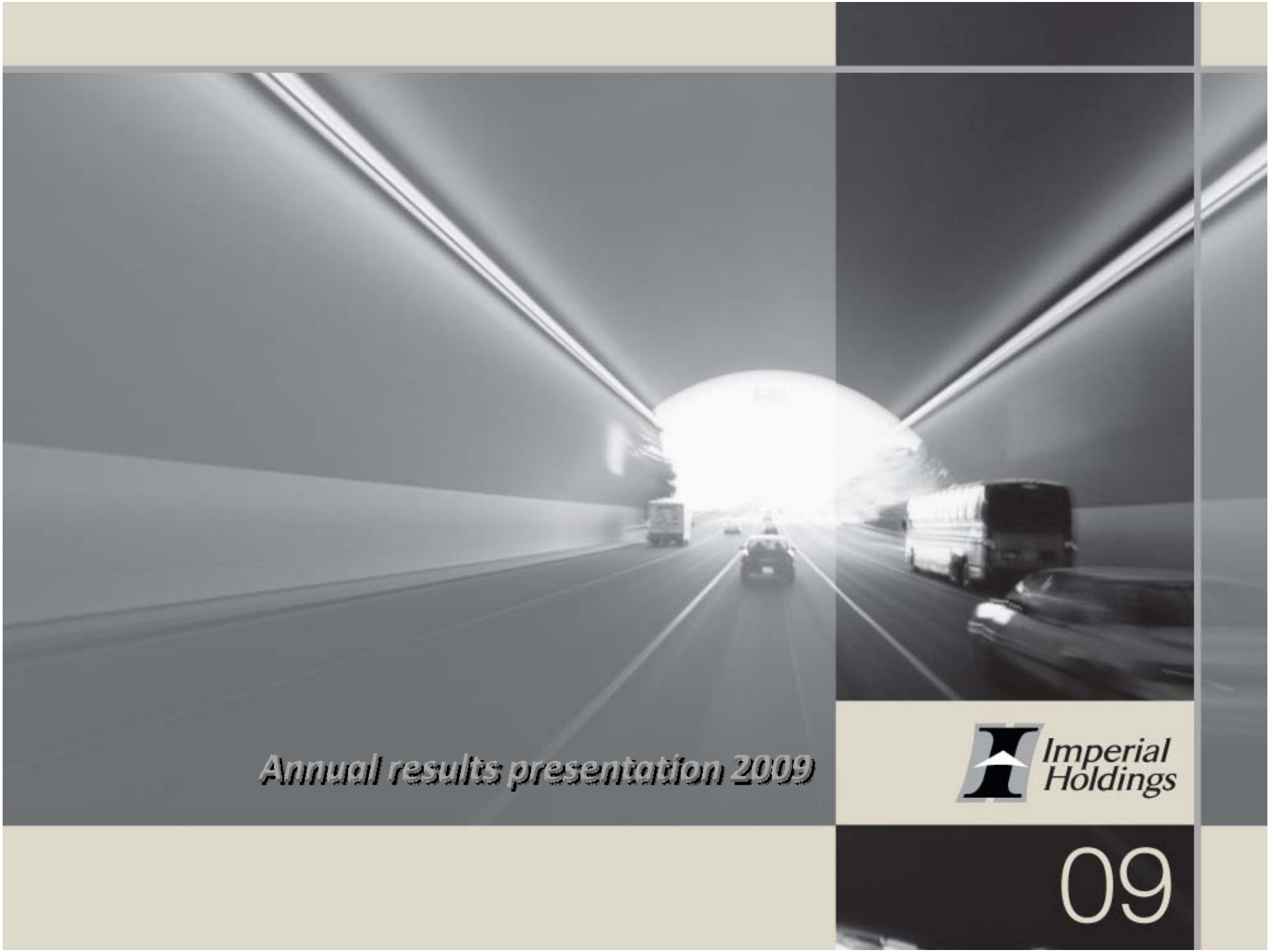


Annual results presentation 2009

Imperial Holdings

09

Operational features

- Overall a pleasing performance under tough circumstances
- Strategic actions have led to a strong balance sheet
- Global economic crisis negatively impacted trading volumes
- European logistics was under significant pressure while Southern African operations performed well in weak markets
- Tight credit criteria and, to a lesser extent reduced demand, impacted motor retailing and distribution
- Restructuring of vehicle businesses successfully implemented
- Improved performance by Regent group in H2
- Excellent operational cash flow generation

