CHAIRMAN'S ADDRESS - FLT 2014 ANNUAL GENERAL MEETING

As has generally been the case in this address, I will reflect on 2014's key achievements before inviting Skroo to share some insights into our 2015 outlook.

2014 financial highlights

The 2014 financial year was another successful period, with new sales and underlying profit milestones established and our balance sheet strengthened during a period of significant expansion and investment.

While we were happy to extend our profit growth record, we were slightly disappointed with our bottom-line result in light of the foundations that were established early in the year.

Although we ultimately achieved about 10% growth in underlying profit before tax, we were on track for significantly stronger growth at the end of the third quarter.

Unfortunately, our growth trajectory slowed during the important fourth quarter.

This momentum shift particularly affected the Australian leisure business and corresponded with the Federal Budget, which seemed to spark the widely reported consumer confidence decline.

Despite this slowdown, Australian leisure delivered another record profit, as did the company as a whole, with our $376.5million underlying profit before tax 9.7% above the 2013 record.

Other trading highlights have been outlined on the accompanying slides and included:

- 12.6% TTV growth to $16billion
- 13% revenue growth to $2.2billion; and
- 9.8% growth in underlying net profit after tax to $263.6million

As announced during the year, some significant positive and negative non-recurring items have not been included in underlying profits.

These items are outlined in a slide that is currently on display and include the $11million in fines that were imposed after the ACCC's competition law test case. Our appeal hearings against both the judgment and the fines imposed have been set down for next month.

Including these items, we achieved a $323.8million statutory PBT and a $206.9million statutory NPAT.

General cash, or company funds, increased about 10% to $476million at June 30, 2014.

Debt was about $45million, giving the company a very healthy positive net debt position in the order of $431million.

Our strong cash position is a key point of difference and means we can capitalise on opportunities that arise - in tough times and in good - and continue to expand our business.

For instance, in recent months we have acquired two businesses and established an additional joint venture. We expect to make further acquisitions from time to time and will also continue to invest in organic growth.

We are committed to improving shareholder returns.

During 2014, we returned 58% of underlying NPAT to shareholders, via the combined interim and final dividend payments which totalled a record $153million.

Our current dividend policy is to return 50-60% of NPAT to shareholders, subject to the business's anticipated needs at the time, so this pay-out was near the top of our range.

In terms of cash flow, we recorded a $227.1million operating cash inflow during 2014, compared to a $370.3million inflow during 2013.

As outlined at the full year and on the accompanying slide, this year-on-year movement was driven by timing factors related to tax payments and the IATA-controlled BSP process.

In terms of costs, wages, advertising and rent were again the company's major cost items.

Wages are an area that we continue to pay close attention to.

While overall payments to our people increased, payments to Key Management Personnel decreased 13% year-on-year.

This reflects the important role that incentives that reward the right outcomes play in our company and the alignment between executive earnings and shareholder value creation.

Key executives' targeted earnings are based on us achieving certain profit-related outcomes.

In years when profit growth exceeds expectations, earnings will typically exceed targeted packages, as short-term incentives - and possibly Business Ownership Scheme returns - will typically increase.

This was the case during 2013, when underlying PBT increased by 18.2%, a result well above guidance, and we delivered higher than expected earnings per share and dividends.

In years where results are in line with expectations, earnings will typically be in line with targeted packages. This was the case during 2014, when underlying profit growth - at 9.7% - was within guidance and lower than the growth rate achieved during the previous year.

2014 was the final year for our senior executive option and performance rights plans. We will consider a new long-term incentive program for key executives but are currently awaiting possible changes to Federal Government policy before we finalise our plans.

We finished the year with a market capitalisation in the order of $4.5billion.

That was 45-50 times our capitalisation when we listed in 1995 and meant that a shareholder who invested $20,000 in our IPO would have had a $1million holding.

This shareholder would have received an additional $240,000 in fully franked dividends.

<u>2014 operational highlights</u>

For the fourth consecutive year, all ten countries were profitable. Seven businesses - Australia, the UK, the USA, New Zealand, South Africa, Singapore and Greater China - delivered record EBIT.

