



**Flight Centre Limited**  
**Annual General Meeting**  
**Chairman's Address – November 1, 2007**

The 12 months to June 30 2007 will be remembered as an eventful but highly successful year for the company, with FLT delivering:

- Record financial results, including its first \$100million after tax profit
- Improved shareholder returns in the form of increased dividends
- Enhanced customer offerings through new marketing initiatives, shop design and a broader product range and;
- A stronger business base for the future through ongoing expansion in key areas, strategic acquisitions and continued investment in its people, systems and IT platform

These notable achievements did, of course, correspond with significant events relating to the company's ownership structure.

In February 2007, shareholders voted against a proposal that would have seen FLT return to private ownership under the control of a consortium that included FLT's founders and Pacific Equity Partners (PEP).

Following the privatisation's rejection, PEP returned in late March with a proposal to create a leveraged joint venture.

This proposal was based on the transfer of assets to a joint venture valued at \$1.6billion, a price that was ultimately deemed to be approximately \$400million less than fair value.

The ramifications of this higher valuation were that increased costs inherent to the transaction meant it was no longer economically viable – or in shareholders' best interests – to proceed.

Consequently, FLT's founders, who together held in excess of 50% of the company's shares, withdrew their support.

FLT's directors unanimously agreed to terminate the transaction.

While considerable attention was obviously devoted to the privatisation and joint venture proposals, FLT's operational people were largely unaffected on a day-to-day basis and were able to maintain their focus.

### Result analysis

This helped ensure that the company achieved strong full year results, including:

- 26% pre tax profit growth to \$151.6million, excluding the \$22.4m abnormal gain on the sale of the company's Brisbane city headquarters
- 51% growth in after-tax profit to \$120.8million, including proceeds from the building sale
- 51% growth in earnings per share to \$1.28
- 14% growth in total transaction value to \$8.9billion and;
- 15% revenue growth to \$1.15billion

With this increase in revenue, FLT's income margin, revenue as a percentage of TTV, increased from 12.79% to 12.98%.

### Capital Management Policy

The company also maintained a healthy balance sheet.

After initially announcing a \$0.40 cent per share final dividend as part of the PEP joint venture proposal, FLT's directors increased the final dividend payment.

After considering FLT's company cash position, its anticipated requirements for 2007/08 and its improved performance late in 2006/07, the directors declared a \$0.46 per share fully franked final dividend.

This final dividend followed a fully franked \$0.20 per share interim dividend paid in March 2007.

Without doubt, a strong second half was the key to FLT's achievements in 2006/07.

After modest growth during the first half, FLT performed above expectations during the six months to June 30 2007 to easily surpass its results during the previous corresponding period.

During the second half, FLT recorded:

- 16% TTV growth
- 21% revenue growth
- 40% pre tax profit growth – a \$99million result for the six-month period
- 47% growth in after tax profit

#### Geographic breakdown

While Australia continues to generate the majority of the company's profits, overseas operations are making an increasingly valuable contribution.

Comprehensive details on the performance of these overseas operations were included in our result announcement of August 23 and in our annual report.

Before talking briefly about our performance in 2007/08, I would like to make special mention of a couple of notable achievements from 2006/07.

Firstly, 17 Escape Travel franchise shops were opened during the franchise operation's first year.

Secondly, FLT continued to successfully expand its business through acquisitions.

During 2006/07, the company acquired:

- Nationwide Currency Services, which is being rolled out as Flight Centre Travel Money,
- A 26% holding in Boston-based Garber Travel Services to bolster the FCm Travel Solutions corporate travel management network
- A wholesaler, the Travel Spirit Group, in a deal that has given FLT the ability to create a global wholesale product platform, and
- Toni Brasch Event Management, which is now part of our Ci Events business

Thirdly, the company significantly enhanced its customer offerings by fast-tracking the rollout of the new Shop of the Future design in both Flight Centre and Escape

Travel and introducing new “unbeatable” and “perfect holiday” marketing programs for Flight Centre and Escape Travel.

#### 2007/08

With the progress made during 2006/07 and the strategies that are in place for 2007/08, FLT can look to the year ahead with considerable optimism.

Various challenges remain, particularly in the areas of margin improvement and cost reduction, but the business fundamentals are sound and management is focussed on achieving the desired results.

Pleasingly, the momentum gained during the second half of 2006/07 has continued into the early months of 2007/08.

