

Dear Shareholder

31 March 2003

Entitlement Offer - Supplementary Prospectus

Enclosed is a supplementary prospectus which explains an accounting standards disclosure issue that we have recently been discussing with the Australian Securities and Investments Commission. The issue is whether we should disclose our gross sales as "revenue" in our accounts or the commission, rebates and other amounts that we earn from those sales.

We considered explaining this issue in the prospectus issued earlier this month, but took the view that because it was not (and is still not) resolved, it would be of little assistance to shareholders. The key thing that shareholders need to be clear about is that the question does not affect our profit, cashflow or financial strength in any way whatsoever. It is solely an accounting standards disclosure issue.

We are working with ASIC on this matter and expect to have it resolved before the 30 June 2003 results are released. Whatever the outcome, Flight Centre will continue to inform shareholders, and the market generally, of the value of our total gross sales.

The global airline industry

You will all have read and heard about the various difficulties affecting the global airline industry, particularly in the United States. The problems include easing demand, reduced capacity and increasing jet fuel prices. Just in the last few days, American Airlines has signalled an urgent need for extra funding and industry experts have suggested that all major US airlines are headed for chapter 11 protection.

Closer to home, Qantas signalled on 28 March 2003 that it would reduce planned international flying by a total of 20% between 1 April and mid-July 2003.

In our prospectus, we flagged the risk that war and terrorist attack posed on demand for air travel and that this could impact our financial condition, at least in the short term. We also re-iterated what we said in our half yearly profit release that we could not predict our ability to maintain our traditional trading patterns in the 6 months to 30 June 2003.

Since the beginning of January this year, there has been no sign of a significant deterioration in our trading conditions and we remain of the view that our diversification and track record should see us through these difficulties.

Accepting the Entitlement Offer

By now, you should have received a copy of the prospectus, together with your personalised Entitlement and Acceptance Form. The Offer closes at 5.00pm on Tuesday, 8 April 2003. The new shares offered will qualify for the fully franked interim dividend of 18.5 cents per share payable on 29 April. To take up your Entitlement or apply for Additional Shares, please complete your Entitlement and Acceptance Form and return it in accordance with the instructions on the form.

Yours sincerely



Norman C Fussell
Chairman
Flight Centre Limited