The 2018 fiscal year was always going to be an important period for your company as it aimed to return to its traditional growth trajectory after:

- Three years of reasonably flat or declining profit results; and
- While significant change and transformational activity was underway

Pleasingly, we delivered record financial results – which in turn led to improved shareholder returns – during what was surely the most eventful year of change in our history.

I will talk about the changes in more detail shortly, after a brief recap of our FY18 results.

Result Overview – Record TTV & Profit

As you can see, Total Transaction Value (TTV) reached a record $21.8billion.

This exceeded our previous best result – which was set during FY17 – by more than $1.7billion or 8.5% and meant that our businesses generated almost $60million in TTV every day of the year on average.

We achieved record TTV in each of our geographic segments and in all countries, as we delivered our 22nd year of TTV growth in 23 years as a listed entity.

At an underlying level, we achieved a record $384.7million profit before tax.

This result was:

- $55.2million or 16.8% higher than FY17; and
- $8.2million above the record $376.5million FY14 result

Profit growth was predominantly driven by our international businesses, as we had expected given the significant changes that were – and to a certain degree are still – taking place in our Australian leisure retail business.

The Americas and EMEA (Europe, Middle East, Africa) businesses performed particularly well and together generated a $151million profit.

To put this in context, about 40% of the company's underlying FY18 PBT came from these two regions, compared to just 15% five years ago.

This success is a promising sign for the future, given the size of these markets – particularly in corporate travel – and our relatively small market-share.

While there is still work to be done in the leisure sector, particularly in North America, we are also starting to see some positive signs, with the Canada and US leisure businesses profitable for the first time since FY11 and FY12 respectively.

Elsewhere in the world, we also removed, downsized or pivoted some loss-making businesses to improve overall performance, as covered in detail in our annual report.

In all, nine countries generated record PBT during FY18:

- The USA, Canada and Mexico, as profit in the Americas more than doubled
- The UK, Netherlands, South Africa and UAE in the EMEA segment; and
- Singapore and Malaysia in the Asia segment

Shareholder Returns

Pleasingly, our record FY18 results led to improved shareholder returns in the form of fully franked dividends for the year totalling $1.67 per share.

This meant we returned 60% of underlying net profit after tax to shareholders, which was a 20% increase on the 2017 return.

Share price growth during the year was very strong, although we have seen some downward pressure early in FY19.

We believe this can be attributed to concerns relating to the Australian business's softer than normal FY18 TTV growth and lower profit during a period of significant internal disruption.

Margins

An overview of our margin movements is included on this slide.

In essence, income margin decreased, as expected, but this was more than offset by improved cost margin which in turn led to a stronger net margin.

Income margin movement was driven largely by ongoing business mix changes, specifically rapid growth from several lower income margin businesses that together generated almost 30% of group TTV at a combined income margin of just under 7.3%, well below the company-wide income margin of 13.5%.

These businesses are:

- FCM, which is a heavily automated global travel management business with high transaction volumes at relatively low margins
- Our leisure focused online travel agency or OTA businesses; and
- Our FX businesses - Travel Money in Australia, New Zealand and India

Cash & Capital Management

At June 30 2018, we had almost $1.5billion in cash and liquid investments, which included $444.5million in company cash plus $108.5million in company liquid investments.

Debt totalled just $35.5million, leaving the company with a $517.5million positive net debt – a very strong position.

As part of our transformation initiative, we are currently conducting a balance sheet review to consider the most appropriate use of our cash holdings and funding mechanisms for future acquisitions, cap-ex and other growth initiatives.

The review will also evaluate previous acquisitions to ensure that current and expected performances are in line with our expectations.

Building for the Future

As mentioned previously, FY18 was a year of significant change – particularly in Australia.

During the year, we completed our largest ever system migration when we deployed our new Point-of-Sale system (GDS) in Australia and New Zealand.

This was a massive undertaking and disruption was inevitable as our entire leisure and corporate salesforce was temporarily taken out of shops to be educated on the new system.

This migration also contributed to a planned and temporary sales staff decrease, as we focussed on system deployment, rather than expansion, during this period of change.

This had a significant flow-on impact on TTV in the short-term, although TTV per person (productivity) was quite strong in Australia and also elsewhere in the world.

Immediately after the GDS transition was completed, the Rebrand & Grow (R&G) plan was initiated in Australia, with a view to increasing market-share in the future.

This plan saw the moderately profitable Escape Travel and Cruiseabout brands merged with the stronger and more profitable Flight Centre and Travel Associates brands to create three stronger leisure business streams in Australia targeting:

- The mass market through Flight Centre and BYOjet, our alternative online flights platform
- Premium travellers through Travel Associates and Travel Partners; and
- The youth sector via Student Flights, Topdeck and StudentUniverse

During this period of disruption, the company still generated record TTV in Australia, but growth was relatively modest – in the order of 3% - and driven by the corporate businesses, which were less impacted by the disruption and recorded 8.6% TTV growth.

