FLIGHT CENTRE LIMITED

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Subject: Downgrade Announcement

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Please see attached announcement.

Greg Pringle
Company Secretary

MEDIA RELEASE AND STATEMENT TO ASX – June 23, 2005

FLIGHT CENTRE LIMITED UPDATES FULL YEAR OUTLOOK

Flight Centre Limited has revised its profit outlook for the 2004/05 fiscal year, while forecasting a return to healthy profit growth in 2005/06.

While the company continues to achieve 15-20% annual sales growth, indications are that June's profit result will be below expectations. Coupled with ongoing investments and other costs incurred during the year, this means Flight Centre Limited will not achieve its 2004/05 profit target.

The company expects its pre tax result to be 10-12% down on its $121 million target, with a return to traditional profit growth rates in 2005/06, when the benefits of the Full Throttle program and other investments are realised.

June results have been adversely affected by:

- One-off redundancy expenses associated with the company's streamlining of its head office support structure
- A decision to write-off various projects after superior long-term solutions were identified as part of Full Throttle
- A change in depreciation method in New Zealand in line with the company's global fixed asset policy
- A one-off make good provision relating to the ITG Limited acquisition

Managing director Graham Turner said while the last days of the year would be crucial June forecasts indicated the company was unlikely to reach the record levels of 2003/04.

"This has been a difficult year, characterised by consolidation, significant structural change and investment in strategies that will allow us to maintain our competitive edge in the future," he said.

"While we have been disappointed with our profit results, we are developing a stronger overall business for the years ahead."

Future Outlook

As stated previously, contributing cost factors in 2004/05 include:

- Increased operating costs, including future project costs fully expensed
- Full Throttle startup costs
- Increased depreciation and amortisation expenses in line with the company's increased asset base
- Investment in the launch and global development of FCm Travel Solutions
- Reversal of Global Distribution System income (prior period accrual)

To improve future returns, chief executive officer Shane Flynn said the company had initiated comprehensive action to curb costs throughout its global operations.

Mr Flynn said many of these actions related to Full Throttle and included:

- A return to a leaner support structure
- The introduction of new cost control policies and enforcement of existing policies

He said benefits had not yet reached the bottomline.

"Full Throttle, which is built around a series of business improvement initiatives, is expected to deliver $15 million in pre tax savings in 2005/06 and up to $60 million by the end of 2007/08," Mr Flynn said.

"With these savings flowing through, the introduction of new technology and systems and our ongoing focus on improving margins and enhancing productivity, we expect to return to traditional levels of profit growth in 2005/06."

Mr Flynn said Full Throttle would also help deliver:

- A stronger "clicks and mortar" model incorporating the company's shops and enhanced online offerings, including Trans Tasman and New Zealand domestic airfares on flightcentre.com sites in both Australia and New Zealand. The company will also enhance phone and email services for an improved customer offering and to allow it to deliver enquiry to cost effective sales channels.
- An improved finance model, offering cost and efficiency benefits
- New efficiencies and increased productivity in all front and back-end businesses

FCm Travel Solutions

The company will also expand its FCm Travel Solutions network as it continues to develop one of the world's largest corporate travel and expense management companies.

The Britannic business in the United Kingdom will officially become FCm Travel Solutions on July 1 and new licensing agreements are now in place with corporate travel specialists in Belgium, Ireland, Italy, Holland, Spain and France.

In the Asia-Pacific region, new licensees include Golden Nusa Travel Services (Indonesia), K Travel Service Co (Korea), KS&S Travel (Thailand), Blue Horizons Travel and Tours Ltd (Philippines) and Diethelm Travel Management (Malaysia).

In addition, the company continues to investigate strategic acquisition opportunities in the United States and is currently investigating corporate travel businesses with operations centred on the country's East Coast.

"FCm Travel Solutions is continuously expanding its international network to deliver clients of all sizes – small, large, multinational – extensive global coverage with local experience, expertise and personalised service," Mr Turner said. "With these additions, the network now extends to 50 countries, through our own businesses, licensing agreements or dedicated links with leading local companies."

Flight Centre Limited will announce its full year results on August 18.

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