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Speech Notes

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Chief Executive Officer
Tourism Holdings Limited

Annual Shareholders' Meeting
Tuesday, 13 November 2007

S1

Thank you Keith.

Hello ladies and gentlemen. Thank you for joining us today. I welcome this opportunity to further update you on the changes under way at Tourism Holdings.

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Following on from Keith's address.....firstly, a look back at the past 12 months, where we see the share price rising on the takeover offer from MFS Living & Leisure at the end of April, and settling back to Friday's close of \$2.37.

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As Keith mentioned, net profit after tax was up 22 percent to \$13.4 million.

Whilst earnings were higher than for the previous year, there were a number of one offs due to the change process. Nevertheless, the trading profit reflected good performance in some operating areas, with the standout being our Rentals division. We are well aware that THL needs to work harder to produce better quality earnings, and have embarked on a change process to build the company in a more focused direction in the tourism rental industry.

What I intend to do now is take you through the company, outlining the comprehensive change under way, why we are embarking on this change, and the necessity of the change to position THL for a world that is changing rapidly.

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The past 12 months have seen an increased focus on global issues like climate change, increasing global uncertainty, changing demographics, and a decreasing US dollar (making the USA a competitive destination).

All this is underpinned by a further acceleration in innovation and technological change. Just as we thought it was safe to head out into the world with an understanding of how to market our products via Google – with Search Engine Optimisation and Pay Per Click, for example – it is time to investigate a number of other areas. These include the fast growing area of web collaboration, and social networking internet sites such as YouTube and Facebook, currently reported as sweeping the globe with a quarter million new members every day.

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So as I outline THL's change over the past 12 months you will note some common themes:

- Environment
- Technology
- Product design and quality
- Marketing

S6 Environment

Recently, I have been visiting our customers in Europe, and inevitably our discussions centred around the environment and technology. Global warming and the growing environmental awareness that is in the early stages of affecting consumer behaviour. We are beginning to field questions on what measures Tourism Holdings has put into place to lower carbon emissions. One large wholesaler is down the path of dealing only with companies that demonstrate investment in lowering emissions.

As the world begins to focus more on environmental issues, companies that invest in lowering emissions will be the clear winners. THL is leading the New Zealand transport industry in this direction via its recent announcement of motorhome testing by Vehicle Testing New Zealand (VTNZ), and investment in new model vehicles. More on this later.

S7 Technology

Technology is another changing factor – driven by changing demographics and labour shortages in developed countries (similar to what New Zealand is experiencing), which then creates the need for technology to fill the gap. Connectivity and collaboration are key to survival in a fast-changing world. As mentioned last year, technology moved faster than the company anticipated, and we now have a significant change and investment strategy under way.

S8 Product design and quality

Product design and quality are at the forefront of the changes under way at CI Munro, as we look forward on how best to design and build our vehicles for the foreseeable future.

S9 Marketing

Finally, marketing and brands need to connect better than before to meet the expectations of market segments and different distribution mediums. You will note, throughout this presentation, the number of changes under way in this important area.

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Tourism remains a tough and competitive sector in Australia and New Zealand. We have rapidly changing distribution channels via technology. And – in the Rentals business – we have a procession of small startups struggling for survival in a market that continues to be price-based due to access via the importation of cheap end-of-life imported vehicles. As government policy rightly toughens in this direction due to an increased focus on the environment and quality, THL is well placed.

The dollar continues to cause concern – our new season pricing in some of our source markets is up considerably, making the destination less attractive. However... THL is looking beyond these short-term issues and positioning the company for a sustainable future in a changing world.

So... on to a review of the past 12 months...

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At this time last year the company was split into four distinct trading divisions, supported by centralised Information Technology and Development, and a Projects Office to manage the change programme.

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We now operate a....

1. Rentals division
2. A manufacturing company
3. A youth & adventure division and a
4. Tourism leisure division

We put this structure in place to:

- (a) increase focus, driven by a single point of management over each division
- (b) speed up new product development and marketing changes, bringing new products to market more quickly
- (c) analyse divisional capital requirements separately
- (d) exit or joint venture areas of the business where THL alone cannot create scale of operation.

