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NZX/MEDIA RELEASE

TOURISM HOLDINGS LIMITED
RESULTS FOR THE YEAR ENDED 30 JUNE 2008

TOURISM HOLDINGS LIMITED
corporate

KEY POINTS

- Reported NPAT up 7% from $13.4m to $14.3m
- Trading NPAT from continuing businesses (excluding Ci Munro and non-recurring items) down 11% from $14.9m to $13.3m
- Rationalisation of non-core business through the sales of Johnston's Coachlines, Airbus Express, Kelly Tarlton's and the Milford Sound assets
- Sale and hire back of Kiwi Experience coach fleet
- Creation of the InterCity joint venture
- Completion of the Ci Munro factory relocation
- Introduction of new product and motorhome designs
- Significant commitment to Mercedes Benz fleet
- Renewed ICT (information, communication, technology) infrastructure
- Growth of the Explore More rental brand

TRADING RESULTS

Tourism Holdings Limited (THL) today announced a trading Net Profit After Tax (NPAT) for the June 2008 year, from continuing businesses of $13.3 million. Including discontinued businesses, Ci Munro and non-recurring items reported NPAT was $14.3m, an increase of 7% from last year's $13.4m.

Amounts After Tax	**2008 $m**	**2007 $m**	**%**
Trading NPAT	13.3	14.9	-11%
Ci Munro loss	(3.3)	(1.7)	
Other non recurring items	(1.9)	(3.9)	
Total Continuing	8.1	9.3	
Discontinued Businesses	6.2	4.1	
Reported NPAT	$14.3m	$13.4m	+7%

When adjusted for the sale of discontinued businesses, the result is slightly in excess of $16 million which is in line with the upper end of guidance given in June 2008 for a trading profit in the range of $15 million - $16 million.

A key factor in the result was the continuing strong performance of the Australian motorhome operation, offset by a disappointing result from vehicle builder Ci Munro during its move from Otorohanga to Hamilton.

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In total the Ci Munro loss, non-recurring items and Discontinued businesses contribution totalled $1.0m after tax ($1.8m loss pre tax) for the year.

Net turnover from continuing business was $151.2m up 9% from $138.1m in 2007. Earnings Before Interest, Tax and Amortisation (EBITA) excluding discontinued businesses was $17.1m down 12% on the comparable EBITA of $19.6 million for the 2007 year.

Trading conditions changed as the year progressed. Marketing initiatives and cost control produced a solid first quarter, and the second was moderate due to a general slowdown during the rugby world cup. Third quarter demand was very strong, with good arrival numbers and the benefit of the Easter holiday occurring in March. The early Easter was a negative factor for the fourth quarter, when trading conditions toughened considerably as oil prices peaked and global economic conditions deteriorated.

Visitor arrival growth slowed, with arrivals from Japan and Korea declining ahead of the Olympic Games. The Australian business performed well throughout the year, helped by a robust domestic economy, marketing and product innovation. The Explore More youth and discount division in New Zealand had a strong first year of operation.

DIVIDEND

The company will pay a final dividend of 6 cents per share fully imputed on 24 October 2008, with a record date of 17 October 2008. Total dividend for the year will be 11 cents per share – the same rate as for the 2007 financial year.

STRATEGIC FOCUS

The year brought considerable change for the group, beginning with the distraction of a takeover offer and continuing through a lengthy sell down of non-core assets. THL is now more concentrated on its core discipline of tourism motorhomes and car rentals, its growing youth and discount brands and ongoing development of Waitomo as a destination.

DIVISIONAL COMMENTARY

Operational Review

	Year ended 30 June 2008				Year ended 30 June 2007			
	Turnover ($million)	Divisional EBIT ($million)	Funds Employed ($million)	Operating Cashflow ($million)	Turnover ($million)	Divisional EBIT ($million)	Funds Employed ($million)	Operating Cashflow ($million)
Rentals	112.4	28.2	201.6	48.4	107.9	28.2	173.6	45.0
CI Munro	14.1	(5.1)	19.7	(12.0)	8.2	(2.5)	13.4	(2.9)
Tourism Leisure Group/Ex Group	25.0	1.8	34.3	1.3	23.8	4.3	27.2	7.4
Corporate	-	(7.8)	21.3	(9.0)	-	(10.5)	1.4	(8.6)
Inter company sales	(0.3)	-	-	-	(1.8)	-	-	-
Total Continuing Operations	151.2	17.1	276.9	28.7	138.1	19.5	215.6	40.9
Discontinued Businesses	31.1	5.8	43.1	1.6	51.8	6.0	82.0	10.5
Group Total	182.3	22.9	320.0	30.3	189.9	25.5	297.6	51.4

Rentals

The Rentals division (excluding Ci Munro) achieved earnings in line with those for the previous year, at $28.2 million. Revenue grew to $112m up a modest 4% on 2007 due to pressure on yields, but this growth was offset by cost increases to leave EBIT flat.

