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Chairman's Address
Annual Shareholders' Meeting
Tourism Holdings Limited

Welcome to the 24th Annual Shareholders' Meeting of Tourism Holdings Limited.

I am Keith Smith, your Chairman. I am joined by my fellow directors, John Bongard, Graeme Bowker, Rick Christie, Deepak Gupta and Graeme Wong – and also by our chief executive officer Grant Webster, chief financial officer Ian Lewington and financial controller / board secretary Paul Illingworth.

It's a pleasure to be with you today to report on the latest year's performance and give an indication of the outlook for the company in the current year.

At the same time, it remains the case that these are uncertain times for the tourism industry – particularly with the current pressure arising from exchange rate strength in New Zealand and Australia and the effect this has on tourism flows.

We can only work with the factors under our control, and I believe the company has done reasonably well in that regard over the past year. The performance of the board and management is such that I am confident we will continue to do so.

We will also bring continuing focus to carving out the right strategic pathway for the company. This has taken a lot of hard work over the past few years, as we have transformed from a tourism business with diverse assets in attractions, coaching, rentals and manufacturing to a leaner operation focused predominately on rentals.

After I have spoken, Grant Webster will provide a more in-depth review of the company's performance in the 2010 financial year, initiatives undertaken throughout that period, and ***thl***'s view on the outlook for tourism.

Summary of results

As noted in the annual report, ***thl*** produced a turnaround in performance in the latest year, with improved earnings reflecting our on-going programme to adapt the business model to the changes occurring in our markets

The results were achieved in market conditions that remained difficult, with the global financial crisis still having an impact and with a number of dynamic trends in our markets.

Net Profit Before Tax from continuing operations increased to $6.0m, from a loss of $3.2m in the previous year. The improvement was slower in the second half of the year than in the first, but consistent with our expectations in the prevailing conditions. Operating cashflow was up strongly, from negative $18m to $34m, with tight capital expenditure control.

In terms of operating earnings… The performance of the Rentals business was steady overall, with gains made by the Australian business offsetting a 58% reduction in New Zealand. The Ci Munro manufacturing business reduced its loss in line with expectations. The Tourism businesses grew their combined earnings by 56 percent, with improvement from each of the Waitomo Group, Kiwi Experience and the Fiji operations.

Overall, the gain in profitability was pleasing, although the Board acknowledges that the performance of the business is still below long-term expectations and there is work to be done to reach the desired level.
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The good news is that ***thl*** has proven its ability to manage through the difficult stages of tourism market cycles. Over recent years we have done this by building our understanding of our customers; improving our access to them by targeting our product offering and improving our marketing platform; and through effective management of our capital resources in respect of debt and capital expenditure.

The company's balance sheet has remained strong, with net debt levels down from $58m to $37m at 30 June 2010, providing an equity ratio of 62% and a debt-to-debt-plus-equity ratio of 21%. As noted in the annual report, this provides a competitive advantage in that it differentiates ***thl*** from other tourism operators.

Returning to our results for the 2010 year… Revenue for the group was up by 8% to $182m. When fleet sales and sales by the Ci Munro manufacturing business are excluded, revenue was up by 2% to $142m.

I have already mentioned the improvement in net profit. Operating earnings were also better than for the previous year, with Earnings Before Interest and Tax improving from

$1.1m to $9.9m and showing growth in all established business units other than Rentals New Zealand.

Net Profit After Tax grew, but at a slower rate due to the impact of one-off items that obscured the underlying performance gain. These one-offs have been detailed in the annual report. In any case, the improvement in Net Profit After Tax was still a strong one, from $2.9m to $4.6m.

The overall improvement in performance enabled the board to resume the payment of dividends, with interim and final payments of 2c per share, fully imputed. The annual dividend of 4 cents per share represents 80% of Net Profit After Tax for our continuing businesses. The company’s policy is for dividends to equate to 60% of Net Profit After Tax, but the directors took the view that payment at the higher level made for the 2010 year was consistent with the company’s operating cash flow and strong equity position.

Strategy

As most shareholders will know well, this company has been engaged in a turnaround designed to increase its focus in the area with the greatest potential for value creation – that is, in the Rentals business.

This strategy has been behind our sell down of attractions and coaching assets over recent years. A further disposal was completed after the end of the 2010 year – the sale of Tourist Transport (Fiji) and Feejee Experience to local interests, becoming part of Fiji’s largest tourist transport operator. The proceeds from that transaction were used to repay debt.

The tourism businesses we continue to own – the Waitomo Group and Kiwi Experience continue to have a clear place and fit within ***thl***.

Our focus on Rentals reflects our confidence in the business model and its ability to be replicated and grown in markets that we understand. To the extent that we can do this, we believe the company can benefit over and above its cost of capital by applying systems, processes and knowledge gained from many years in the Rentals business – and by doing so at relatively low risk.

Regardless of the near term market situation, we will continue to explore growth opportunities in appropriate markets where they present themselves.