Based on our performance to date, we expect the net profit before tax at the end of the first half will be in the order of 40% above what was a relatively poor previous corresponding period.

The second half of 2006/07 was, of course, an extremely strong period, meaning it will be a challenge to maintain this trajectory over the 12 months.

For the full year, the company expects a minimum of 15% pre tax profit growth, excluding the abnormal gain recorded during 2006/07.

As announced previously, independent director Howard Stack and myself will resign our Board positions following today’s meeting and the appointment of replacement independent directors.

Howard and I understand that another independent director will be appointed within 12 months, subject to the business’s requirements

At this time, I would like to thank Howard for his efforts and oversight of the company over the past 12 years and wish him well in his future endeavours.

In the past year in particular, Howard provided valuable and forward thinking contributions during what was a very challenging period.

I would also like to wish prospective directors Peter Morahan and Gary Smith well as they seek shareholder approval today.

In conclusion, congratulations to FLT's people, from the retail travel agents and corporate account managers to the senior management team.

These people were integral to the many notable achievements that made 2006/07 a year to remember and can justifiably be proud of their contributions, both individually and collectively.

Thank you once again to you, the valued shareholders, for your ongoing support of the company.

I will now hand over to Graham Turner for an outline of the company's prospects in 2007/08.

Skroo:

As you have heard, the company has made a good start to 2007/08.

While we continue to focus on the many and varied areas of our business, I have broadly four priorities for the year.

1. **Growth in shops and businesses**

As well as growing different product ranges, a global product powerhouse and expansion in various corporate brands, our other organic growth opportunities include:

- Franchising in Australia
- FCm licensing globally
- SME corporate business overseas.

2. **Developing diversified sources of income.**

Our second priority is developing longer term diversified revenue streams through:

- Acquisitions
- New geographies, such as Dubai and Indian retail
- Transferring FLT's proven retail model into different retail and service areas.

Some possible areas we are looking at opportunities currently are recruitment marketing and hotel marketing

### **3. A move more towards high value and premium product.**

Now and into the future, we will be constantly moving into more premium and land-based product to satisfy changing customer types as baby boomers and over-35s request more and more prestigious and luxury product, as well as premium air product.

### **4. Our Bricks and Mortar and high touch customer-friendly web strategy**

We will continue to develop our bricks and mortar friendly web strategy. Flight Centre aims to have clearly the best retail travel website with good and efficient transactional capability but also a very large range of exciting and great value non transactional land and air product, as well as destinational and other highly sought after travel information.

#### Year to Date Progress

While it is early days in 2007/08, we have made good progress in growing the business.

#### **A. At a global level ...**

1. Capital expenditure will increase this year as various IT platform projects in retail, corporate and wholesale near completion and we fast-track the rollout of the shop of future and 'refresh". More than 1000 Flight Centre shops will be done by Christmas 2008.

#### 2. Acquisitions.

We have continued to pursue strategic acquisition opportunities in Australia and overseas to grow our traditional business and to expand into new areas of business using our successful business model in travel, travel related businesses or other types of retailing.

#### 3. Property Acquisition.

Following the success of our head office property sale last year, we have initiated a global property acquisition strategy. We have acquired an Auckland building and are

currently looking to acquire similar properties in London, South Africa and Melbourne. If appropriate, we will also consider certain hotel properties.

### **B. In Australia**

1. We are currently experiencing healthy trading conditions for travel, with a strong dollar and the resources boom.

2. Competition is also in the air, with new carriers like Etihad, Air Asia X, Tiger and Viva Macau arriving and established carriers increasing capacity. The current lack of capacity on some routes has positive and negative affects. However, more capacity generally will be good for us.

### **C. Internationally**

1. We are expanding geographically, with FCm opening in Dubai and leisure shops opening in India, as well as growing retail and SME corporate in all overseas markets.

2. About 40% of our TTV and 34% of our profits now come from overseas. We are targeting a 50/50 split within three years. This could happen earlier if some of the overseas acquisition targets come through. Our current and ongoing evaluation of some business opportunities in North America, the United Kingdom and India is incomplete and the company is not sufficiently certain of reaching agreement in any instance at this stage. We will consider various funding models if any of these acquisitions proceeds. Options include use of company cash and debt funding, although regulations will prevent the company from taking on significant debt under its current structure. We will also consider capital raising as and if the need arises.

3. The FCm network continues to grow and add to our global networking opportunities. FCm is now represented in more than 60 countries, including 10 company-owned.