

Turners Auctions Limited Half Year Results Briefing 30 June 2007

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AGENDA

- Summary
- New Zealand Market Overview
- Continued growth of Turners “Live”
- Strong performance of Turners Fleet
- Financial Highlights
- Outlook

Summary

- Underlying results
 - Revenue up 3.6% to \$42.2m
 - Fraud impact provisions of \$1.158m
 - NPAT down 78% to \$524,000
- Restated without impact of Fraud provision
NPAT down 45% to \$1.3m
- Strong operating cashflows at \$2.6m
- Interim dividend declared at 1.5 cps
[75% of NPAT]
- Special dividend declared at 8.0 cps
 - Return to shareholders of cash reserves and use up surplus imputation credits

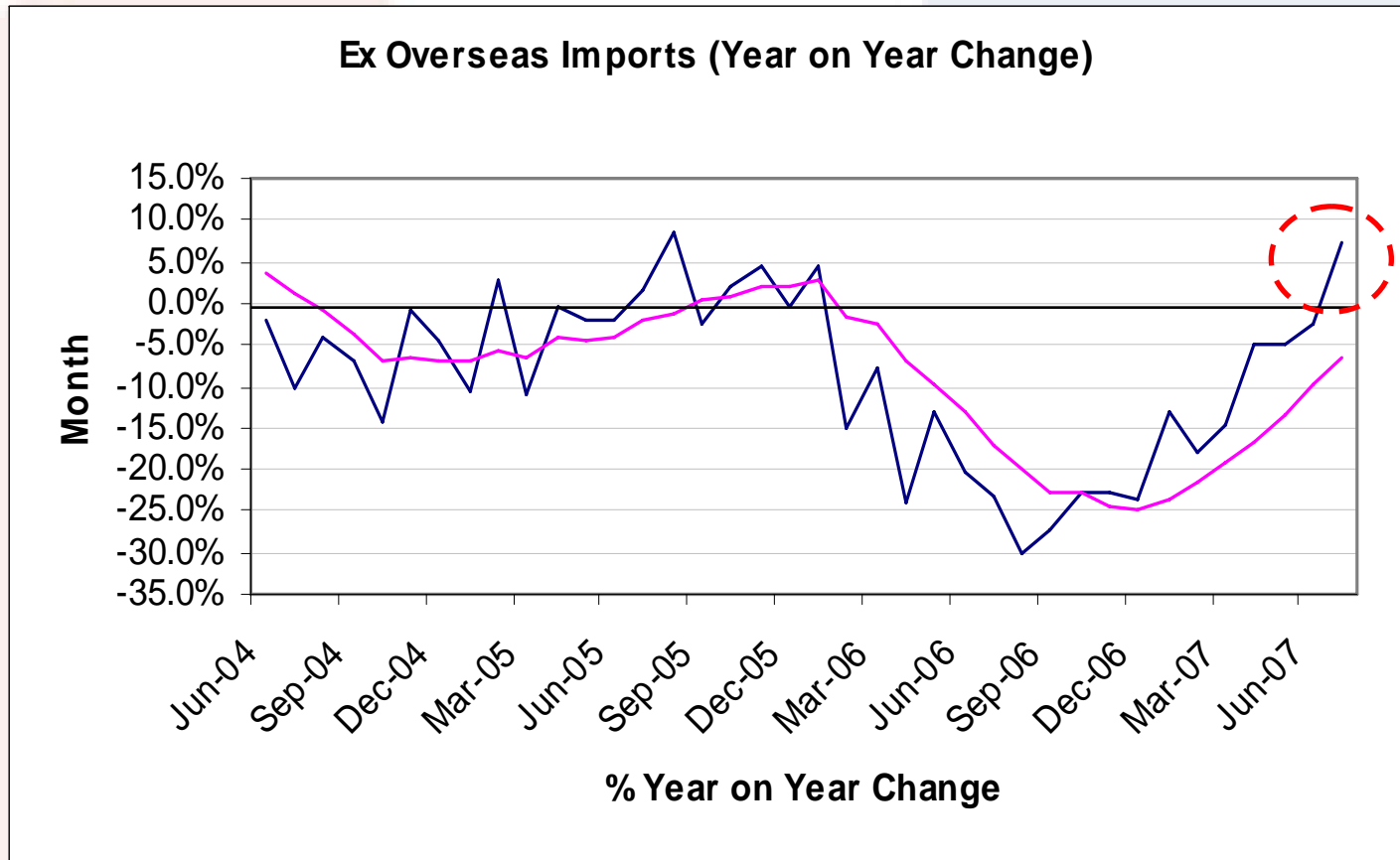
NZ Market Overview

2nd Hand Car Market still down...