Rentals Australia again recorded good growth in revenue, assisted by a strong domestic economy. Rental car revenue from Europe also recorded good growth.
Results from New Zealand rentals continue to be affected by yield pressure from aggressive competitor pricing and an ongoing market over-supply. The over-supply was more apparent in the second and fourth trading quarters as prices moved downwards in response to a decrease in visitor arrivals. Nevertheless, Rentals New Zealand had a strong lift in rental car hire days as the business moved from a new vehicle lease model to full ownership of good quality vehicles, allowing more competitive pricing.

Innovation continued in New Zealand and Australia, with a broad range of new vehicle types and new products launched successfully into the market. The Backpacker product range was given a new look and design, and its first 'retail' centre opened in downtown Sydney to capitalise on opportunities in the walk-up youth and discount market. More retail centres are planned for the coming months.

THL also started to take delivery of and launch the new generation of Mercedes vehicles. It continues to lead the industry in environmental awareness and now offers a fully automatic two wheel drive fleet in Australia and is progressing this offering in New Zealand.

Additional focus was put on the customer, with a dedicated Training and Customer Service department established, along with a reservations centre open 24 hours per day and seven days per week to better service the trade and the European retail market.

Continued investment in information technology and online trading capability saw several innovations, allowing customers greater access and the opportunity to purchase online via multiple channels. THL has invested heavily in the web and related technology. The group intends to lead the market in Web 2.0 technology and will seek to gain a market-leading position in collaborative online marketing.

Ci Munro

The Ci Munro EBIT loss of ($5.1)m, (($3.3)m loss after tax) has been treated as a non-recurring item due to the dislocation to production caused by the move from Otorohanga.

The final quarter saw Ci Munro's relocation complete and the new facility in Hamilton operating. The transition was more difficult than anticipated, and was exacerbated by external supplier failures which delayed production at numerous times during the year. The tight labour market and continued shortage of staff also had a negative impact on productivity and created difficulties in getting Ci Munro back to healthy manufacturing levels.

Looking forward, the new four and six berth redesign is now complete, and new fibreglass technology has been introduced for ease of manufacturing and improved designs. Staff shortages have eased considerably. The current year will be one of consolidation and focus to clear the build backlog.

Tourism Leisure Group – Continuing businesses

The year was one of significant change for the division, with the sale of a number of businesses and the closure of the central administration office.

Trading EBIT for the continuing businesses (the Waitomo operations, the Fiji operations, Kiwi Experience and Explore More Rentals) was $1.8 million compared with $4.3 million for the previous year.

Operating results continued to be affected by rising costs and the decline in the Japanese and Korean markets. Holiday arrivals were down 10% from Japan and 20.6% from Korea. The Chinese market continued to indicate future possibilities, with a 6.2% increase in holiday arrivals for the year. However not enough structure or value has been available in the Chinese market during the past 12 months.

The Waitomo group performed below expectations as a result of its exposure to the Japanese and Korean markets. Negotiations have continued with the owners of the Waitomo land to enable construction of the new visitor centre for Waitomo activities, incorporating expanded retailing and food facilities. Various regulatory requirements have significantly delayed the construction date. Resolution of these issues enabling work to begin is anticipated shortly.

The Ruakuri cave operation continued to grow both passengers and yield, albeit from a small base. The Waitomo Glow Worm Cave and Black Water Rafting operations continue to be the focal point for the region, and have a positive earnings outlook as international tourists search for real and authentic travel experiences.

The EX Group established a good market position in the youth/adventure and discount sector by the end of its first year of operations. Kiwi Experience enjoyed solid passenger growth, with direct business increasing due to a renewed sales focus. The Fiji business also lifted its sales activity in the local market.

Explore More Rentals started operations on the 1st July 2007 with 48 campervans (ex Rentals) and 50 rental cars from one location. By year's end it operated more than 400 vehicles and had carved a credible position in the discount car market. A trading loss was incurred during the first years operation reflecting infrastructure and staff build up plus promotion of the brand. An initial trading loss was budgeted in preference to acquiring a discount operator and paying a goodwill premium. Further expansion is planned in locations, and more fleet will be added for the summer of 2008/09.