Each division has a General Manager or Chief Operating Officer

S13

[Introductions]

Chris Rusden Chief Operating Officer, Rentals Division

Paul Hebbard General Manager, CI Munro

Sue Sullivan General Manager, EX Group

Grant Webster Chief Operating Officer, Tourism Leisure Group

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These divisions are supported by an IT and Project Management team, Staff Training and Development, and Financial Management.

[Introductions]

Quinton Hall Chief Information Officer

Len Hatton General Manager, Human Resources

Ian Lewington Chief Financial Officer

S15**CI MUNRO**

Currently under way is a comprehensive change programme for CI Munro.....

CI Munro has had little investment over the past 10 years. Staff shortages, lack of access to trade qualified personnel, and the aged facility in Otorohanga, were causing increased difficulties in production. Even more importantly, we lacked the ability to design lead our product via modern manufacturing and make a move towards sustainable manufacturing.

S16/17*

A decision was made late last year to relocate to a new purpose built factory in Hamilton, expand our product range and redesign most of our existing products.

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As well as the new purpose built factory we purchased a small Hamilton based engineering company, Action Motor Bodies, to support the engineering requirements for special purpose built vehicles.

S19/20

Although this is a difficult transition, it was a change we had to make. We needed to change to get better quality and design into our rental fleet, increase market share in the New Zealand caravan market, and develop product for the fast growing campsite and holiday home market.

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This change is designed, most importantly, to increase and defend our rentals quality position well into the next decade.

The change process will be completed by mid 2008. The Otorohanga land and buildings will be sold. CI Munro will then be design led, moving towards sustainable manufacturing with an increasing number of components able to be recycled.

We will also continue to examine new products and new markets when the new facility is complete.

S22**EX GROUP**

A review last year indicated we had a fantastic brand and excellent market penetration in the price sensitive youth and adventure market, via Kiwi Experience.

S23

We also noted ongoing growth in the low cost car and motorhome sectors as New Zealand continued to enjoy increasing arrivals from the backpacker market. Often, these low cost operations were sourcing vehicles from THL Rentals' divested fleet. The EX Group now focuses fully on the youth and low cost sector. It is a standalone business using the existing sales and marketing resources of Kiwi Experience and the Rentals IT platform.

S24

The group was brought together under a revitalised brand - EX.

S25

Kiwi Experience got a brand refresh.

S26

As well as Airbus Express. Both are now better positioned to generate selling opportunities to visitors arriving in the country.

S27/28

The brand was also carried through to our newest rental brand, Explore More. This brand is targeted to a specific cost conscious market segment, positioning is slightly irreverent and constantly changing via dynamic pricing and offers.

S29/30

The rental vehicles are mostly ex fleet from our Rentals division, and trade from a downtown location (Beach Road) with ease of access and guide book linkage to the target market.

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2007/2008 is very much a setup year for the Explore More brand, with growth in vehicles being a key target.

We have entered this competitive market to extend the life of THL's rental assets and fully cover all sectors of the motorhome market. We intend to be a sizeable operator in this highly fragmented budget market within three years. With the proposed changes in vehicle importation age (and thus increasing capital costs) THL is well placed to benefit from consolidation in this sector.

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A sign of a good brand (EX) is when it starts getting traction in the target market!

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TOURISM LEISURE GROUP

There was a much improved result from this division, and also a year of substantial change, beginning with the interest from MFS Living & Leisure.

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After the expiry of the takeover offer in July we quickly got on with the divestment of two thirds of Johnston's Coachlines in August, releasing \$11 million in cash. This was an operation we had struggled to run well due to its business-to-business focus and commodity pricing. We now have excellent partners in Coach Investments, with the Managing Director as a shareholder in the business.

S35 *

Down at Milford, we had a year of growth driven by the new Encounter cruise targeted at the Free Independent Traveller (FIT).

S36*

We also added to our cluster of businesses by purchasing the Blue Duck Café and ticket office. This, added to Milford Deep Underwater Observatory, allows us to clip the ticket more often on visitors to the Milford area.