- Overall 2nd hand car market in NZ down 1.05%
- Japanese imported cars down 10% on 2006 (6,581 units)
- Still major competition from other countries in Japan (Russia up 35% to 167,000 units for 2007)
- Further 10% decline in dealers/traders YTD following 19% drop in 2006

NZ Market Overview

Ex-Overseas Imports down 10% in 2007



- Total Ex-overseas units down 6,581 YTD

NZ Market Overview

Finance Company receiverships have had negative impact...

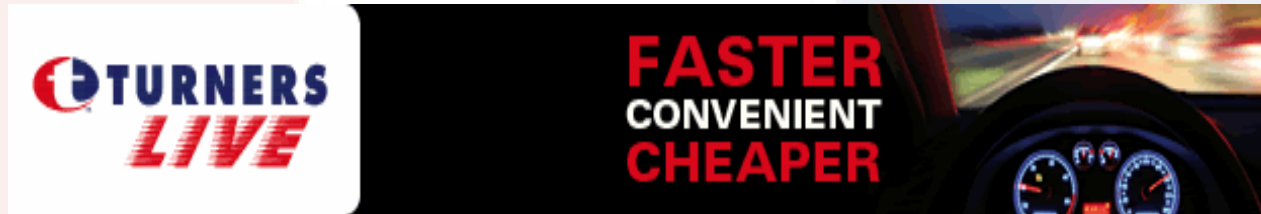
- Several large finance companies into receivership e.g. Provincial, Western Bay Finance
 - 4 key suppliers in receivership accounted for 1,500 units in 2006
- Lease car returns have turned around from 2006
 - Major lease company up 43% year on year

NZ Market Overview

Regulatory environment causes some uncertainty

- Some uncertainty surrounding the proposed exhaust emission rules from government
- Potential short term influx and opportunity similar to effect of “frontal impact” regulations
- Turners Fleet is responding to these changes by importing later model cars

Turners "Live" driving increased participation in auctions



- Sold 15% of vehicles online YTD [2006 9%]
- 31% of cars sold had internet bids [2006 20%]
- Enables wider national attendance at auctions resulting in increased yields for vendors
 - Cars up 9% to \$6,700
 - Damaged Cars up 15% to \$1,200

Turners Fleet EBIT up 113%

- Fleet Revenues up 15.4% to \$20.8m
- Average Fleet gross margin up 111%
- Average sales price up 21% to \$8,055
- Enjoying the cost benefits of supply chain review from 2006



June 2007 Financial Highlights

- Group Summary
- Fraud Impact
- Comparison with prior year result
- Segment analysis
- Turners Finance
- Balance Sheet & Cashflows
- Changes under IFRS

Half Year Investor Briefing

August 24, 2007

Group Summary Results

Key Performance Indicators 6 months 30 June	2007 [\$m]	2006 IFRS [\$m]	%
Operating Revenue	\$42.2	\$40.6	4 %
Cost of Sales	\$18.6	\$16.0	16%
Other Operating Exp [07 pre fraud provision \$1.2m]	\$20.9 \$19.8	\$18.8	11 % 5%
EBITDA	\$1.5	\$4.3	-67 %
Depreciation	\$1.4	\$1.4	3 %
EBIT	\$0.1	\$2.9	-99%
Net Surplus [NPAT] [07 pre fraud provision after tax]	\$0.5 \$1.3	\$2.4	-78 % -46%
EPS (cents)	1.9	8.7	-78%
Net Interim & Special Dividend cps	\$0.095	\$0.08	19%

Fraud Impact

Total loss

\$2.8m

- Committed over 7 year period from 1999
- “Trusted” senior employee implicated
- Employee left Turners in May 2006
- Estimated Profit & Loss impact in 2007 \$1.2m
[due to identification of unrecorded liabilities]
- Actively pursuing recovery options
- Matter is “sub judice”

Comparison Prior Period Results

- Operating revenue up \$1.6m or 4% on pcp.