Tourism Leisure Group – Discontinued businesses

THL has exited from all coach operations with the exception of Kiwi Experience. The Kiwi Experiences coach fleet has also been sold to Johnston's Coachlines Limited – the purchaser of the Airbus Express business. The coaches are now rented back on a per kilometre basis which provides Kiwi Experience with a quality fleet without the capital and management issues associated with coach ownership. THL has also sold its residual 33% interest in Johnston's Coachlines Ltd to Coach Investments Ltd who held the 67% majority share.

Sale of the Discover New Zealand wholesale tour operation was completed on 1 December 2007 along with the closure of the central administration operation. Conclusion of the sales of Kelly Tarlton's Antarctic Encounter and Underwater World and the Milford Sound business are both scheduled to settle in September 2008 and will be accounted for in the 2009 financial year. These sales including funds from the formation of the InterCity Joint Venture will release in total $69 million of funds (including $42 million in the 2009 financial year) by the end of September to reduce debt.

Results for the Milford Sound operations and Kelly Tarlton's Antarctic Experience and Underwater World have been included within the discontinued results as the relevant sale agreements signed prior to 30 June are planned to settle in September 2008

InterCity Joint Venture

The Great Sights and Fullers Bay of Islands businesses were sold to a joint venture created with Intercity Group Limited to form InterCity Holdings Limited. The joint venture, of which THL owns 49 per cent, has achieved its synergy targets to date. Trading was challenging during the year, with cost pressure, declining visitor numbers to the Bay of Islands and fuel cost volatility all having a significant impact.

FINANCIAL POSITION

The group continues to maintain a strong financial position with a gearing ratio (debt to debt-plus-equity) of 35% compared to 40% at June 2007.

Operating cash flow was $30m a 41% decrease from $51m for the 2007 year. The principal reason for this is working capital movements associated with Ci Munro stock build and assets held for sale that will be realised in the following financial year.

CAPITAL EXPENDITURE

Capital Expenditure including investments for the group was $87m for the year and disposals of $69m leaving net capital expenditure of $18m compared to $32m over the 2007 year.

BOARD AND MANAGEMENT FOCUS

The group's primary focus is to grow its operations and shareholder value. The revitalisation of the product offering, and of distribution and marketing channels, provides a solid platform for continued development. Looking ahead, a strong focus is anticipated on opportunities in tourism rentals, particularly in motorhome rentals.

The group is in a strong financial position to implement its planned growth path and has the ability to take advantage of opportunities in the current volatile economic environment that may lead to increased market share.

OUTLOOK

The current global credit crisis and volatility in the price of oil are likely to deliver a challenging 12-18 months for the tourism industry.

In the short term intense pricing pressure is likely in New Zealand as the market competes aggressively for a more price sensitive clientele. Tighter credit markets will lead, over time, to more sensible pricing. We foresee a reduction in the number of tourism operators and in fleet sizes as the rental sector continues to tighten.

The group's rental forward book is currently 9% behind the level for the same period of the previous year. We believe this is a combination of the impact of airline fuel surcharges making our part of the world relatively expensive, and declining consumer confidence in source markets that affect long haul travel decisions.

We will continue to monitor our forward booking profile closely during the first quarter. We have plans in place to reduce our operational expenditure and capital expenditure profile if the economic situation continues to decline.

Capital expenditure for the 2009 financial year is currently planned to be in the range of $50 million - $70 million net of disposals compared to depreciation of $34m. This capital spend will include a planned lift in fleet size in Australia, and continued investment in tourist cars and entry level motorhome product in New Zealand. The construction of an iconic building as the new visitor centre for activities at Waitomo Caves is planned to start at the end of a lengthy regulatory approval process.

The group's actual capital spend will depend on the way economic conditions unfold and the outlook for arrivals from key markets beyond 2008.

In New Zealand, we expect to see consolidation in the rental sector and a return to more rational pricing as competitors are squeezed by the availability of credit. Investment will continue in upgrading and developing our information technology infrastructure and online trading capability.

Over all, our products and destinations are well positioned for the growth in arrivals that will come from stabilising oil prices, the increase in capacity from the introduction of more fuel-efficient wide bodied aircraft on long-haul routes, and the revaluation of the New Zealand dollar. We are confident that, as these factors take effect, New Zealand and Australia will return to solid growth in inbound arrivals.

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Editors note:
Tourism Holdings Limited is New Zealand's premier tourism company with extensive operations in Australia and Fiji. Operations include car and motorhome rentals in Australia and New Zealand, a specialist caravan and motorhome manufacturing company in Hamilton, activities in Waitomo and a 49% shareholding in the InterCity Group. Tourism Holdings is listed on the New Zealand Stock Exchange under the ticker code THL. Further details are available on www.thlonline.com.