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Chairman's Speech Notes
Annual Shareholders' Meeting
13 November 2007

Welcome, ladies and gentlemen, to the 21st Annual Meeting of Tourism Holdings Limited.

I am your chairman, Keith Smith.

I am joined by my fellow directors, Harry Price, Graeme Bowker, Rick Christie and Deepak Gupta – and also by our chief executive officer Trevor Hall, chief financial officer Ian Lewington and financial controller / board secretary Kevin Hoare.

This has been an eventful year for THL.

In the next few minutes I will:

- o Briefly review the trading results
- o Set in context the main events of the year
- o Review the current position of the group, and
- o Comment on the strategies being implemented to further enhance shareholder returns.

The 2007 year saw record trading in Rentals, a strong recovery by the Tourism Leisure Group and improvement from the EX Group. CI Munro, which is in transition to new premises, had its trading severely disrupted and was thus accounted as a non-recurring item.

The group result was a 17 per cent increase in net surplus after tax from continuing operations, to \$13.3 million. Group net profit after tax – that is, after non recurring items – was up 22 percent to \$13.4 million.

The company paid a final dividend of 6 cents per share, taking total dividend for the year to 11 cents per share, fully imputed. This was the same rate as for the 2006 financial year.

The increase in earnings came from significant structural and operational changes, to improve customer focus, product offering and channels to market. Trevor will address the operations of the group's four divisions over the past year in more detail, and comment on the outlook for their performance going forward.

[Pause]

Much has happened since I addressed you 12 months ago. As noted in the annual report, the year began with Trevor's appointment and continued with a series of initiatives to improve performance, one of which was a major strategic review of all our operations.

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That review led to the restructuring of THL into four operating divisions, each with its own management focus and performance targets. It also facilitated detailed analysis as to where the group should invest – or divest – to lift performance and returns for shareholders.

The events of the past year should be seen very much in that context. And as the conclusions from the strategic review remain valid, it follows that further change is likely.

[Pause]

The intervention of MFS Living & Leisure can now be seen as a distraction and consigned to history. Initially, the company engaged with MFS as a suitable purchaser of the tourism leisure assets, to facilitate an exit from those businesses. The intention was to free up capital for the expansion of our rental business in growth markets.

This did not eventuate as planned because MFS switched its focus, dropping its initial proposal in favour of a takeover offer for the whole group. That offer ultimately did not succeed because acceptances fell 7 percent short of the 90 percent compulsory acquisition threshold, which was a condition of the offer.

At the time the offer was made, your board and management correctly took the view that shareholders should determine the outcome, and supported the offer to enable that to happen. To be completely clear on that point... board support was a condition that had to be satisfied in order for the offer to be put.

There was a good deal of public comment on the offer, and I think it's appropriate for the purposes of this meeting to deal with two key issues.

Firstly, the issue of break fees... No break fee was paid in respect of the takeover offer, as no event occurred to trigger such a fee.

Negotiations with MFS Living & Leisure led to the structuring of break fees that would apply in either direction in specified circumstances. The arrangement was put in place to protect both companies and their respective shareholders, because both were committing resources to the offer process.

In the event that MFS Living & Leisure had withdrawn its offer, a break fee would have been paid to THL. Similarly, if the THL directors recommended an alternative offer THL would pay a break fee to MFS.

As events unfolded, none of the specified circumstances occurred.

Secondly, senior management bonuses... Senior management were paid their normal remuneration for the year – that is, they have not been paid any bonuses for work related to the MFS proposal to purchase the Tourism Leisure Group, nor for work related to the subsequent takeover offer.

All of this information was disclosed in full by way of the group's continuous disclosure requirements. I also need to note that it was supplied to the Shareholders Association by letter in August, in response to the association's request. As at today's date, our letter has not been added to the correspondence maintained on this topic on the association's website.

[Pause]

With that phase behind us, your board and management have refocused on further enhancing the value of the group for shareholders.

Engagement with MFS Living and Leisure did have one positive benefit – it has highlighted our programme to address the strategy and structure of the group to improve performance, and thus alerted other players in the industry to potential opportunities. This has led to a range of proposals for purchase of, or partnering with, individual assets in our portfolio.

In the context of a publicly listed environment, businesses in our leisure portfolio lack the scale to generate an adequate return on investment. Our goal is now to create platforms to allow these assets to grow strongly. The joint venture with Johnston's Coachlines, announced in August, can be seen as the first example. We expect to make a further announcement in this regard in the short term.

For THL, the future is largely in rental operations, and in expanding the core competencies, systems and brands our rental business has developed. The brands already have high recognition amongst prospective travellers in Europe and other markets. We intend to build on this.

The United States is the largest tourist destination in the world and provides scope for considerable further growth. THL is attracted to that market, and we are exploring opportunities that will facilitate an entry on terms that provide significant benefit for shareholders.

We believe this will position THL strongly to take advantage of the trend in international travel towards more active holidays – a trend that is increasing the demand for recreational vehicles.

[Pause]

There have been several changes to the board in the past year. David Cushing resigned following the sale of the Cushing family shareholding, and more recently, independent director Harry Price announced his retirement.

I want to take this opportunity to thank Harry and David for their extensive contributions to the company.

As in every annual meeting, one of the items on our formal agenda is the election of directors. Deepak Gupta was appointed last month to fill a vacancy, and now seeks election as a non-executive director. Deepak was initially nominated by Sterling Grace, THL's largest shareholder.

Deepak has almost 20 years' experience in the financial services and investment management industry in New Zealand. He is an executive director of Trustees Executors, and has also worked at senior management level for major institutional investors such as Westpac Investment Management, Royal and Sun Alliance and AMP; in private equity investment; and in general funds management. Deepak has been a director of a number of companies as an investor representative.

In addition, I retire by rotation, and am seeking re-election to the board.

Deepak and I will speak briefly when the relevant resolutions are under consideration.

Your directors are mindful of the ongoing need to maintain an appropriate mix of skills and other attributes around the board table – to ensure that management is receiving the most appropriate and relevant input to assist in its implementation of the company's strategy – and also to ensure that best practice governance standards continue to be met.

In that context, I am pleased to announce that Graeme Wong has consented to be a director and will join the board in December.

Graeme is an experienced company director, who has served on the boards of a range of organisations including Air New Zealand, At Work Insurance, Magnum Corporation, Sealord Group, Southern Capital and Tasman Agriculture. He is currently chairman of Clocktower Games Limited. His earlier career was in sharebroking and investment management, and he has a wide range of strategic and operational management skills.

One of the consequences of two directors departing in a short timeframe has been the need to adjust the company's constitution to cover that situation should it arise again. The amendment provides for the quorum for a directors' meeting to be reduced by two, to three. You will be asked to vote on that amendment later in the meeting.

[Pause]

At this point it is my pleasant duty to hand you over to Trevor Hall for his comprehensive rundown on the operations of the company.

Before I do so, I want to take the opportunity to record the board's gratitude for the continuing focus and hard work of the management group – and indeed all the staff of the company – during what has been a very challenging year.

It would be easy to underestimate the stresses and strains on the people within the company during a period of change and uncertainty. I'm sure I speak for the shareholders as well as the board when I say that their efforts are very much appreciated.

Trevor... over to you.



Keith Smith
Chairman, Tourism Holdings Limited
13th November 2007

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