■ Fleet Revenues	\$2.8m
[Unit sales down 6%, but average selling price up 23%]	
■ Auctions revenues	-\$0.9m
■ Finance revenues	-\$0.2m
[loan volumes consistent but insurance commissions down]	
TOTAL	<u>\$1.6m</u>

Comparison Prior Period Results

- **Cost of Sales up \$2.5m or 16% on pcp.**
 - **Increase consistent with 15% increase in sales**
 - **Fleet purchase average price +17%**
 - **Fleet sales average price +23%**
 - **Average gross profit +152%**

Comparison Prior Period Results

- Other Operating expenses up \$1.0m* or 5% on pcp.

- Increased staff costs
- Increased property costs

\$0.5m

\$0.4m

TOTAL

\$1.0 M

* Pre Fraud Impact \$1.2 m

Comparison Prior Period Results

- Net Surplus down \$1.8m or -78% on pcp.

■ Revenues up	\$1.6m
■ Cost of Sales up	-\$2.5m
■ Other Operating expenses up	-\$1.0m
■ Fraud expense	-\$1.2m
■ Tax down	\$1.1m
■ Discontinued activities	\$0.2m

TOTAL

\$-1.8 m

Group Segmental Analysis

Results 6 months 30 June [* net of intersegment revenues & earnings & restated for IFRS]	2007 Operating Revenue* [\$m]	2006 Operating Revenue* [\$m]	%	2007 Earnings* [before tax] [\$m]	2006 Earnings* [before tax] [\$m]	%
Turners Auctions	\$18.7	\$19.4	-4%	\$0.4	\$2.6	-85%
Turners Fleet	\$20.8	\$18.0	+15%	\$1.4	\$1.0	+33%
Turners Finance	\$1.3	\$1.5	-14%	\$0.2	\$0.4	-54%
Turners Smart AC	\$0.4	\$0.5	-12%	-\$0.2	-\$0.2	+1%
Other [SGS, TNR, Motex]	\$0.7	\$0.8	-10%	-\$0.1	-\$0.3	+59%
Fraud	-	-	-	-\$1.2	-	
Unallocated & Intersegment	\$0.3	\$0.3	-17%	\$0.3	\$0.3	-15%
TOTAL	\$42.2	\$40.6	+4%	\$0.9	\$4.0	-79%

Financial Highlights – Turners Finance

Key Performance Indicators 30 June	2007	2006
Number of contracts	749	757
Average Loan value	\$7,112	\$7,539
Conversion Rate	7.7%	7.7%
Gross finance sales	\$5.5m	\$5.7m
Finance Ledger	\$11.3m	\$11.7m
Net Interest Earned	\$553,000	\$668,000
Origination Fees paid to TAL	\$150,000	\$150,000
Turners Finance Profit	\$58,000	\$298,000
Average Interest Rate	14.8%	14.5%

30 June 2007 Simplified Balance Sheet

	Jun 2007 NZ\$m	Jun 2006 NZ\$m	Diff:
<u>Assets</u>			
Cash	6.8	6.6	0.2
Receivables	7.5	7.5	-
Inventory	9.9	8.8	1.1
Finance Receivables	11.1	11.7	-0.6
Fixed Assets & Intangibles	8.3	10.0	-1.7
Deferred Tax / Other	<u>2.1</u>	<u>0.2</u>	<u>1.9</u>
Total Assets	<u>45.7</u>	<u>44.9</u>	<u>0.8</u>
<u>Liabilities</u>			
Accounts Payable	13.1	10.1	3.0
Finance Borrowings	<u>11.3</u>	<u>11.7</u>	<u>-0.4</u>
Total Liabilities	<u>24.4</u>	<u>21.8</u>	<u>2.6</u>
<u>Equity</u>			
Equity after Minority Interest	<u>21.3</u>	<u>23.1</u>	<u>-1.8</u>
Total Liabilities & Equity	<u>45.7</u>	<u>44.9</u>	<u>0.8</u>

2007 Cashflows

6 months 30 June

Cash from Operations

Net Inflows

2007 <u>NZ\$m</u>	2006 <u>NZ\$m</u>
<u>2.6</u>	<u>2.5</u>

Cash from Investing Activities

Fixed Assets purchased

Other

Net Outflow

<u>-0.7</u>	<u>-1.6</u>
<u>0.2</u>	<u>0.1</u>
<u>-0.5</u>	<u>-1.5</u>

Cash from Financing Activities

Dividend paid

Net Outflow

Net Increase / [Decrease]

