the period.

Profit before tax (PBT) reached \$119.7million and was 18% higher than the record \$101.1million PBT achieved during the previous corresponding period.

Net profit after tax (NPAT) increased 16% to \$81.6million.

TTV increased 9% to \$6.2billion, while gross profit was \$858million, up 8%.

Income margin was 13.9%.

The company continued to expand its sales network globally by opening new shops and businesses, developing and exporting brands and growing its sales force.

Sales staff numbers increased 8% year-on-year to 11,866, while shop numbers increased 6% to 2313. At December 31, 80% of FLT's 14,840 people were in sales roles.

Balance sheet, cash and cash flow

FLT's global cash and investment portfolio totalled \$800million at December 31, 2011, compared to \$731million one year earlier (prior year client cash has been restated).

General cash represented \$317million of this portfolio, up from \$250million at the previous corresponding half year.

Total debt was \$170million, giving FLT a \$147million positive net debt position.

The company recorded a \$20million operating cash outflow during its seasonally weaker first half, compared to a \$115million outflow during the previous corresponding period.

Typically, FLT expects a moderate outflow during the six months to December 31, followed by a large inflow during the six months to June 30, as funds build during peak second half booking periods for payment to suppliers after peak travel periods the following first half.

The company's directors today declared a fully franked \$0.41 per share interim dividend, payable on April 13, 2012 to shareholders registered on March 16, 2012.

The dividend payment represents a 50.3% return of NPAT to shareholders and is 14% higher than the \$0.36 per share interim dividend paid last year.

Operational review

Managing director Graham Turner said first half highlights included:

- EBIT profits in nine of FLT's 10 regions, with strongest growth from Australia, the UK and Dubai, plus the Canada and US corporate travel businesses
- A 52% reduction in overall US losses to \$3.3million (2011: \$7million) during the business's seasonally slower trading period
- TTV increases in all countries when measured in local currencies; and
- Strong sales growth from the US corporate travel business and the emerging Dubai and Singapore businesses. FLT's retail travel businesses in China and Hong Kong also recorded healthy sales increases from a small base

"Growth of this magnitude is a sound achievement for a company of our size and given the economic uncertainty in some regions," Mr Turner said.

"Importantly, this top and bottom-line growth has also coincided with significant investment in our core business and in emerging areas with solid growth prospects.

"During the past six months, this investment has included:

- Global sales network expansion we opened our 2300th business during the first half and 50% of our sales people are now located outside Australia
- Enhanced front and back office systems, including the successful stage one rollout of the new Universal Desktop for our sales consultants in Australia, New Zealand and South Africa; and
- Investment in our people and customers through new training programs and initiatives designed to improve interaction and service, whether the customer chooses to interact online or offline. This on and offline interaction is something the online players cannot deliver

"Internationally, our overseas businesses generated solid returns, with combined EBIT increasing 52%.

"The UK result was particularly pleasing, given the challenging local trading conditions.

Rather than focussing on mass market charter holiday packages, the business continues to target corporate travel and niche leisure sectors and is currently on track for its best year.

"In the US, solid overall sales growth contributed to the improved result, with TTV increasing 24% in Australian dollar terms or 36% in local currency.

"This was largely driven by the corporate business, which generated 40% of total first half sales in the US.

"The Liberty leisure and GOGO wholesale businesses also recorded TTV growth in US dollars, thereby reversing the trend of recent years in this market.

"With the seasonally stronger second half to come, we continue to target a full year EBIT result in the order of \$5million in the US."

To boost online sales in Australia, FLT:

- Continued to develop travelthere.com as a testing ground for new online tools, prior
 to their launch on higher profile websites. travelthere.com currently has one of the
 widest ranges of international hotel product in the industry, in addition to a
 comprehensive international flight range
- Made more international airfares available on flightcentre.com.au
- Introduced enhanced hotel and cruise booking engines; and
- Continued to invest in the quickbeds accommodation business. New initiatives included enhanced international content, a mobile site and the addition of Car Trawler, which has allowed users to search and compare global car rates

Together, the company's online travel brands in Australia recorded a 26% TTV increase.

FLT continued to expand its business by exporting brands to new geographies.

My Adventure Store, the adventure travel joint venture, was launched in both Canada and the UK, while Travel Associates and FCm Travel Solutions were introduced in the USA.

99 Bikes retail cycle shops opened in Sydney and Melbourne, with cycle wholesaler Advance Traders Australia adding the Centurion, Lapierre and Norco brands to its Australia-wide distribution network.

Overall, the Pedal Group cycle joint venture recorded a 38% increase in sales to almost \$16million and was break-even at EBIT level.

While FLT's bike sales increased healthily, the local cycle industry is being hampered by government policy that allows overseas-based online bike businesses to sell products in Australia without charging GST or import tax.

This has created an uneven playing field that favours foreign online operators.

