



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 23, 2011

FLIGHT CENTRE LIMITED RELEASES FULL YEAR ACCOUNTS

Result summary

	30 June 2011	30 June 2010	Growth
Sales & Margin			
TTV	\$ 12.2b	\$ 10.9b	12.0%
Gross Profit	\$ 1.7b	\$ 1.6b	8.1%
Income Margin	13.8%	14.3%	(0.5bps)
Net Margin (underlying)	2.0%	1.9%	0.1bps
Profit			
Underlying Profit Before Tax	\$ 245.2m	\$ 205.1m	19.6%
Abnormal items*	\$ 32.1m	\$ 6.6m	
Actual Profit Before Tax	\$ 213.1m	\$ 198.5m	7.4%
Underlying Net Profit After Tax	\$ 170.7m	\$ 143.9m	18.6%
Actual Net Profit After Tax	\$ 139.8m	\$ 139.9m	(0.07%)
Effective tax rate	34.4%	29.5%	
Dividends			
Interim Dividend	36.0c	26.0c	38.5%
Final Dividend	48.0c	44.0c	9.1%

*Abnormals in 2011 included \$27.9m in goodwill impairment (USA) and \$4.2m in donations (2010: \$600,000 in property impairment in South Africa and \$6m in non-recurring expenses). As the table above illustrates, underlying results are before abnormals are deducted, actual results (calculated in accordance with accounting standards) are after abnormals

Highlights

Record results

- Best sales and PBT performance in FLT's history, with EBIT profits in all 10 countries (first time) and inaugural USA, Greater China and Singapore profits

Balance sheet strength

- Record cash balance at June 30 and \$209m positive net debt position

Improved shareholder returns

- Almost \$84m returned to shareholders via \$0.36 per share interim dividend (paid April 2011) and \$0.48 final dividend (declared today)

2011/12 growth target

- 10% underlying PBT growth target, excluding abnormal items that may arise
- Key strategies in place, good July but economic uncertainty in some markets

Result overview

FLIGHT Centre Limited (FLT) today released audited accounts for the year to June 30, 2011.

The company performed ahead of expectations and achieved record overall profit and sales results, highlighted by an underlying \$245.2million profit before tax (PBT).

The result was 2% above FLT's initial guidance of a PBT between \$220million and \$240million (excluding any major abnormal items that may arise) and 19.6% higher than underlying 2009/10 PBT.

After abnormal items – the \$4.2million in flood and earthquake-related donations announced during the second half and the \$AUD27.9million goodwill adjustment announced last month – FLT achieved a \$213.1million actual PBT.

Actual PBT increased 7.4% year-on-year and was 6% higher than FLT's previous full year record – the \$201million PBT achieved during 2007/08 – despite the combined \$32.1million impact of these abnormal items on 2010/11 results.

Net profit after tax (NPAT) was \$139.8million (actual) or \$170.7million (underlying).

TTV increased 12% to a record \$12.2billion, while gross profit increased 8.1% to \$1.7billion.

Income margin was 13.8% and in line with expectations, after being higher than normal during 2009/10. Underlying net margin was 2%, up from 1.9%.

Shop and business numbers increased 7.5% to 2243**, as FLT continued to expand globally. At June 30, 49% of these businesses were located outside of Australia.

Organic growth in FLT's brands and businesses was supplemented by the acquisitions of gapyear.com, a United Kingdom-based social networking website for gap year travellers, and the remaining 74% interest in Garber, a deal that gave FLT 100% ownership of the United States-based corporate travel business.

In achieving its record results, FLT overcame the effects of:

- Ongoing economic volatility in the US and UK, the company's second and third largest operations
- A series of natural disasters, which included Queensland's floods and cyclones in January, the Christchurch earthquakes in February, the tsunami in Japan in March and June's ash clouds
- The ongoing downturn in Australian domestic tourism; and
- Lower than normal overseas result translation, which reflects the Australian dollar's current strength. Had FLT translated overseas TTV into Australian dollars at the rates that applied during 2009/10, TTV would have increased 17% year-on-year

Balance sheet, cash and cash flow

FLT built on its financial strength during 2010/11 by increasing cash reserves and maintaining moderate debt levels.

General cash totalled \$376.8million at June 30 2011, compared to \$322.3million one year earlier, and was part of a \$1.04billion global cash and investment portfolio.

Total debt was \$167.8million, giving FLT a \$209million positive net debt position at year-end.