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We have recently launched Discover More Milford Sound, a new product offering the longest cruise in Milford Sound. Marketing and product innovation were a driver of growth in Milford over the past financial year, and this focus is continuing into this current season.

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Travelling up to the North Island, we have also made good progress on our Waitomo operation, and the planning process is well advanced for rebuilding our facilities there.

Waitomo, I believe, is the most under-promoted destination in New Zealand. We are currently working on finalising plans for an expanded visitor centre with the local Hapu and the Department of Conservation with building likely to commence around April 2008. Waitomo is in our sights to grow visitation significantly over the next five years.

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Our four distinct caving operations, plentiful DoC walking tracks connecting to beautiful natural reserves, and proximity to Auckland and Rotorua, allow the opportunity to shift our promotional focus on to Waitomo the "Destination."

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Black Water Rafting has recently celebrated it's 20-year anniversary, and continues to build an excellent market presence in global adventure tourism.

S41/42/43

Kelly's also saw increased promotional activity via Freaky Fish and, more recently, Extreme Antarctica. It has benefited from a very good refurbishment post the 2006 flood.

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After 20 years, the Shark Tank successfully underwent a full refurbishment to maintain the facility to the highest international standard.

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Our Fullers Bay Of Islands operation also saw product innovation. Paihia continues to grow in popularity, as both a New Zealand domestic destination and one that is increasingly being discovered by our overseas visitors.

S46

Although the Japanese market continues to give us some concerns, Great Sights, our seat in coach product had a good year due to increased sales and marketing in the local market.

S47***Brand refresh.....***

We also completed a comprehensive rebranding exercise across the Tourism Leisure assets, to create better market penetration and linkage as visitors travel throughout New Zealand.

We are positioning via...

S48*

Discover Bay of Islands

S49*

Discover Waitomo

S50*

Discover Milford Sound

S51***Future of Tourism Leisure Group....***

We continue to evaluate interest in the attractions businesses – whether in expanding, in divesting or in industry consolidation via joint ventures. We will update shareholders as developments occur. These are excellent assets, well positioned and primed for a good summer of operation.

S52**RENTALS DIVISION**

As mentioned, Rentals had an excellent year in both countries, with a record result in Australia and higher earnings in New Zealand. EBIT was \$28.2 million.

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The year commenced with some comprehensive consumer research which got us focused in five key directions:

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1. Quality of vehicles
2. Environment
3. Product growth and marketing
4. Service delivery
5. Technology and online sales

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Firstly, quality of vehicles...

Linked to the changes under way at CI Munro, we have also made a sizeable commitment to new vehicles over the next two years. Leading the change will be a significant purchase of new Mercedes-Benz vehicles, and a focus on getting all our motorhomes in Australia on customer-friendly automatic transmissions as soon as possible.

This 50 million dollar investment in upcoming fleet build, new designs, product expansion and refurbishment of our branch network is planned to lift the quality and environmental positioning of both Maui and Britz.

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The Environment....

THL is enormously proud of the recent innovation with Vehicle Testing New Zealand (VTNZ), where we have taken a leadership role in both the transport and tourism industries in New Zealand by committing to emission test all our vehicles on an annual basis.

S56/57

We know that good governments throughout the world are going to toughen legislation in this area. THL has made the wise decision to begin this journey by continuing its policy in investing in best-of-breed vehicles and introducing strict testing regimes, reinforcing our industry leadership position.

S58

THL approached VTNZ midway through the year to develop a solution. and I am proud of the fact that all of our Maui and Britz fleet will carry this tough to earn five-star badge of honour.

As mentioned before, being able to demonstrate sound emission management to our customers is becoming an increasing priority.

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On to Product Growth

The Maui fleet is expanding, with two new vehicle types being launched next year, plus a newly designed six-berth.

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The Britz fleet is also expanding, with additional product offerings in both New Zealand and Australia. This positions THL Rentals as an innovator, and provides more product offering than our competitors, to support our appeal in getting into overseas wholesale distribution channels.