"Businesses are clearly being penalised for being Australian-based," Mr Turner said.

"Effectively, Australian businesses are being asked to charge their customers 15% more.

"If the government is unwilling to provide Australian businesses with the same tax concessions that are available to overseas businesses, perhaps it could instead take steps to collect the millions of dollars in lost revenue.

"Given that between 15% and 20% of Australian bike sales are now being generated overseas, we will happily set up a business to collect these taxes and will share the substantial profits with the government."

Outlook – 2011/12

FLT's solid start to 2011/12 was built around a strong first quarter globally. Growth slowed in Australia during the second quarter, before rebounding in January.

Including January trading results, the company's PBT for the first seven months of 2011/12 is in the order of 20-22% higher than during the corresponding period of 2010/11 and comfortably above FLT's initial full year target of 8-12% PBT growth.

"In light of our position after seven months' trading, we believe it is appropriate to increase our full year profit target from the initial \$265million to \$275million range," Mr Turner said.

"We will now target a PBT between \$270million and \$290million, excluding any major abnormal items that may arise and assuming stable trading conditions.

"If achieved, a profit within this range will represent 10-18% growth on the underlying \$245million PBT achieved last year.

"Reaching our new full year profit target will not be a formality.

"Economic conditions are volatile in some regions and we will need to build on the record second half result achieved last year."

Air Australia's decision to enter voluntary administration last week is expected to cost FLT up to \$1million.

In line with its normal policies, the company took steps to protect its customers and shareholders after travel insurance providers removed insolvency coverage for the airline in December. Had FLT not taken action to minimise company and customer risk, losses would have been greater.

To improve performance in both the short and long-term, FLT continues to focus on seven key areas globally:

- At a time when retail rent, advertising and wage costs are increasing, enhancing retail efficiency and productivity
- 2. Leadership and "One Best Way" at area level refocussing the company's leadership at all levels to ensure the area, a localised cluster of shops, is the key driver of FLT's business systems
- 3. Global corporate growth accelerated growth in the corporate travel sector across all brands
- 4. Enquiry management ensuring all customer queries are actioned promptly
- 5. Customer care improvements
- 6. Supplier relations ensuring FLT is the travel distributor suppliers want and choose to do business with for mutual benefit; and
- 7. Emerging businesses targeted leadership and resource focuses to ensure new and emerging businesses are successful sooner

"Another focus throughout the business is ensuring that customers can interact with Flight Centre in the ways that best suit them, 24 hours a day, seven days a week," Mr Turner said.

"Consequently, more shops are now trading outside normal work hours and our online offerings – including booking facilities – are constantly being enhanced to suit those who want to research or make their own arrangements.

"We aim to offer a blended on and offline solution, which will be our key point of difference – a factor that will distinguish FLT from suppliers and online agents.

"Effectively, we will replicate the booking service online travel agents provide and couple it with it the expert service the people in our 2300 shops globally provide.

"Details of how this strategy will operate in each country and within our various brands and businesses are currently being finetuned."

FLT's commitment to developing its travel range has seen it launch and promote a large number of innovative new products including: Flight Centre's Double Dip Flights, which effectively allow travellers to fly to two

destinations for the cost of a normal return flight in some instances

Student Flights' Black Market airfare range – exclusive flight deals for full-time

students, teachers and travellers aged under-26

Escape Travel's Mystery Escapes, packaged airfare and accommodation deals to

"unknown destinations" within Australia; and

• The myTime program

myTime, an exclusive VIP program for FLT customers, was developed in the USA and

launched in North America in February 2011.

The program, which rewards FLT's customers with VIP bonus offers at participating resorts

at no extra cost, was rolled out to FLT's businesses in Australia, New Zealand, the UK and

South Africa during the first half.

myTime is now available at more than 90 properties in the Caribbean, Mexico, Hawaii, Fiji,

Bali and Thailand and will be extended to Australia, USA, Malaysia, Vanuatu, Singapore and

the Indian Ocean during the next six months.

Further sales network growth will take place during the second half, with FLT set to:

Launch guickbeds.com and Travel Associates in New Zealand

• Capitalise on the growing demand for its leisure travel services in Greater China by

opening the first Flight Centre shop in Hong Kong. Head office based sales teams in

Hong Kong generated 25% of the business's overall first half TTV

Open the first Australian hyperstore. The Perth store will be based on the hyperstore

concept developed in the UK and will house Flight Centre, Travel Money Oz and

corporate sales teams; and

Launch the popular Travel Expo program in the USA

In addition, FCm Travel Solutions has been launched in Canada to operate alongside the

SME-focussed Corporate Traveller brand.

ENDS Media and investor enquiries to Haydn Long 0418 750454

Investor conference call: FLT's investor conference call will be held at 10.30am (QLD)

today. Details are as follows:

Time: 10.30am QLD (11.30am NSW)

Number: +61 2 8314 8370

Conference ID: 5315 9078

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