Business Transformation Program

FY18 also marked the Business Transformation program's first full year.

This program was initiated late in FY17 to better position FLT to achieve scalable and profitable growth into the future.

It is being overseen by our COO, Melanie Waters-Ryan, and a team of experienced and influential senior executives, which is helping the various initiatives gain immediate traction.

Mel's team initially focussed on:

- Identifying our strongest growth brands and business models. As part of this, a number of loss-making brands and businesses were closed or pivoted during FY18
- Globalisation to maximize efficiency and returns; and
- Better controlling costs and improving efficiency

Specific sales, profit margin and cost targets are in place and are outlined on this slide.

Our cost-related target has been refined after we achieved the short-term FY18 goal.

The new target is aligned with our ongoing goals of increasing TTV and improving net margin and will see us aim for an underlying 10% cost margin by FY22, compared to the 11.2% underlying cost margin during FY18.

Skroo will talk about the transformation program and its FY19 priorities in his address.

Diversity a Strength

The increasingly strong contributions from our overseas businesses again highlights one of our strengths – our diversity – as does our achievement in delivering solid top and bottom-line growth while significant change and disruption is taking place in our leisure businesses.

We are now much more than a travel retailer.

We are also the world's fourth largest corporate travel manager – behind GBT, Carlson Wagonlit and BCD – with our company-owned corporate businesses generating about 35% of our FY18 TTV.

That represented year-on-year growth in the order of 16%.

There is enormous opportunity for future growth in this sector, given the strength of our offerings, the great success we are having in the countries that we now operate in and our ability to expand into other large and important markets.

While small in comparison to leisure and corporate, we are developing a third key business pillar, which we call our in-destination travel experiences network (TEN) and which currently includes our tour operating, destination management and hotel management interests.

Within each of our three key pillars, we continue to invest in new business models.

For example, we acquired home-based agency businesses in Australia (Travel Partners) and New Zealand (Travel Managers) during FY18 to fill a gap in our leisure offerings.

In addition, our start-up USA host agency model, Independent by Liberty Travel, is proving popular and together with the established Independent by Flight Centre offering in Canada gives us a 500-strong network of home based agents in North America.

This augers well for TTV growth within this model in coming years.

In the corporate sector, we acquired businesses in New Zealand and Canada during FY18, with the latter giving us a stronger presence and a platform for further growth in Quebec.

We also invested in a start-up operation in Germany, another key global market, after buying corporate businesses in France, Sweden, Norway, Finland and Denmark during FY17.

Our Travel Experiences Network (TEN) continued to take shape as we acquired:

- An emerging Thailand-based hotel management business, BHMA
- A Mexico-based destination management company (DMC), Olympus Tours; and
- An additional stake in Buffalo Tours, our Asia-based DMC, to give us 100% ownership of the business

BHMA represented our first foray into the accommodation sector and has recently started to expand into Bali and Vietnam, while Olympus gave us another key platform in our plan to create a global DMC network.

We are also investing in strengthening our digital and IT backbones.

Our cap-ex will this year be in the order of $115million and is now weighted towards technology and system enhancements, whereas historically the bulk of this investment was directed towards our retail shop network.

Cap-ex this year will cover the roll-out our new finance platform, Microsoft Dynamics, and investment in a new land product database, on top of our normal spend.

Significant resources are also being invested in the critically important data security area.

Our digital capabilities have been enhanced through our recent acquisition of Toronto-based travel technology start-up Umapped.

We will integrate Umapped's technology – which delivers dynamic itinerary management for web and mobile services, upgraded travel documentation and trip templates – into several brands to improve the quality of our quotes and travel documentation. while saving our consultants considerable time and, we believe, increasing quote conversion.

<u>People</u>

Of course, our shops and our sales people continue to be the lifeblood of our business and a key differentiator to many of our competitors.

Accordingly, we will continue to invest in these strategically important assets as well.

Recent people-related enhancements include the introduction of more flexible work arrangements, a paid parental leave scheme in Australia and the move towards an Enterprise Bargaining Agreement (EBA) in Australia.

I'm pleased to announce that the EBA, which you will hear more about later, is now well on the way to being implemented.

The agreement was put to all our 6500 Flight Centre and Student Flights sales staff earlier this month and it received overwhelming support, with:

- Nearly 90% of eligible employees voting; and
- Of those, more than 85% voting in favour of the EBA

I'd like to thank everyone involved in this exercise for their contribution -– from the thousands who voted to the senior leaders who devoted a large chunk of their time to fine-tuning the offering and explaining this new model to our people.

The company is also working to build on its solid record in gender equality.

