



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – May 2, 2013

FLIGHT CENTRE LIMITED UPGRADES FULL YEAR OUTLOOK

FLIGHT Centre Limited (FLT) today upgraded its 2012/13 financial year market guidance.

Based on ten months' trading results, the company has raised its underlying profit before tax (PBT) expectation from the initial \$305million-\$315million target to \$325million-\$340million (excluding any unforeseen items that could arise).

If achieved, the upgraded guidance for the 12 months to June 30 2013 will represent 12-17% growth on the record \$290.4million PBT achieved during 2011/12.

Managing director Graham Turner said the company had started the second half strongly, after achieving 8% first half PBT growth.

"Year-to-date, our 10 countries are profitable and several are on track for record full year EBIT contributions," he said.

"This includes Australia and the United Kingdom, which are typically our largest profit generators.

"In Australia, the leisure business has rebounded during the second half to more than offset a slightly softer domestic corporate travel market.

"Similarly, the UK leisure business has performed well at a time when corporate clients have been down-trading. This has meant that the UK corporate business has not fully benefitted from the higher ticket volumes it has recorded.

"Overall, the UK business is on track to deliver more than GBP20million in earnings before interest and tax, surpassing its 2011/12 record by close to GBP5million or more than 30%, despite the challenging local trading environment."

FLT's US business has now recovered the losses recorded during its seasonally weaker first half and should deliver its third consecutive full year profit (EBIT).

With the leisure and wholesale businesses' key booking season to come, FLT currently expects overall US EBIT in the order of \$10million. This is in line with 2011/12 and at the lower end of FLT's targeted full year range (\$10million-\$15million).

The corporate business – which is now the largest individual operation in the US – continues to outperform the leisure and wholesale businesses and will expand into a 15th city, San Diego, next month.

Organic expansion into four more cities is earmarked for the medium-term future, with Atlanta and Minneapolis priorities for 2013/14.

Two new hyperstores – Boston and Chicago – are also set to open during 2013/14, following the successful launch of the first store in Manhattan's Madison Avenue in October 2012.

Elsewhere in the business:

- New Zealand, Singapore and Greater China are generating solid year-on-year EBIT growth, with New Zealand on track for its best full year result since 2008
- The South Africa business is performing well, particularly in corporate travel
- India is on track to improve on its 2011/12 result but challenging local trading conditions mean the business is not delivering the profits it returned in prior years
- The Canadian corporate business is growing solidly, but overall EBIT is being adversely affected by soft leisure results; and
- Sales are growing strongly in Dubai but earnings are slightly down on last year

FLT's profit growth coincides with significant investment in key projects, including the Travel Shopping of the Future Program and the development of a unique Blended Travel offering.

The company's blended model is being introduced in three phases, with the first and second stages now in place for Flight Centre brand in Australia.

Phase One saw FLT blend its offerings in the pre and post booking stages to allow customers to enquire, pay and view travel itineraries online, rather than requiring them to interact in-store or via the phone.

In Phase Two, FLT made more product and services available online, in addition to giving customers broader access to its global shop network.

International flights were added to flightcentre.com.au, bolstering an offering that was previously restricted to domestic and Trans Tasman fares, along with a comprehensive global hotel offering.

To give online customers the benefits of access to FLT's global network of "human search engines", consultant Chat has been piloted on some sites and a Consultant Select model has been launched in Australia.

The Select model allows web customers to select a consultant they usually deal with in-store or another nearby travel agent as a contact for advice and/or help if an issue arises. This is a key point of difference between FLT's offering and the service online travel agents and supplier websites are able to provide.

In Phase Three, FLT will unveil a fully integrated offering that will allow customers to switch seamlessly between sales channels at any stage of the booking or planning process.

"The enhancements that are now in place take away some of the pain points that customers traditionally experience when they plan and book travel," Mr Turner said.

"The end product will be a fully integrated new-age service that combines the best features of both the on and offline travel models.

"In effect, the Flight Centre website will become a 24/7 booking channel or cyber twin for the company's travel consultants."

FLT continues to grow cash reserves, while maintaining low debt levels.

At June 30 2013, the company expects to have more than \$400million in general funds (excluding client cash), in line with its cash accumulation goal, and a positive net debt position in excess of \$300million.

General funds will, however, decrease early in 2013/14 when the company makes its normal tax and dividend payments. As indicated previously, FLT will also consider retiring about \$30million in overdrafts and loans (related to the Asia-Middle East businesses) to lower overall interest expense.

FLT continues to monitor results and forecast future earnings from its acquired businesses to ensure goodwill balances are appropriate.

This includes the Liberty leisure, GOGO wholesale and US product businesses, which were acquired in 2008. While this acquisition has delivered significant product synergies and benefits globally, Liberty and GOGO's bottom-line results have not yet reached expectations.

FLT wrote-down its US goodwill balance in July, 2011.

The company will release audited full year accounts on August 27, 2013.

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