

ASX ANNOUNCEMENT

Wotif.com Holdings Limited ABN 41 093 000 456
Monday 22 October 2012

Market Release – AGM Addresses

In accordance with Listing Rule 3.13.3 please find attached for release to the market copies of the Chairman's and Managing Director's addresses to be given at the Company's Annual General Meeting today.

For further information please contact:

Sean Simmons
Company Secretary
T: 61 7 3512 9965
F: 61 7 3512 9914

WOTIF.COM HOLDINGS LIMITED ABN 41 093 000 456 | 7 Baroona Road Milton QLD 4064 Australia | Phone: +61 7 3512 9965 Fax: +61 7 3512 9914 Email: investors@wotifgroup.com





WOTIF.COM HOLDINGS LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

**Seventh Annual General Meeting of Shareholders
to be held on 22 October 2012 at 2.30 pm**

CHAIRMAN'S ADDRESS

Before moving to the formal items of business, Robbie Cooke and I would like to briefly discuss the Company's performance over the 2012 financial year and its outlook for the current year.

I will start my address today by repeating most of a final paragraph from my presentation to shareholders last year. I said *"the current focus of the employees and the Board is firmly on improving returns from the Company's existing business portfolio while offering a reliable dividend to shareholders"*.

Our success in delivering this outcome is strongly evident in the results we announced in August. We lifted operating profits by 11% and profit after tax by 14%. This allowed the Board to increase dividends to 25 cents from 22 cents in FY11 without changing the dividend payout ratio.

None of this was achieved without some revenue growth. Despite the incessant carping about consumer thrift in Australia, Wotif managed to eke some growth from domestic accommodation sales while making good headway from its flights initiative. Only the Asian business struggled. Overall our businesses delivered a 5% lift in revenues.

Fascination with weak spots rather than the strength of the Company leads me to make a couple of comments on the Asian business. It often escapes attention that our sales of room nights in Asia contribute 12% of our total room night sales. We have significantly re-engineered this operation to establish a platform for future growth. Hotels in Asia on offer have increased from 5,900 to 8,200, newsletter circulation has grown from 130,000 to 375,000 and we are making good advances with the pricing offered to users of our web sites following a program of regular price audits. Also, our Asian sites are now multi-lingual, and an iPhone App has been introduced.

Our efforts in striving for a better market position for the Company's services in Asia are a reflection of the constant and persistent approach needed to compete both



within Asia and elsewhere. The Wotif service isn't static and doesn't ignore the competitive and economic pressure evident in the market place for accommodation. Nor can the market ignore Wotif. Wotif still sells 10% of the rooms sold in Australia with commissions paid by suppliers on sales well below other distribution channels, including sales by other online travel agents.

Wotif has a very efficient business model which benefits from all the advantages and productivity available from the clever use of the internet. This model is constantly evolving and offers the financial foundations for servicing a wider range of travel requirements than a simple hotel booking service. Wotif is mindful of the emerging opportunities to add value to corporate travel accounts, to better service the holiday rental market and to innovatively deliver packages sought by travellers interested in more than accommodation.

The good news from last year's result was the return to growth. Clearly this growth isn't replicating the percentages achieved over the previous six years. Put simply, it isn't as easy to grow a \$1B business as it is a much smaller one. Nevertheless, we shouldn't lose sight of the plain and simple fact that revenue last year grew by 5% without the benefit of any merger or acquisition activity.

The staff incentive scheme delivered for the Company's workforce in FY12 after failing to deliver cash incentives in FY11. The Company is changing and we also need to deal with the relevance of the reward systems for staff. This requires more than just measuring financial performance and hoping that equity grants benefit from the financial performance in future years. Our remuneration programs need to recognise innovative thinking and creative ways of better managing the enterprise to ensure we stay ahead of the competition. This will become an important element in our approach to our staff over the next several years.

Sadly, this will be the last time our chief executive, Robbie Cooke will address shareholders at an AGM. It is a particularly poignant moment for me. I have worked with Robbie since 1999 when he joined me at the newly listed Queensland-based TAB Queensland Limited. His talent was readily recognised at TABQ and it is not surprising that Wotif wanted him when it listed on the ASX in 2006.