S61

Marketing....

The Backpacker brand continues to grow. Backpacker has undergone a brand makeover to position it as a good value choice at the quality end of the discount market.

S62/63

Other marketing activity saw us grow our winter business successfully through campaigns such as “Hop Up,” enabling in-branch upsell, and “Britz It,” linking product with low-cost airfares in both the domestic Australian market and the trans-Tasman market.

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And in New Zealand, the AA campaign, “101 Must Dos for Kiwis,” Maui was promoted to encourage New Zealanders to travel more throughout the country.

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Service delivery is also in our focus, with all branches now refurbished, and with better systems under way to relieve the bottleneck during the high season.

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Technology, the growing importance of the web and the demands of our wholesale customer are driving change. Both the Britz and Maui websites are now rebuilt, with full dynamic availability and pricing.

These websites are only part of our technology upgrade as we position the systems for the multiple access points required for ever changing consumer behaviour.

S67**INFORMATION TECHNOLOGY**

The internet, customers’ growing familiarity with booking online, and the new trends of collaboration and use of video as a communication tool... all of these are very challenging for the tourism industry. As I have already mentioned, THL is in catch up mode, and is currently working through a significant technology upgrade. This involves not only new infrastructure, but also investment in new software and significant upgrades of existing software platforms, aimed at our ability to trade, communicate and meet the demands of our customer.

S68

We selected best-of-breed partners on this technology journey, mindful that technology and consumer use of it will change radically again over the next decade. Ongoing adaptability will be key to meet the challenges involved.

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We have recently launched an online independent motorhome and car marketplace (www.mac.com). We plan continued innovation in this space once our new systems are installed and upgrades complete, towards the end of 2008.

S70**FORWARD TRADING**

The current market is very hard to forecast. We traded to expectations in the first quarter, with Rentals exceeding both budget and the previous corresponding period.

In the second quarter, October and November, to date sales have been disappointing. It is too early to say whether this will be characteristic of the full three months. We are currently undertaking some analysis on the market, and it appears there are a number of factors at play...

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One is the impact of the New Zealand and Australia Rugby World Cup supporters squeezing airline seat supply from the Northern Hemisphere, coupled with the normal impact on travel that global sporting events tend to have. Another is the ongoing collapse of the US dollar against the Euro, building the US as a tourism destination, so that New Zealand and Australia have to work harder to hold market share in the Northern Hemisphere.

Our first half result will reflect the difficult October / November trading period as well as the change process under way at CI Munro and the establishment of the Explore More rental division. These factors will result in a trading profit that is marginally behind last year based on current information and forward bookings.

To put this in context... We continue to see a significant shift of demand into our second reporting period, making it a struggle to meet demand in some months. This trend is magnified by the increasing number of airline seats that enable visitors to travel to New Zealand at the most desirable time.

We remain bullish on the long-term future for tourism in New Zealand and Australia. Our investment in modern manufacturing, our IT platform and the effect of our brands in widening our market reach will all play a part in positioning THL for the future.

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We also will continue to, maintain our investment in new vehicles that are future focused on the environment. We anticipate a difficult future for companies that have built their businesses on low cost imported vehicles and then survived on cashflow with minimal reinvestment. They are causing short-term yield disruption in the market at present, but a signalled change in Government policy on vehicle importation and the necessity for governments to act on environmental issues is a strong positive for our change programme and continued investment in new fleet. This, coupled with our technology investments and strong balance sheet, indicates an exciting few years ahead for THL.

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CONCLUSION

I hope that, through this address, you have got a good understanding of the strategy and direction of THL in the near future.

As you can imagine, as we have worked to increase our focus on the rentals sector, changed a number of brand and marketing strategies, begun the process of divesting some assets whilst building future focused technology solutions, and then grappled with the very recent global focus on environmental issues... it has been a busy year. Throw in a takeover offer and the workload more than doubles. My management team, whilst driving the change process, has worked extremely hard. They know that, until we complete this change process around mid 2009, life is sure going to be busy.

My final word is to join the Chairman in thanking all staff very much for their energy and commitment to THL.



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