Continuing operations

- ↑ 13% HEPS 698 cents
- ↑ 43% Cash generated by operations R5 187m
- ↓ 7% Revenue R52 219m
- ↓ 16% Operating profit R2 453m (operating margin 4,7%)
- ↓ 20% EPS 503 cents

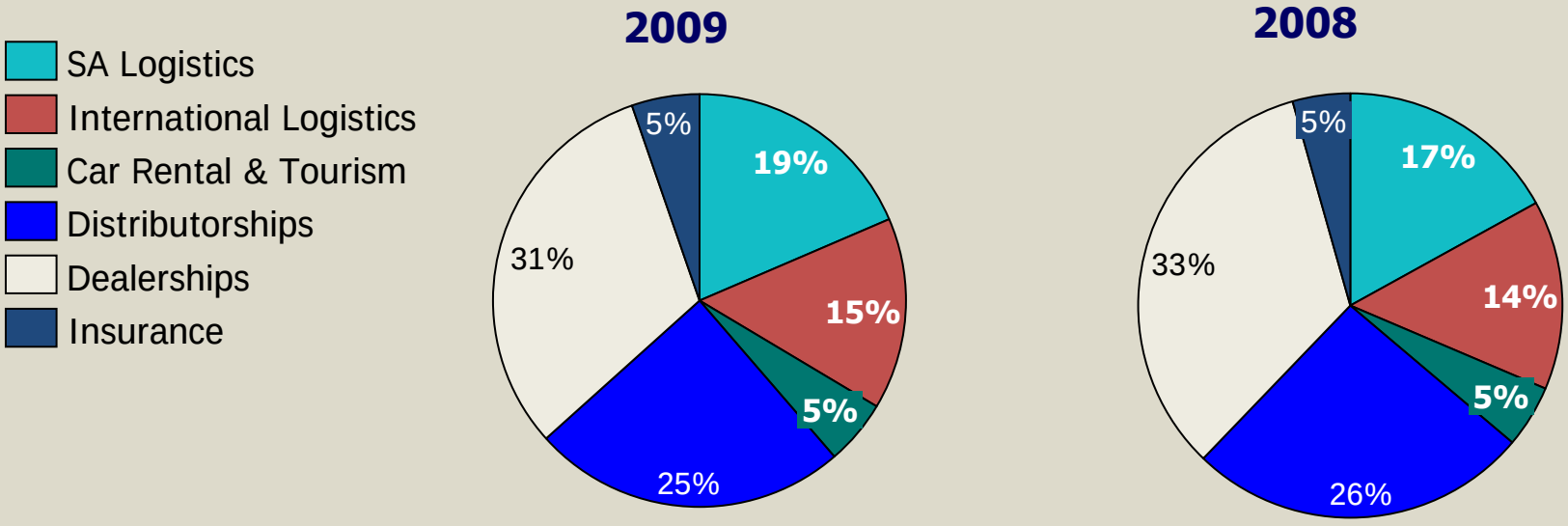
- Final dividend of 120 cents per share (total 200 cents)
- Debt/equity ratio down from 81% to 50%

REVIEW OF THE FINANCIAL RESULTS
For the year ended 30 June 2009

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	**52 219**	55 927	-6,6%
Decline mainly attributable to Dealerships and Distributorships Revenue from services increased 3% to R21,7 billion			