He has been at Wotif for seven years. This is probably around the mark for a CEO assignment these days. Far too short in my view! Despite the short term inconvenience resulting from a much respected CEO's departure, Wotif finds itself in a strong position and enjoys the commitment of a large, young and energetic team



and a reputation that is clearly appealing to high quality management talent in the online sector.

The Board is carefully and systematically reviewing interest from a number of candidates and expects to announce a new chief executive before the end of the year. Regardless of who we appoint to this key role, we wish Robbie well, and acknowledge that the innovative and competitive spirit we find at Wotif is an ingrained cultural characteristic which will survive any one of us.

All the very best Robbie, and thank you for job well done! Now let's hear from him for the last time as CEO of the Wotif Group.

MANAGING DIRECTOR'S UPDATE

Thanks Dick,

You might recall at last year's AGM our Chairman noted that:

"nobody in Wotif is sitting on their hands waiting for the good times to return. The company's workforce remains confident and continues to explore ways to improve its performance and build on its position within the travel market."

That mindset has been instrumental in the Group returning to its usual record-breaking form – an impressive feat when considering the less than ideal operating environment for a business so heavily dependent and skewed to domestic leisure breaks. The commitment of the whole Wotif team has seen total transaction values, revenue, operating profit¹ and after tax profit out-perform all prior years. Using FY05 as the base, each of these metrics has more than quadrupled over the last seven years.

Profit after tax increased by \$7 million (14%) in the year reaching \$58 million (FY11: \$51 million). This result was achieved notwithstanding the high Australian dollar and the continuing tide of Australian holidaymakers flowing offshore. This trend has not abated; ABS data² for FY12 shows Australians took a record eight million trips overseas - an 8% increase compared to the prior year and more than double the level of overseas travel just eight years ago. The \$7 million lift in after tax profit exceeded the expectations we flagged to market when giving guidance to early May and was driven by a couple of factors:

- our flights operations ending the year more strongly than we had forecast, accounting for \$110 million or 9% of Group transaction values (30% up on FY11);
- our accommodation business achieving sales very much in line with what we delivered in the first half of the year - somewhat unsurprisingly given the absence of any material change in the macro environment for our key Australian region;
- our continuing quest for operating efficiencies providing a boost to our result as evidenced by the lift in our operating profit¹ margins to 59% (up from 56% in FY11).

¹ Being profit before depreciation, amortisation and taxation – this is a non-IFRS measure and is unaudited.

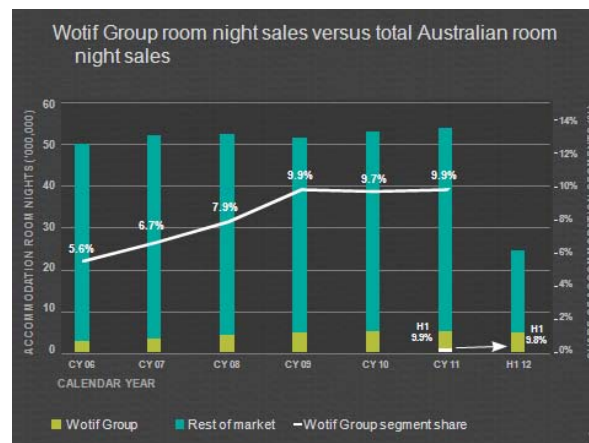
² Australian Bureau of Statistics 3401.0 Overseas Arrivals and Departures, Australia June 2012, Short-Term Resident Departures.

Without wanting to swamp you with numbers, the key performance measures for the reporting period were:

- a record in the value of travel transactions processed with \$1.161 billion of accommodation sales, up 5% (FY11: \$1.106 billion);
- a 2% increase in accommodation bookings across all brands;
- room night sales volume (by check-in) across all brands up 1% on last year;
- a record in the value of accommodation transactions processed with \$1.043 billion of accommodation sales, up 3% (FY11: \$1.012 billion);
- record accommodation revenue up 3% to \$126.1 million (FY11: \$122.0 million);
- record flight transactions up 30% to \$110 million (FY11: \$85 million);
- record flights and other revenue up 12% to \$13.6 million (FY11: \$12.1 million);
- operating profit³ reached a record \$86.3 million (up 11%);
- profit after tax reached a record \$58.0 million (up 14%).

