CHAIRMAN'S ADDRESS - FLT 2016 ANNUAL GENERAL MEETING

New Building

Today, you join us at a new venue, which is located almost in the shadows of our recently opened global head office at 275 Grey Street, South Brisbane.

The Grey Street office, which is likely to be the venue for our future AGMs, opened late last month and now houses about 1900 of our people who were previously divided across three CBD properties in Queen Street, Adelaide Street and Wickham Street.

The feedback has, so far, been very positive and we are excited to have our people together in one location for the first time in many years.

Ongoing Evolution

The Flight Centre Travel Group has always been a company that looks to the future.

For more than 30 years, we have evolved and diversified our offerings to adapt to changing market conditions and consumer trends and to capitalise on new opportunities.

This has seen us:

- Develop and introduce new brands to target growth sectors and markets
- Launch exclusive new products that are unique to our brands
- Enhance our multi-channel offering to make it easier for customers to transact and interact with us 24/7 via the channel of their choice
- Vertically integrate our offerings to capture a greater share of the travel wallet; and
- Expand internationally. Once our recent acquisitions formally complete, our network will extend to 19 countries

This evolution and diversification has helped us grow consistently throughout the economic cycle - as evidenced by our 20 years of TTV growth in 21 years since listing.

It has also led to us becoming a leading player globally in multiple travel sectors.

Leisure travel retailing is a key element of our business but it is only part of our story.

We are also one of the world's largest corporate travel managers and are building a significant presence in a sector that we refer to as in-destination travel experiences.

While the in-destination businesses are relatively new additions to our network, our corporate travel presence is well established globally and is an award-winning offering.

Honours include numerous World Travel Awards for the FCM business and a number of other accolades for our brands, nationally, regionally and internationally.

We now generate about 30-40% of our sales globally in this sector, with turnover from our corporate brands alone topping $6billion last year and growing at a 14.37% compound annual growth rate over the past five years.

Factors that are contributing to our success in corporate travel include:

- Our brand diversity - we have six dedicated brands, as you have just seen
- Our people and the high level of personalised service they provide; and
- Our technology offerings - ranging from online booking tools and apps to reporting and analytics

Today, we have company-owned businesses in eight of the world's 15 largest corporate markets and our market-share in most is relatively small, with the exception of Australia.

Within five years, we are looking to build this presence to 14 of the top-15 markets by expanding into or acquiring businesses in Japan, France, Brazil, South Korea, Italy and Spain, as well as other countries that sit outside the top-15.

FY16

Overall, we are currently working towards a 2022 plan and are investing in the programs, systems and initiatives that will drive future growth.

While our sights are set firmly on the mid to long-term, delivering in the short-term is also important and we are working hard to grow top and bottom-line results in FY17, despite some cyclical challenges that will affect our results in the first half in particular.

We outlined these challenges publicly last week and Skroo will address them again shortly.

But first, I'd like to quickly look back to FY16.

Our financial achievements last year have been summarised in the accompanying slides.

Sales growth was a highlight, as we comfortably surpassed our TTV record against a backdrop of incredibly low fares globally – largely in the second half of the year - and low consumer confidence in some countries.

Our $19.3billion result exceeded the previous record by $1.7billion (9.7%) and meant that our businesses sold travel valued at more than $50million, on average, every day last year.

This level of TTV growth, coupled with strong ticket sales growth this year, highlights our ongoing importance to leisure and corporate customers, as well of course to our suppliers.

Breaking our sales figures down further, we achieved record TTV (in AUD) in all of our 10 regions and generated almost half of our sales off-shore.

In Australia, TTV topped $10billion for the first time and again increased at a faster rate - 5.1% - than the rate of growth in outbound travel, which was 4.5%.

Underlying profit before tax (PBT) was $352.4million, in line with revised expectations and our best result behind FY14 ($376.5million) and FY15 ($366.3million).

Actual (statutory) PBT was $345million and included the gains and losses listed in this slide.

Within our countries and regions, South Africa and New Zealand achieved record profits, while earnings increased in Australia, the UAE and Canada, with the latter returning to profit after losses during FY15.

The European business was again our largest profit contributor outside Australia, but EBIT decreased slightly year-on-year in Australian dollar terms to $47.2million.

In the USA segment, EBIT also decreased slightly year-on-year to $AU21.2million, with disappointing leisure and wholesale results offset by strong contributions from the newly acquired StudentUniverse and the SME corporate business.

StudentUniverse has achieved solid results so far, as well as providing a platform for rapid and scalable future growth in the student/youth sector, both in the USA and globally. Our other online acquisition, BYOJet in Australia, has also performed well since acquisition, particularly in sales terms.

While these online businesses have grown at a faster rate than the market overall, we have also continued to achieve solid TTV growth in our larger leisure and corporate businesses.

On a positive note, our growth in ticket sales has accelerated in FY17 in Australia. However, the significantly cheaper international fares that airlines have offered since January 2016 has meant that TTV growth has, so far, been relatively subdued.

Qantas also highlighted this issue at its AGM last week.

While this low-fare environment has created short-term challenges, it has stimulated demand and provided us with opportunities to grow market-share, in addition to being extremely positive for our customers.