<u>-1.0</u>	<u>-1.7</u>
<u>-1.0</u>	<u>-1.7</u>
<u>1.1</u>	<u>-0.7</u>

Changes under IFRS

- June 07 Income Statement impact minor

Profit & Loss changes	2007	2006
Restated profit and loss under IFRS compared with NZFRS [e.g. Long Service Leave, Finance Receivables provision, Cost of Share Options]	+\$14,000	+\$60,000
Disclosure changes	2007	2006
Revenues and costs restated to reclassify direct Auction costs previously netted off income	\$3.4m	\$3.4m
Reclassify software depreciation to amortisation of intangibles	\$0.7m	\$0.6m

Changes under IFRS

- June 07 Balance Sheet impact minor

Balance Sheet changes	2007	2006
Shareholders Equity under IFRS compared with NZFRS [e.g. reduction in Finance general provision, accrue long service leave, recognize share option costs]	-\$42,000	-\$50,000
Disclosure changes	2007	2006
Changes in recording of Finance Receivables [capitalising origination expenses and establishment fee income into loan, reducing general provision]	\$57,000	\$78,000
Reclassify software from fixed assets to intangibles	\$3.8m	\$2.9m



2007 Key Dates

Half Year Investor Briefing

August 24, 2007

2007 Key Dates

- **24 Aug 2007** **Half Year Results**
- **14 Sep 2007** **Dividend Record Date**
- **21 Sep 2007** **Dividend Paid**
- **31 Dec 2007** **Balance Date**
- **Mid Feb 2008** **Full Year Results**



Outlook

Half Year Investor Briefing

August 24, 2007

Completed a thorough review of business strategy in response to changing market dynamics...

- Customers have less time
- 85-90% of people are researching online before they even turn up to look at a car
- Declining market especially in Ex-Overseas Imports where we have been dominant
- Environmental issues are becoming increasingly important in the mind of consumers
- The growth of the TradeMe community has increased online awareness of cars for buyers and sellers
- Shift to “public to public” trading away from dealers

Shift away from traditional channels to buy and sell cars...

%	2001	2002	2003	2004	2005	2006	2007 YTD
Public to Dealer	17.6%	17.4%	16.4%	16.0%	16.2%	15.7%	14.9%
Public to Public	43.5%	44.0%	43.9%	44.3%	44.8%	48.0%	50.2%
Dealer to Public	24.2%	23.7%	23.3%	23.9%	23.6%	23.3%	22.3%
Ex overseas	14.7%	14.9%	16.4%	15.9%	15.5%	13.0%	12.6%
Total							
Transactions	867,005	911,426	956,256	968,869	982,677	949,851	472,692

Source : LTSA Stats

- An interesting point to note is that most of the Public to Public change has happened over the last 2.5 years
- A 5% shift is roughly equivalent to 50,000 units

Despite the challenges there are still real strengths within the Turners brand...

- Cars
 - Turners is the cheapest place to buy a car
 - Convenient way of viewing and test driving large range of vehicles
 - We allow access to sales data so people can make informed decisions
 - We provide credit terms for dealers
 - We can sell a car for the best price for the least amount of involvement
- Damaged Vehicles
 - We provide a total logistics solution for our vendors
 - We know the buyer community very well
 - We have a strong national presence
- Commercial Division
 - We provide onsite auction services
 - We turn items into cash in a short period of time
 - We provide a total logistics solution for vendors
 - All above services now offered on Turners "Live"

What has Turners done to react to these changes...

- Turners "Live" allows online national participation which increases our auction attendance
- Trialled "BuyNow" prices on vehicles
- Presented our valuation data online
- Moved away from traditional media to Google advertising and TradeMe listings
- Turners Fleet are buying newer cars for Turners Certified to anticipate environmental issues
- Acknowledged that online market places are competitors on one hand but can add real value through their reach
- Implemented a "Car Finding" service for those people who don't buy at auction

What does Turners have planned...

- “BuyNow” into full implementation
- Further information to be available via www.turners.co.nz e.g. Safety, fuel economy, forecasted values etc.
- Enhanced Trade-In service
- Increase inventory online by 25-30%
- Next generation of Turners “Live” with browser only version
- Greater optimisation of Turners branches