The ongoing robustness of our accommodation franchise is best demonstrated in **Figure 1** which shows that the Group continues to transact approximately one in ten of every accommodation bookings made in Australia from any channel. Our performance against the most recent quarter published by the Australian Bureau of Statistics is consistent with our market position in the corresponding quarter in 2011. What this data also indicates is that there is still a vast share of the accommodation market left untapped by the Group.

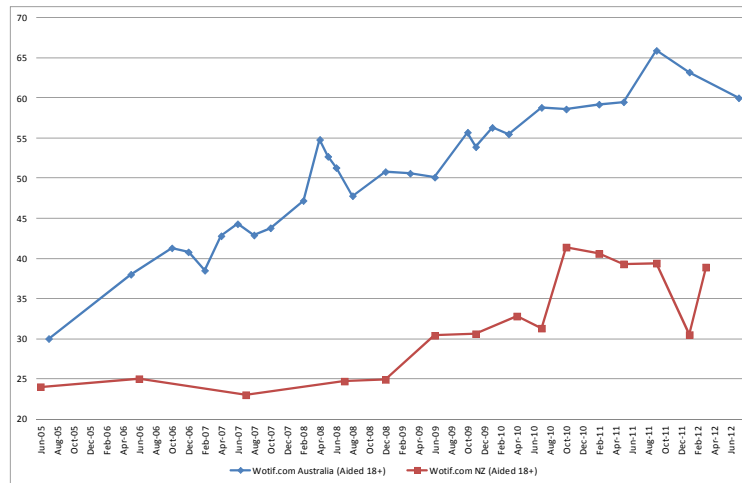
Figure 1: Wotif Group room night sales versus total Australian room night sales



³ Being profit before depreciation, amortisation and taxation – this is a non-IFRS measure and is unaudited.

Our brand awareness in Australia also continues to be at all time highs, as shown in **Figure 2**, further reinforcing our position.

Figure 2: Wotif.com brand recognition among Australian and New Zealand consumers



Source: Newspoll and TNS surveys

Perhaps though the most satisfying aspect of the year was the sheer volume of initiatives delivered across our brands and platforms, which not only contributed to our performance in FY12, but also position our business well for growth into the future. The more noteworthy items delivered in the year include:

- **Wotif.com refresh** – We developed our system and its architecture to enable nimble and rapid changes to the user interface (**UI**) on Wotif.com. This initiative is a significant step forward and allows us to make frequent incremental changes to the Wotif.com UI without major site or customer disruption. Many of the changes are not immediately obvious but are focused on lifting conversion rates. This project also means that site improvements can be trialled and tested in a live environment with a subset of our customer base before being rolled out to the broader audience;
- **International flights booking engine** – We completed the development of the Group's international flights booking engine, which now powers the international flight sales on Wotif.com, lastminute.com.au and travel.com.au. This engine provides a fast and scalable Group solution for supplying our international air content (including low cost carriers) and is powering our sales from more than 160 international airline partners;

- **Display advertising on Wotif.com** – We implemented the capability to host display advertising on the Wotif.com home page and in other positions throughout the site. This not only provides opportunities to generate additional revenue streams from third party advertisers but also, significantly, presents our hotel partners with an option to acquire additional exposure on Wotif.com to feature their offering;
- **Vietnam joint venture** – In partnership with a highly credentialed Vietnamese travel group, we launched a new accommodation-booking site, iVIVU.com, purpose-built for the Vietnamese consumer. The work undertaken to enable our platform to power this site positions the Group well to replicate similar initiatives in other markets where appropriate opportunities arise;
- **Customer reviews** – The team released the first phase of our customer review project in the financial year, giving customers who have booked and stayed at a property on Wotif.com the opportunity to submit comprehensive feedback about their accommodation experience. The fact that all reviews are (and can only be) made by persons who have actually stayed at the property is a point of differentiation from some other publicly available review content. We have seen positive engagement from our customers to participate in reviews with more than 14% of Wotif.com bookers submitting reviews;
- **More languages on more sites** – We continue to add to our multilingual capabilities with Russian, Korean and Malaysian languages supplementing the range available on LateStays.com. We also rolled out multilingual content on AsiaWebDirect.com at the end of FY12, and customers now have the ability to view the site in Thai, Japanese, Chinese, Russian, Korean, Bahasa Indonesia and Bahasa Malaysia;
- **Hotel ranking algorithm for AsiaWebDirect.com and LateStays.com** – We now prioritise search results for our Asian brands according to numerous factors, including popularity, customer review score, availability and commission levels. The high-graded results automatically appear across our 100+ Asia travel guide sites to increase visibility and conversion for hotels that actively maximise their ranking;
- **Holiday rentals** – Wotif.com now has an even more comprehensive range of accommodation on offer after introducing a new “holiday rental” category to the site. By offering our customers the opportunity to book holiday homes (or vacation rentals) we complete the spectrum of accommodation options. These