A project is underway to help more women progress into management roles, while in Australia the Womenwise initiative, a networking and personal development event for our female staff, continues to prove popular.

Pleasingly, Melanie Waters-Ryan was recently recognised as the most powerful woman in the Australian travel industry.

Mel and our CFO, Adam Campbell, have also been shortlisted for honours in CEO Magazine's upcoming annual awards.

At Board level, Colette was appointed as a non-executive director in February and has already proven to be a great addition to our team.

<u>Governance</u>

In Australia, governance and corporate behaviour are, quite rightly, in the spotlight as a result of the Royal Commission into the Banking, Superannuation and Financial Services industries.

A fundamental cause of some of the misconduct that the RC uncovered was remuneration and incentive models that were heavily weighted towards short-term targets.

These models were largely sales focused and, in some cases, resulted in bad behaviour.

Lots of companies can achieve short-term success but, for a business to succeed over the longer-term it must have a great culture and the appropriate safeguards in place to ensure the interests of employees, customers and other stakeholders are appropriately balanced.

We have been successful for a very long time and we certainly attribute this to our culture.

This culture was, however, called into question on the eve of our full year result announcement by the ABC – I am sure some of you heard or saw the coverage.

We were targeted initially after the ABC was given access to a closed Facebook group that the Australian Services Union set-up as a confidential forum for our people to discuss the EBA with their colleagues.

We have spoken about this on-the-record previously and I want to be very clear today when I again outline our position.

We do not believe the stories provide an accurate or fair reflection of the company, its culture and its people.

We categorically deny any allegation that our people are paid below the minimum award.

We ensure our people are paid at least the minimum award to which they are entitled and the overwhelming majority earn more because of our incentive structure.

We have also denied various other allegations that were made.

Generally, these allegations were attributed to anonymous sources and appeared quite dated.

We are very proud of our unique culture and we believe the overwhelming majority of our past and present employees share this view.

I think this is reflected by the large number of our people who take time out from their busy days to attend this meeting.

As I look around the room, I can see that is again the case this year,

We regularly feature in Best Employer awards and recently received an industry award (Karryon) in Australia for our workplace culture.

This was based on feedback voluntarily provided by our people and is at odds with the nature of the coverage.

In addition, the Healthwise service that we offer to our people finished runner-up in the Multi-national category at the recent 6th Global Healthy Workplace Awards Summit.

Inevitably, given that we now employ more than 20,000 people globally and in excess of 10,000 in Australia, isolated behavioural incidents will sometimes arise, but this will be the case for any large employer, including, I might add, the ABC.

I can say with confidence that the overwhelming majority of our people do the right thing and that immediate action is taken if our people are found to have done the wrong thing.

I also want to make it clear today that we have taken the allegations very seriously.

We have reviewed our policies and procedures and have reinforced our expectations around behaviour in the workplace to all of our people globally.

These expectations are clearly outlined in our Code of Conduct, in various other policies and in our company philosophies, which are deeply engrained in our organisation.

During FY18, we refreshed this code and deployed comprehensive training and awareness programs.

To ensure we quickly identify any emerging issues in future, we are now developing a scorecard that will track our performance in key areas – including customer satisfaction, reputation and staff well-being and engagement.

We have also reminded our people of the services that are available to them if they have concerns or need help or advice on any personal or professional matter.

These services include:

- Counselling for staff and their families (provided under the Assure program) to help them deal with psychological or personal issues
- A Whistle-blowers' Hotline, which allows staff to report any concerns to an independent third party. Concerns are then brought forward to the board Audit and Risk Committee; and
- Money coaches – a nationwide team of professionals who can help staff alleviate any financial duress our people may be experiencing

<u>Corporate Social Responsibility</u>

FY18 was also a significant year in the Corporate Social Responsibility or CSR area.

CSR has always been very important to our company and our people and we are now taking tangible steps to share our objectives and progress on achieving these objectives with key stakeholders in a more meaningful way.

We have become signatories to the United Nations Global Compact, an initiative that encourages businesses around the world to operate in a responsible manner, and have started work on our inaugural sustainability report.

We expect to release this report early in the 2019 calendar year.

Internally, our people have developed the Brighter Futures Program to ensure a co-ordinated approach in four key areas, specifically:

- Our Flight Centre Foundation, which raised more than $3million for its charity partners during FY18
- FCTG Worldwise, which encompasses our Responsible Travel Charter
- FCTG People, an initiative that focuses on workplace egalitarianism and unity; and
- FCTG environmental sustainability, a conservation initiative

This morning, I'd like to share with you a short video that we're releasing internally today to highlight this new program.

Conclusion

In conclusion, I'd like to thank-you for your ongoing support of our company.

We look forward to the year ahead and believe we are well placed to deliver another year of strong returns to shareholders.

I will now invite Skroo to address the meeting.