As expected, cash grew rapidly during the six months to June 30 as funds accumulated during peak second half booking periods for payment to suppliers after the peak travel periods early in the first half of 2011/12. This led to a large second half operating cash inflow, after the moderate first half outflow.

A \$162.9million operating cash inflow was recorded over the full year.

FLT's directors today declared a fully franked \$0.48 per share final dividend to be paid on October 7, 2011 to shareholders registered on September 16, 2011. This follows the \$0.36 per share interim dividend (paid April 1, 2011).

The combined dividend payments represent an \$84million return to shareholders, 50% of FLT's NPAT before the \$27.9m goodwill adjustment.

Operational review

Managing director Graham Turner said result highlights included strong profit and sales results, solid cash generation and continued global growth.

"In addition to these achievements, we traded profitably at earnings before interest and tax (EBIT) level in all of our 10 countries for the first time," he said.

"Record EBIT results were generated in Australia, Canada, India and Dubai and we achieved inaugural EBIT profits in Greater China, Singapore and the USA.

"While we expect better future results in the USA, the \$1.5million profit (EBIT) is a solid turnaround after two years of significant losses and in a volatile economy.

"Elsewhere in the world, the UK was again our largest profit generator after Australia, South Africa's results improved and New Zealand performed solidly, given the tragic events that unfolded in Christchurch.

"In Australia, healthy demand for international travel – driven by cheap airfares and a strong dollar – offset the ongoing weakness in the domestic tourism sector.

"In general, international airfare prices have increased modestly since the Global Financial Crisis, meaning Australians travelling overseas continue to find great value.

"In fact, many fares offered during the second half of the 2011 financial year were comparable to or cheaper than those offered during the second half of 2009.

"For example, Flight Centre compared 30 international fares that were advertised from Sydney in May 2011 with fares to the same destinations in May 2009 and found that half were cheaper in 2011, despite significant economic recovery."

Generally, FLT's corporate travel businesses performed strongly globally, as the company benefited from its continued expansion in the sector and as the overall market continued to recover from the 2008/09 downturn.

In leisure travel, sales volumes were good with strongest growth achieved in Australia and Canada, where market conditions remained reasonably stable.

In wholesale travel, the Flight Centre Global Product (FCGP) internal wholesale and corporate product procurement division was again a key contributor to FLT's results.

FLT's bricks and mortar growth was complemented by continued development online, as the company expanded its stable of websites used to:

- Generate enquiry for bricks and mortar businesses
- Generate enquiry for online "direct brands"; and
- Offer customers online booking services

FLT's social media presence was also boosted via the gapyear.com acquisition and the creation of a global team to monitor social channels around-the-clock, oversee a blog network that now extends to five countries and develop Facebook communities.

Elsewhere in the business, the Pedal Group joint venture cycle business generated combined sales of \$22million and an EBIT loss of just under \$100,000 during a period of significant expansion.

Since year-end, retailer 99 Bikes has expanded beyond its south-east Queensland base to Sydney and Melbourne. The business is about to open its 10th and 11th shops and now has an improved online presence that allows it to offer bikes, parts and accessories nationwide.

Outlook – 2011/12

FLT has released profit guidance for 2011/12 pointing to a PBT between \$265million and \$275million, excluding abnormal items that may arise.

The midpoint in this range represents 10% growth on underlying 2010/11 PBT.

While FLT has started 2011/12 solidly and traded in line with expectations in July, economic conditions remain volatile, particularly in the USA and UK. The company also continues to monitor market conditions in Australia, where other retailers reported a slowdown in spending during the second half of 2010/11.

“The global economic volatility we have seen since late 2008 means it is difficult to predict full year outcomes at this early stage,” Mr Turner said.

“Challenges will arise – as they do every year – and economic conditions remain uncertain, but we will be disappointed if we do not achieve our profit target.

“We start the new year with good momentum, a strong balance sheet and sales force, a diverse stable of brands and with strategies in place to drive future growth.

“Specifically, these strategies relate to:

- Fast-tracking growth in corporate travel through organic expansion
- Improving and streamlining retail processes and updating the desktop tools available to travel consultants, which will lead to an improved customer experience and enhanced productivity
- Refocusing on the area – a localised grouping of shops – as the central business unit to deploy initiatives, improve customer offerings and reinforce ownership of our business model
- Increasing our relevance to suppliers to ensure supplier margins are maintained and that we continue to offer choice and value
- More sophisticated enquiry management to ensure enquiry generated in our products and marketing campaigns is converted into business
- Enhancing our customer care culture and developing better products and services; and
- Supporting emerging businesses by investing in them and providing appropriate senior management focus to guarantee their success.”