properties are particularly attractive to families and for longer stays. Our model is different from others in the market in that availability is disclosed upfront; all rentals are instantly bookable and confirmed; and we only require an initial deposit to lock in your booking;

- **Mobile** – We continued to invest in our mobile offering for Wotif.com by improving our mobile optimised site's usability, features and speed. The best evidence of the success of our approach to mobile is the fact that 14% of our visits and 9% of our room nights are delivered on our mobile site and app;
- **App for iPhone** – Wotif.com launched its app for iPhone in late June 2012, achieved strong customer acceptance. We currently generate 3% of our daily bookings from our app.

All these projects were implemented without our business missing a beat - an achievement only possible from a team of the highest calibre, professionalism and dedication. We are indeed fortunate to have this firepower in the Group.

It remains essential that we continue to invest in initiatives such as those undertaken in the last year if we are to maintain and lift our market leading position and grow revenue streams. As such, the current year sees us again ramping-up our investment in the Group's platforms and products. We are doing this in a disciplined and accountable way - acknowledging that it is vitally important to keep a tight focus and avoid getting caught up in fads and mantras. We also recognise that as an online retailer we have a unique opportunity to test and trial different concepts in a rapid and low-cost way - a retailing advantage not as obviously available to those tied to traditional "old world" retail channels. The ability to experiment with initiatives that pinpoint small improvements in our conversion of "lookers" to "bookers" offers a path to not inconsequential gains in margins and profitability.

The approach we took when investing in our flights engine and the way we tackled the mobile space are good examples of this discipline in action and are both worthy of specific mention:

- **Flights:** We invested in building a new flights booking engine to power not only the businesses we acquired in 2008 (lastminute.com.au and travel.com.au), but also to extend Wotif.com's accommodation offering to include flights. The investment made in FY10 is now delivering on the promise we saw, with the Group processing \$110 million worth of flights in the year accounting for 9% of Group transaction values. This strong revenue contributor is driven by a strategy of leveraging off our leading brands to pursue incremental revenues in a

sustainable and profitable way. Our step into the flights arena, and the technology investment we made, favourably positions the Group to move into online holiday packages, a coming strategic initiative focused on delivering an innovative solution to a product that has to date been pretty uninspiring from a customer point of view.

- **Mobile:** Our approach to mobile has been a little different to others in the market. Our initial focus was to deliver mobile optimised sites rather than pursuing the launch of mobile apps as our first action. This strategy recognised the rapid transition to mobile devices but anticipated that, for the majority of users, their initial response would be to continue to access their favourite travel site through browser-based searching/activity. This view directed us, as a first step, to ensure that our sites were optimised for the new wave of devices hitting the market. Accordingly, we launched our first mobile optimised version of Wotif.com in FY10, and we have successively iterated and updated the offering since that time. As can be seen in the chart displayed in **Figures 3 and 4**, this approach was the correct one for Wotif.com with the uplift in traffic and bookings via mobile devices being nothing short of remarkable.