In the meantime we are continuing our programme throughout all areas of the business to build a platform for improved performance. There are three key strategies:

- Transforming the offering we make to customers by segmenting our markets and crafting the product to fit
- Creating new opportunities for growth to leverage the fixed cost base
- Adapting the business model to improve the margins of our Rentals business

As part of this programme, during the past year we have finalised the Waitomo building and new **maui** Platinum vehicles, established a new **maui** proposition, delivered self-check-in options for customers and delivered new website technology in targeted parts of the business.

Outlook

thl is subject to global trends and events, and watches key indicators closely in both domestic and international markets. These include consumer confidence, exchange rates, airline activity and airline pricing.

In the annual report we indicated that the key indicators suggested a softening in the backpacker and UK markets in particular, and that the strength of both the Australian and New Zealand dollars internationally was contributing to lower spending by tourists when on the ground.

In September and October we have seen further adverse impacts from these factors, on both first quarter performance and in forward bookings going in to the high season.

The Australian business has been most affected by the strengthening exchange rate, with effect in three key areas:

Firstly, Australian domestic customers are choosing to travel internationally, and outbound travel is up about 18% so far in the current year.

Secondly, visitor arrivals from the United Kingdom are down on last year by approximately 5% in Australia and New Zealand.

Thirdly, the hire period has shortened by about 10% for our customers as they adjust their length of stay. Customers have a set holiday budget in their home currency and adjust their destination, length of stay and activities to fit.

Our New Zealand business is also seeing the impact of the exchange rate, particularly in respect of visitation from the UK.

The reduction in demand has brought increased discounting in both countries, but particularly in New Zealand. ***thl*** works hard to avoid being drawn into price competition, with some success attributable to our lead position in the market, with a quality product range, understanding of customers and strong service orientation. Nevertheless, in the current environment some discounting is unavoidable to protect market share where competitors take short-term predatory action. Where this is necessary we are able to withstand such pressure due to the strength of our balance sheet and cash flows.

Expectations for the Ci Munro manufacturing business remain positive, and those for the Tourism businesses are in line with last year.

More generally, a return to more traditional lead time and channel patterns has been evident over the past six months – that is, customers are booking earlier again. Online channel growth is continuing, although the volcanic ash incident earlier this year in Europe appears to be encouraging customers to return to traditional retail and wholesale agents in their countries of origin.

Taking all factors into account, the current financial year is expected to show minimal growth from the perspective of rental revenue and visitor numbers.

Governance

The appointment of John Bongard to the board was announced in the last quarter of the year. John is best known for his career at Fisher & Paykel Appliances, where he carried out a range of roles culminating in his term as Managing Director from 2001 until 2009. His understanding of manufacturing and international markets has already been of value in the short time since he joined our board.

John has also been appointed as Chairman of the Remuneration & Nomination Committee, and as a member of the Audit and Risk Committee. As a director appointed during the year, he will stand for re-election today.

The board reviewed its governance charter during the latest year and adapted it where needed to match best practice. We are focussed on ensuring compliance with the charter, which includes a Code of Ethics, an Audit and Risk Committee Charter, Remuneration and Nomination Charter and a Market Disclosure Policy. In the coming year, another 360-degrees review of directors' performance will be conducted.

As indicated earlier, changes made within the company over recent years have positioned ***thl*** as operationally lean, with a focus on customer preferences and a strong financial base. We believe the management team is doing a good job of delivering on the strategy, with appropriate support from the board. Management's mandate remains to increase the return on funds employed and evolve the business model to drive an appropriate return in the medium term.

Election of directors

As in every annual meeting, one of the formal items on the agenda is the re-election of Directors which will take place after Grant's presentation.

Two directors – Graeme Bowker and I – retire by rotation at this meeting. Each of us, being eligible, offers himself for re-election.

John Bongard, who as I have noted already was appointed during the year, retires and, being eligible, also offers himself for re-election.

Our profiles are contained in the Notice of Meeting, and we will repeat them when each motion is taken in turn.

Rick Christie will take the chair for the motion related to my candidacy.

If elected, I will return to the chair for the balance of the meeting.

I now invite Grant to the podium for his presentation……

Thanks Grant… Tourism Holdings' Forecast…

Forecast

Based on information to date we would confirm that our forecast for Net Profit Before Tax from continuing businesses for the current six months will be a loss of up to $2.0m, compared to a profit on the same measure of $1.0m last year. Translating this to the Net Profit After Tax measure, the guidance of a loss of up to $1.0m for continuing businesses remains.

In looking at the full year we are expecting Net Profit Before Tax from continuing businesses to be in the order of $5m compared to $6m last year. This equates to Net Profit After Tax for the full year from continuing businesses of about $4m, vs $5m last year.

It should be noted that the year-end forecast assumes that booking intakes for the high season remain at last year's level, and that the significant drop in intakes experienced in the last quarter of the last financial year relative to the prior year is not repeated. With a low profit number any change to these variables will affect the final result significantly.

END

Keith Smith
Chairman

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