Revenue contribution per division

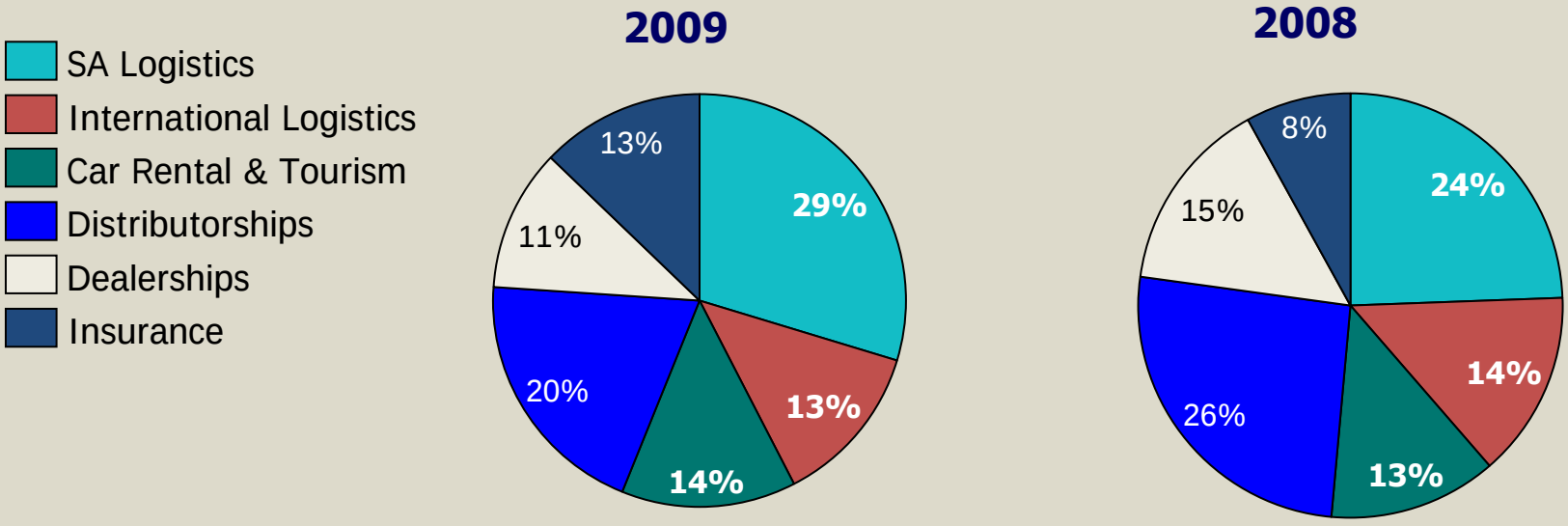


Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	52 219	55 927	-6,6%
Operating profit	2 453	2 923	-16,1%
Operating margin	4,7%	5,2%	

Margin decrease mainly in Dealerships and Distributorships - aggregate operating profit contribution down to 31% from 41%

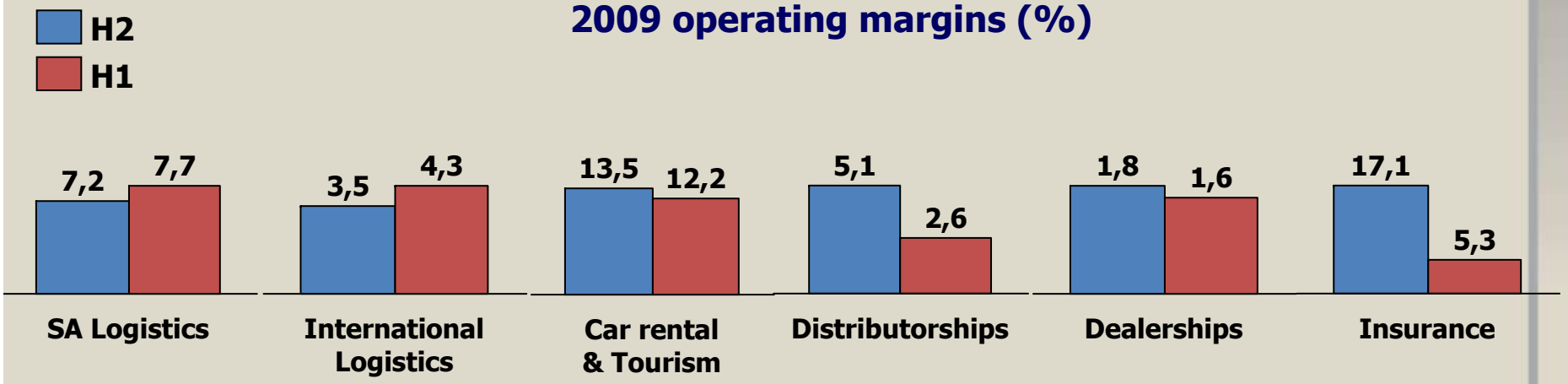
Operating profit contribution per division



Tale of two halves

Continuing Operations	2009	2009 Halves		
R millions	**Full year**	**H2**	**H1**	**% Δ**
Revenue	52 219	23 600	28 619	-17,5%
Operating profit	2 453	1 301	1 152	+12,9%
Operating margin	**4,7%**	**5,5%**	**4,0%**	

Revenue down in H2, operating margin up due to rationalisation in Distributorships, better underwriting and investment results by Regent group



Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	52 219	55 927	-6,6%
Operating profit	2 453	2 923	-16,1%
Foreign exchange gains & forex derivatives	392[1]	146	
Exceptional items and property recoupments	(356)[2]	70	

1. Foreign exchange gains include R394 million (2008:R150 million) on capital repatriated from European operations

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	52 219	55 927	-6,6%
Operating profit	2 453	2 923	-16,1%
Foreign exchange gains & forex derivatives	392[1]	146	
Exceptional items and property recoupments	(356)[2]	70	

1. Foreign exchange gains include R394 million (2008:R150 million) on capital repatriated from European operations

2. **2009** comprise:

- Goodwill impairment	**(194)**
- Loss on sale of Eqstra shares	**(217)**
- Profit on sale of properties	**75**
- Other	**(20)**
Total	**(356)**

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	52 219	55 927	-6,6%
Operating profit	2 453	2 923	-16,1%
Foreign exchange gains & forex derivatives	392	146	
Exceptional items and property recoupments	(356)	70	
Negative fair value adjustments	0	(496)	
Net financing costs[1]	923	807	

1. Net financing cost comprise:	2009	2008
- Net loss/(gain) on hedges & swaps	61	(41)
- Net interest paid	862	848
Total	923	807

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
Revenue	52 219	55 927	-6,6%
Operating profit	2 453	2 923	-16,1%
Foreign exchange gains & forex derivatives	392	146	
Exceptional items and property recoupments	(356)	70	
Negative fair value adjustments	0	(496)	
Net financing costs	923	807	
Income from associates and joint ventures	107	278	
Including:	2009	2008	
Imperial Bank	126	208	
Ukhamba	(25)	132	

The swing in Ukhamba is attributed to gains on Eqstra unbundling in 2008 and lower contributions from investments, particularly Dawn and Eqstra in 2009

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
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Exceptional items and property recoupments	**(356)**	70	
Negative fair value adjustments	**0**	(496)	
Net financing costs	**923**	807	
Income from associates and joint ventures	**107**	278	
Income tax expense	**502**	707	
Effective tax rate	**32%**	39%	

Income Statement

Continuing Operations (Rm)	2009	2008	% Change
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After tax profit	**1 171**	1 407	-16,8%

Income Statement

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Income tax expense	502	707	
After tax profit	1 171	1 407	-16,8%
Discontinued operations:			
- After tax profit from trading operations	24	349	
- Fair value adjustments on discontinuance	484	(2 269)	
Net profit/(loss) for the period	1 679	(513)	

Income Statement

Total Operations (Rm)	2009	2008	% Change
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Negative fair value adjustments	0	(496)	
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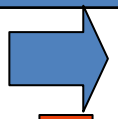
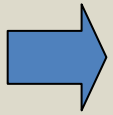
Income from associates and joint ventures	107	278	
Income tax expense	502	707	
After tax profit	1 171	1 407	-16,8%
Discontinued operations:			
- After tax profit from trading operations	24	349	
- Fair value adjustments on discontinuance	484	(2 269)	
Net profit/(loss) for the period	1 679	(513)	
Attributable to Imperial shareholders	1 518	(870)	
Attributable to minorities	161	357	

Significant minorities' share of earnings

Rm	
European Logistics	
AMH	
SA Logistics	
Regent cell captive	
Regent other	
NAC	
Other (including MCC and Tourvest in 2008)	
Income Statement minority earnings	

Increased from June 2008

Decreased from June 2008

 Flat compared to June 2008

Balance Sheet

Rm	Jun 2009	Jun 2008	% change	Dec 2008
Property, plant and equipment	**5 976[1]**	5 681	+5%	6 025
Transport fleet	**3 483[1]**	3 465	+1%	3 722
Vehicles for hire	**1 653[2]**	1 286	+29%	1 472

1. PPE and Transport fleet reduced by approximately R400m due to currency translation of International logistics assets
2. Increase in vehicles for hire in 2009 results from R259 million reclassification of AMH leasing fleet

Balance Sheet

Rm	Jun 2009	Jun 2008	% change	Dec 2008
Property, plant and equipment	**5 976**	5 681	+5%	6 025
Transport fleet	**3 483**	3 465	+1%	3 722
Vehicles for hire	**1 653**	1 286	+29%	1 472
Investments in associates & JVs	**790**[1]	2 017	-61%	2 388
Other non-current assets	**3 039**[2]	4 632	-34%	4 104