While Australia was again the main profit and sales driver, we made significant progress overseas, with our international businesses contributing $90.2million to group EBIT, a 21% year-on-year increase.

Globally, we created almost 1200 new jobs and opened 197 shops and businesses.

While most of our growth was organic, we also acquired a corporate travel business in Ireland, Travelplan Corporate, and announced plans to establish a joint venture destination management company in Asia. This JV will trade as Buffalo Tours.

In addition, we acquired 90% of Topdeck in August 2014.

Outside of the travel sector, the Pedal Group cycle joint venture generated $45.6million in sales, 26% annual growth, and achieved almost $2.1million in EBIT during its fifth full year.

We have also had considerable success with the FC Business School, which offers travel consultant and management training to our people and to external students who are interested in careers within the travel industry.

2014 strategic update

In a strategic sense, the company continues to reinvent itself, with the transformation from a middleman to a world class retailer that delivers amazing travel experiences at the heart of the changes that are taking place.

The transformation, which the company refers to as its Killer Theme, has been built around seven key mini themes that Skroo will outline in greater detail.

Our achievements have also been documented in our annual report, so I won't run through each mini-theme in detail today but it is fair to say we are making solid progress.

For instance, this year we have expanded our manufactured product range by launching SmartFLY, an industry-first initiative that is delivering greater value to corporate travellers.

SmartFLY is a key addition to our "smart suite" of products, which also includes unique SmartSTAY and SmartDRIVE offerings, and allows customers to get more for their SME travel budgets. While genuine savings are available, many are taking advantage of the initiative by travelling more regularly to meet clients face-to-face.

Blended access - mini theme 5 - is another area that is constantly evolving.

Our focus on this initiative has seen all sales and communications channels enhanced in recent years to meet customers' changing habits in both leisure and corporate travel.

We want to ensure our business is always open - when and how customers want it to be.

In leisure travel, this has seen:

- Shop trading hours extended significantly
- More products made available online. This includes international flights on flightcentre.com.au, a broad cruise range on cruiseabout.com.au and flights, hotels, vacation packages and cruises on libertytravel.com during 2014
- More after-hours sales teams deployed to service the large volume of customer enquiry that is now being generated after hours
- "Chat" capabilities included on several websites; and
- Mobile sites developed and the subsequent launch of responsive sites. We expect to add responsive booking engines to some sites in the coming months

Our focus on delivering amazing travel experiences to leisure and corporate customers firstly recognises the life-changing, exciting product of travel that we sell and secondly that our people want to be part of a company that does more than simply process travel transactions.

As a company, we seek to make a positive contribution to the community in general.

As Peter Morahan noted in his annual report column, our achievements in the corporate social responsibility area have not generally been publicised but have been significant.

As you will see in this slide, gender diversity is one of ten areas we have highlighted. Half of our leaders are women, including the chief operating officer and the leaders of our Australia, South Africa and Singapore businesses.

2015

This year is our 20th as a public company and we are again targeting record results.

Achieving guidance will not be easy, but we are well placed to build on our growth record given our:

- Brand and geographic diversity: Corporate travel generates more than 30% of global sales and our overseas businesses are making a significant profit contribution
- Our balance sheet: We maintain strong cash reserves and have very little debt
- Our clear strategic blueprint for the future: We have a vision of what our business will look like and what steps we need to take to get there; and
- The strength of our sales force and leadership teams

We also have a strong board that is making a valuable contribution.

Today, shareholders will be asked to formally appoint Cassandra Kelly as a director.

Cassandra joined the board on September 1, following Peter Morahan's retirement, and has already made a positive impact. We will outline Cassandra's qualifications in more detail later this morning.

Today, I'd like to formally thank Peter for his contributions during the past seven years.

During his tenure as chairman, which included the GFC and numerous other challenging events, the company grew and evolved significantly, while continuing to deliver improved returns to shareholders and other stakeholders.

Peter has joined us today and we wish him well in his future endeavours.

Before handing over to Skroo, I would like to thank you - our shareholders - for your support. I'd also like to thank our people - they are the heart of our business and remain our most valuable assets.