Figure 3: Visits to Mobile Site

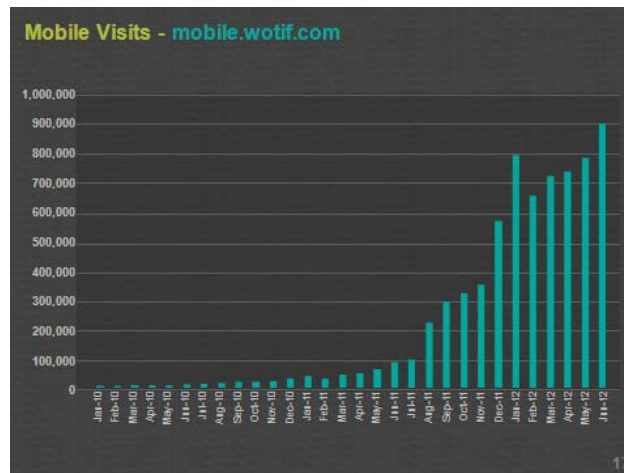


Figure 4: Bookings on mobile devices



Our mobile optimised sites have been followed by the recent launch of our app for iPhone. The success of this initiative is demonstrated by 3% of Wotif.com's booking activity being generated by our app. In undertaking our app development we have built up expertise in-house for delivering these services. We view the "warehousing" of these skills internally as essential for an online business such as ours where it will be core to our offering going forward. Outsourcing this development in a way that would result in a dependency on others was (and is not) an acceptable option.

In the coming year we have a number of significant infrastructure related projects scheduled to commence development. These projects (similar in many respects to our flights booking engine project) will deliver benefits for the business for years to come. Some, like our planned holiday package engine, will directly deliver new product offerings whereas others will consolidate or refresh back-end systems to achieve operating efficiencies, facilitate new features for existing product offerings, and replace technology in some legacy systems.

In the current operating environment, we are focused on seeking opportunities to increase awareness of our international flights and accommodation offering, particularly in the key Asia Pacific destinations so popular with Australians and New Zealanders. We will continue to build all our brands' positions in flights and will extend the functionality on offer to our customers through our proprietary flight-booking platform. As has been the case in prior years we will remain focused on building up our flights business in a rational way. This will be done with an overriding business focus of providing the most competitively priced flights to our customers in the same way that our accommodation offering is known and trusted to

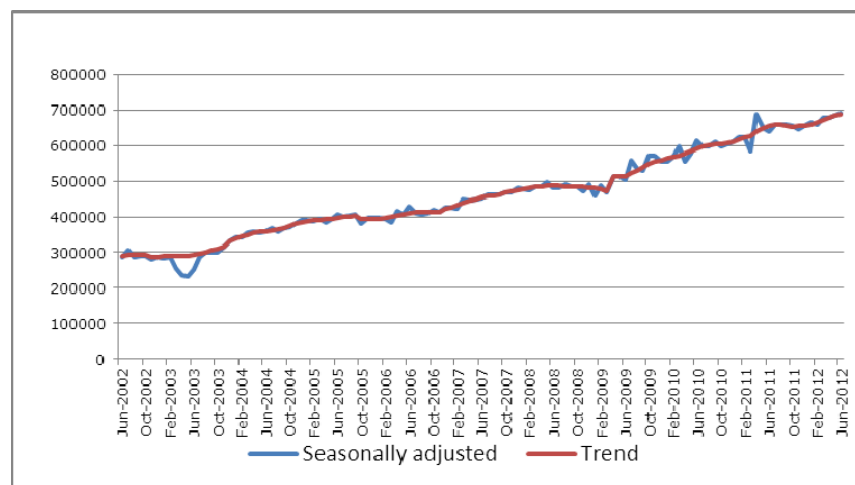
provide the best value. Promoting our flights offering to our existing and sizable Wotif.com audience remains a priority.

We are also focused on finding channels to push our extensive and unique Australian and New Zealand accommodation supply base more aggressively, whether via leisure or corporate channels. Consistent with this is our move towards offering dynamic holiday packages for sale on Wotif.com. This product extension will provide an opportunity to link into our global hotel supply chain to obtain wholesale product to package up with flight content so as to provide compelling offers to our customer base -this is but one advantage of having direct inventory sourcing arrangements with our suppliers.

We are also convinced that there is a good opportunity for us to make a difference in the holiday rental markets in Australia and New Zealand. While we have assumed a slow build-up into this market (similar to our approach to flights), our aspiration is for this category to be making a meaningful contribution to revenues in two years' time.