Shop and business growth remains a key profit driver, with FLT targeting 10% growth in business numbers globally during 2011/12.

In Australia, the company will continue to expand the flagship Flight Centre brand, but overall growth rates are likely to be higher in less mature brands.

These brands include:

- Escape Travel, which had 111 shops throughout the country at June 30
- Student Flights, which had 55 shops
- Travel Associates, which had 29 shops
- Cruiseabout, which had 23 outlets in Australia; and
- FLT's stable of corporate travel brands

The corporate travel businesses continue to perform strongly in both Australia and overseas and FLT is now one of the world's largest corporate travel managers, but market share lags the company's leisure travel presence in some countries.

"Within our business, we see opportunities in all brands and in all markets," Mr Turner said.

"Australia continues to be the major contributor to group profit, but overseas businesses are making an increasingly valuable contribution.

"During 2010/11, both the UK and the USA businesses generated more than \$AUD1billion in TTV and Canada is making solid progress towards that target.

"In the UK, we have developed strong foundations for future growth through the ongoing investment in new businesses, brands and sales consultants.

"Benefits are expected to flow through during 2011/12 and in the years ahead as consultants gain experience and productivity improves.

"In the USA, FLT expects continued profit growth, following the significant improvements recorded during the past two years."

The US business now includes:

- 48 corporate travel businesses in New York, New Jersey, Chicago, Boston, Washington DC, Seattle, Los Angeles, San Francisco, Dallas and Phoenix
- The 169-shop Liberty Travel retail network; and
- Wholesaler GOGO, which has 40 outlets throughout the country to service external retail travel agents

The US corporate travel business generated record profit during 2010/11 and has been earmarked for more rapid growth during 2011/12.

Since June 30, Corporate Traveller brand has been introduced to focus on SME accounts, alongside the established FCm Travel Solutions business and in line with FLT's corporate travel structure elsewhere in the world.

Priorities for Liberty include "upstaffing" existing shops, improving productivity and converting the healthy levels of enquiry its marketing initiatives are generating.

In GOGO, improved results are expected, as the business regains some of the momentum lost following the system changes that took place during 2010/11.

New initiatives – 2011/12

The focus on updating the desktop tools available to FLT's travel consultants has led to the launch of Travelport's Universal Desktop in Queensland this week, following successful pilot programs in Australia, New Zealand and South Africa.

Universal Desktop will enhance FLT's ability to distribute airfares globally and will provide travel consultants with a faster and simpler research and booking tool, thereby strengthening their relationships with customers.

Other recent developments include the launch of FLT's first fully transactional website in Australia, travelthere.com.

The new site's dynamic packaging engine allows customers to bundle international flights with their choice of more than 50,000 hotels, hire cars and activities.

FLT acquired travelthere.com in 2004 and has redeveloped the site to test booking capabilities and other initiatives, before they are added to higher profile websites.

Plans to offer a full range of international airfares online are part of a broader strategy that aims to deliver more options to travellers who want to book flights and other travel products outside normal working hours or online.

This strategy has seen FLT expand shop opening hours in key locations in Australia and boost after hours phone booking facilities for corporate and leisure customers.

In addition to making it easier for customers to transact with FLT – both in-store and online – the company continues to develop unique travel products.

These products include:

- The myTIME program, which was developed in North America and launched at various local resorts in February 2011
- Student Flights' range of Black Market Airfares
- Specially constructed airfares, including round-the-world and other complex itineraries, that are tailor-made by the company's airfare experts; and
- The Travel Butler customer assistance service offered by the Round The World Experts brand in the UK

myTIME rewards travellers with special bonuses and services as an added value proposition when they book holidays from FLT's retail, wholesale or online brands.

The bonuses are currently available at selected properties in Mexico, the Caribbean, the Dominican Republic and Aruba and can include priority reception areas, discounts and upgrades, exclusive tours and activities and complementary transfers.

During 2011/12, FLT will expand the program to include key leisure travel destinations in South East Asia and the Pacific.

ENDS Media and investor enquiries to Haydn Long 0418 750454

Result presentation: FLT's conference call for analysts and investors will be held at 11am (QLD time) today. Phone: + 61 2 8314 8370, Conference ID: 92912723

**FLT's India business adopted the company's team-based structure during 2010/11, which has allowed shop and business numbers in the country to be reported more accurately. FLT's shop and business numbers for 2009/10 have been restated to reflect this change and to provide a like for like comparison