Result Drivers

As outlined in August in our full year release, FY16 profits were adversely impacted by:

- The airfare price wars that slowed second half TTV growth
- Network upgrades leading to higher capital expenditure and a $12million increase in depreciation and amortisation expense. The roll-out of our new shop design, head office relocations and the investment in new systems drove this cap-ex growth
- Underperformance in the India, UAE and Asian region, where combined EBIT decreased about $10million compared to the record FY15 result. Results were adversely affected by corporate down-trading, the loss of some regional accounts, costs associated with new businesses and lower airfare prices in India
- Multi-million dollar investments in projects, start-ups and other initiatives that will drive longer term growth but had an adverse short term profit impact; and
- An unforseen $3million loss on forward exchange contracts, relating to our UK-based touring businesses, as a result of the significant currency devaluations that followed the June 23 BREXIT referendum

The investments, upgrades and enhancements we have made in recent years have strengthened our foundations for the future as we seek to become:

"The world’s most exciting and profitable travel retailer, personally delivering amazing experiences to our people, our customers and our partners"

While they have, in some cases, adversely impacted short-term profit growth, they have started to generate returns. For example, we now have:

- New systems to benefit our people, lower costs and improve productivity. Our new mid-office finance platform, Microsoft Dynamics, has now been rolled out in FCM in Canada and the USA and should be deployed globally within three years
- A new shop design and a stronger online presence, which have enhanced our multi-channel network. Skroo will talk more about our online growth later this morning
- New revenue streams flowing from new and unique products and brands; and
- New people-related initiatives, including flexible work arrangements and programs that will align our people's interests with those of shareholders by increasing the levels of share ownership within our business

We have also expanded our corporate travel footprint, mainly through our organic growth but also through small strategic acquisitions in key markets in Asia (Malaysia), Europe (The Netherlands) and the Americas (Mexico).

The Netherlands acquisition was our first foray into Continental Europe, while Malaysia represented our first geographic expansion in Asia for several years.

In all, we completed seven acquisitions during FY16 for a total investment in the order of $56million.

This year, we have invested in Ignite Travel in Australia and agreed to buy Travel Tours in India and corporate travel businesses in Germany, Sweden, Finland, Norway and Denmark.

We are also pursuing other expansion and acquisition opportunities globally.

Skroo will talk more about this shortly, but first I'd like to talk briefly about some other very important areas, specifically:.

- Cash and capital management
- Our people
- Our board composition and diversity; and
- Corporate social responsibility

Our global cash and investment portfolio totalled $1.52billion at June 2016 and included $506.7million in company cash or general funds.

Debt was $76.8million, leading to an extremely healthy $429.9million positive net debt position.

Our cash position is a competitive advantage and allows us to fund acquisitions and other growth initiatives and opportunities that we believe will create longer term shareholder value.

The board regularly reviews the company's cash position in the context of assessing whether our holdings are surplus to our future requirements.

If, in the future, we decide cash exceeds our needs, we will return funds to shareholders via the method that we consider to be most beneficial or appropriate at that time.

Options may include:

- Increasing our dividend pay-out ratio, which currently stands at 50-60% of net profit after tax - although we did pay-out a slightly higher rate than this last year; or
- A buy-back, which may be an attractive option if we believe our share price is under-valued

In terms of dividends for FY16, we returned $153million - 62% of underlying NPAT - in fully franked payments to shareholders. Based on our year-end share price of $31.58, this represented a 5% dividend yield.

The second area I'd like to focus on is our people.

Given that people are at the heart of our business and are our most valuable asset, we invest significantly in them:

- Professionally - through learning and development initiatives; and
- Personally - through businesses like Healthwise and Moneywise

Unfortunately, FY16 was another turbulent year, with ash clouds in Bali, political turmoil, health-related concerns in the Americas and tragic events in Europe affecting our people and customers.

On behalf of our directors, I would like to thank our almost 20,000 people in 14 countries across the globe for their efforts within this challenging environment.

In relation to our board, we currently have four directors and are in the process of replacing Cassandra Kelly, who resigned in August in order to spend more time with her family and to focus on her other business commitments internationally from her New York base.

Today, I would like to formally thank Cassandra for her contribution as a non-executive director during the past two years and to wish her every success in the future.

We expect to appoint a new female director in the coming months.

This leads to the fourth area that I'd like to highlight - our diversity.

We are proud of the diversity within our workforce and are taking steps to enhance our record in several key areas, as outlined in our annual report.

In relation to gender diversity, women now represent about half of our leaders in Australia.

To encourage more women to further their careers with us, a networking group has been formed under the guidance of our COO, Melanie Waters Ryan, to help break down any barriers that may exist.

Our new workplace flexibility initiatives should also enhance our appeal to parents and others who are unable to work full-time or traditional work hours.

I would like to take this opportunity to congratulate Mel and our Peopleworks leader, Carole Cooper, for being finalists in the Australian Travel Industry Women of Influence Awards.

Good luck ladies.

In the broader CSR area, we are taking steps to make a positive impact through a responsible travel charter, that we are currently working on with a view to enhancing the social, economic and environmental impacts we have, and through the Flight Centre Foundation's ongoing work.

The foundation has continued to expand globally and has helped to establish co-ordinated workplace giving programs within our major regions.

Just under $AU2.5million was donated globally during FY16, with FLT recognised as one of Australia's most charitable companies in a workplace giving survey conducted by The Australian Charities Fund.

This is something we are very proud of.

Conclusion

Looking forward, new challenges are certain to arise but we are well placed to weather any storms and grow strongly and profitably into the future.

We have;

- An exceptionally strong balance sheet
- A diverse stable of brands that continue to prove popular with customers
- A clear strategic blueprint for the short-term (FY17), the medium-term (2022) and the long-term (2035); and
- A highly experienced management team

While bottom-line results so far this year have not met our expectations, we are achieving good sales volumes in a challenging environment and are implementing strategies to address the internal and external factors that are slowing our growth and profitability.

Once again, thank-you for your ongoing support.

I now invite Skroo to address the meeting.