

NZX RELEASE

3 July 2007



Tourism Holdings Limited Market Update

The Board of Tourism Holdings advises the following matters to enable shareholders to be fully informed as they consider the takeover offer for the company by MFS Living & Leisure.

Earnings guidance and outlook

Net profit after tax for the year ending 30 June 2007 is anticipated to be toward the upper end of the range indicated in guidance provided to the market on 26 April 2007 (\$17.5 million to \$18.5 million).

One-off non-trading costs, previously advised to be well in excess of \$1.5 million after tax, are now estimated to be in the order of \$6.5 million after tax. In approximate terms \$2 million relates to costs incurred around the proposed sale of the Tourism Leisure Group of businesses (including advisor, legal, tax and due diligence costs), \$0.3m in advisor costs in regard to the offer from MFS Living & Leisure NZ Pty Limited (MPY) were incurred some of which will be recoverable from MPY in the event the takeover does not proceed; \$2 million incurred in the transfer of CI Munro manufacturing facilities from Otorohanga to Hamilton (physical move costs, production and logistics disruption and staff costs as part of the move); and the balance relates to restructure costs and the change programme outlined at the annual shareholders meeting in November 2006 (in particular the set up of the Explore More car and campervan business, IT and systems reviews).

Outlook

The trading outlook for the first half of the current year is for softer conditions than prevailed in the same period last year. The Rentals division has satisfactory orders for the first three months, but these have been significantly price-led in competitive market conditions. The Board remains concerned about the likely impact of the further appreciation in the New Zealand dollar, a soft inbound market for tourists from Japan, high interest rates affecting domestic discretionary spending and some concerns around the World Cup and its impact on October 2007 trading.

The Board remains confident about longer-term trading prospects on the assumption of more moderate values for the New Zealand dollar. At current levels the dollar has a significant negative impact on inbound visitors' purchasing power at the group's attractions, and encourages substitution of New Zealand inbound travel by travel to other markets.

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Board decision on special dividend

The company has available imputation credits that would enable a special dividend of up to 30 cents per share, fully imputed to be paid. These credits will be forfeit in the event that the takeover offer is successful and a special dividend is not paid.

Following discussions with a range of shareholders it is clear that some would be disadvantaged by payment of a special dividend and there is thus no clear benefit in such a payment. Accordingly, the Board does not intend to instigate the payment of a special dividend at this time.

Explore More launch

Explore More will be launched on 4 July 2007 by the EX Group, one of the four operating divisions of the company, to provide lower cost rental cars and vans to backpackers and independent travellers. *Explore More* adds a new dimension to the company's product portfolio, targeting a growing demographic and customer segment.

Announcement authorised by:

A handwritten signature in black ink, appearing to read 'Keith Smith', positioned to the left of a vertical red line.

Keith Smith
Chairman

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