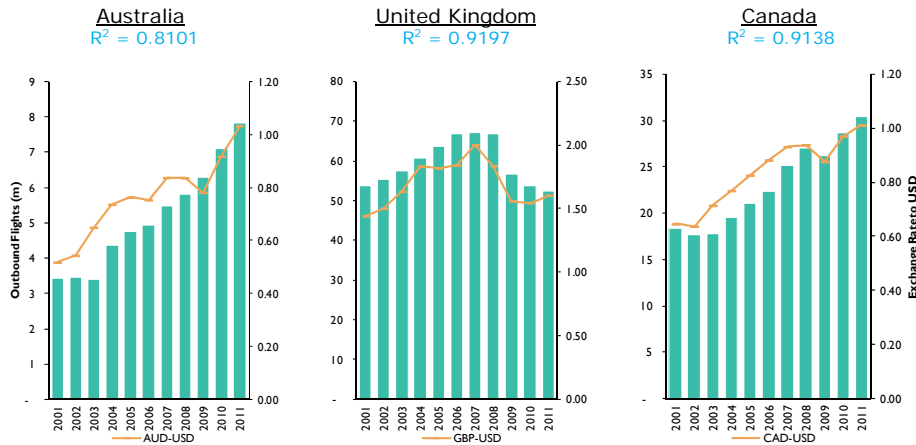
The strength of the Australian dollar has been a recurring feature influencing the behaviour of the Australian leisure travel consumer. We are factoring this into our business planning as "situation normal" and we do not assume the appetite for offshore travel will diminish in the course of the current year. **Figure 5** shows the growth in outbound travel by Australians in the last ten years.

Figure 5: Short-term resident departures, Australia



Source: Australian Bureau of Statistics

Any suggestion that currency strength has not been the direct influencer of outbound travel activity is simply not supported by the facts. The correlation between international travel and currency strength is irrefutably demonstrated by the charts below:



As we pointed out in August, whilst our currency remains at current highs it would be reasonable to assume that our international flights business will continue to be a beneficiary of the cycle in the current financial year. The corollary though, as we again highlighted in August, is the very strong likelihood that leisure sales of Australian accommodation will remain unremarkable. Any significant softness in domestic leisure activity will have the potential to produce some exceptional “deals”, which in turn should improve the relative value proposition for domestic travel in some key destinations. Wotif.com is perfectly positioned at such times to do what it does best, namely get the most compelling deals in front of the largest pool of Australian and New Zealand consumers. A case in point was the recent marketing campaign undertaken for Queensland destinations by Tourism Queensland in which Wotif was the booking partner. This campaign was based on the ever-popular “I Spy” game played by bored children on long journeys. It was broadcast on TV, radio and online across Australia from 23 September and delivered very strong results for participating hotels and accommodation providers.

The other side of the ledger is the corporate market where currency shifts will not impact the demand for Australian accommodation from business bookers. This sector represents a significant piece of the Group’s accommodation booking volumes.

Given that there have not been any significant changes in the macro environment, the views we held in August have held true for the first quarter of FY13. We have



seen our performance track very much in line with the first quarter of FY12. If this trend continues in the second quarter we would expect a profit result in the vicinity of that which we achieved in the first half of last year.

We are also taking the opportunity today to announce that we are lifting our commission by one percentage point with effect from 1 January 2013. This will be followed by one further lift in the same amount on 1 January 2014. Post 2014 this will see Wotif.com remain as one of the world's lowest cost Online Travel Agencies for suppliers - however the increased commission is necessary to enable us to continue the reinvestment in our business on initiatives necessary to drive sales performance for our partners, and acknowledges that we are operating in a global market place.

In closing, I would like to thank the entire Wotif team (past and present) for what the Group has achieved over the last seven years. It has been a true privilege to have been part of the Wotif story and I could not have asked for a group that is more engaged, enthused and passionate about our business. I am very confident that there is the depth of talent and opportunities to drive our businesses further this year and to deliver on the very full project pipeline we are embarking on for FY13 and beyond.

I will now hand back to Dick.