1. Decrease in Investment in associates and JVs results from reclassification of Imperial Bank to Assets held for sale
2. Reduction in other non-current assets results from reduction in the equity portfolios of insurance business and the sale of Eqstra shares. Includes intangibles of R901m and investments and loans of R1 136m

Balance Sheet

Rm	Jun 2009	Jun 2008	% change	Dec 2008
Property, plant and equipment	**5 976**	5 681	+5%	6 025
Transport fleet	**3 483**	3 465	+1%	3 722
Vehicles for hire	**1 653**	1 286	+29%	1 472
Investments in associates & JVs	**790**	2 017	-61%	2 388
Other non-current assets	**3 039**	4 632	-34%	4 104
Net working capital	**1 887**[1]	3 198	-41%	3 499
Cash and cash equivalents	**4 655**[2]	3 148	+48%	3 160

1. Reduction in net working capital results from:
   - Inventories R850m
   - Receivables R1 188m
   - Payables (R727m)

   Net decrease R1 311m

2. Cash increased due to proceeds from discontinued operations, reduction of insurance equity portfolio and working capital reduction

Balance Sheet

Rm	Jun 2009	Jun 2008	% change	Dec 2008
Property, plant and equipment	**5 976**	5 681	+5%	6 025
Transport fleet	**3 483**	3 465	+1%	3 722
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Net working capital	**1 887**	3 198	-41%	3 499
Cash and cash equivalents	**4 655**	3 148	+48%	3 160
Associate held for sale	**1 544**[1]	-	-	-
Discontinued net assets held for sale	**491**[2]	2 083	-76%	838

1. Carrying value of our 49,9% stake in Imperial Bank

2. Reduced by sale of Tourvest, Safair receipts and collection of CVH assets

Balance Sheet

Rm	Jun 2009	Jun 2008	% change	Dec 2008
Property, plant and equipment	**5 976**	5 681	+5%	6 025
Transport fleet	**3 483**	3 465	+1%	3 722
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Cash and cash equivalents	**4 655**	3 148	+48%	3 160
Associate held for sale	**1 544**	-	-	-
Discontinued net assets held for sale	**491**	2 083	-76%	838
Assets	**23 518**	25 510	-8%	25 208
Total shareholders' interest	**10 361**	10 416	-1%	10 600
Interest bearing borrowings	**9 794**	11 599	-16%	11 064
Other liabilities	**3 363**	3 495	-4%	3 544
Equity and liabilities	**23 518**	25 510	-8%	25 208

Changes in total shareholders' interest

Description	June 2009
Total shareholders' interest on 30 June 2008	**10 416**
Net profit attributable to Imperial shareholders	**1 518**
Dividends paid to Imperial shareholders	**(689)**
Net decrease in minorities	**(224)**
Movement in foreign currency translation reserve	**(547)**
Movement in share based equity	**(82)**
Other	**(31)**
Total shareholders' interest at 30 June 2009	**10 361***

* Total shareholders' interest would have been R480 million less had the capital repatriation from European operations not been done

Interest bearing debt

Rm	Jun 2009	Jun 2008	% change
Corporate bonds	**7 301**	7 686	-5%
Commercial paper	**1 336**	1 618	-17%
Overdrafts and overnight funding	**173**	912	-81%
Other [1]	**984**	1 383	-29%
Gross debt [2]	**9 794**	11 599	-16%
Cash and cash equivalents	**4 655**	3 148	+48%
Net Debt	**5 139**	8 451	-39%

1. Secured and unsecured loans, floor plans, capitalised finance leases, instalment sale agreements and loans from minorities
2. Excludes R441 million of non-redeemable, non-participating preference shares
3. R10,3 billion unutilised banking facilities available

Gearing

Net debt to equity (%)	**Jun 2009**	Dec 2008	Jun 2008
Target range	**60 - 80**	60-80	80 - 100
Net debt/equity ratio	**50**	76	81
Short term debt as a % of gross debt	**22**	24	30

Balanced capital management

- Shareholders capital managed with great care
- Switching to higher return industries and a lighter asset orientation
- Pursuing decreased risk and cyclicality of operational earnings
- Notwithstanding major restructuring that was required and tough market conditions since 2007 we continued paying dividends, albeit at a lower level due to credit and industry circumstances
- Concurrently we protect our balance sheet and have decreased gearing
    - Strong liquidity and cashflows throughout restructuring
    - We have significant unutilised facilities
    - The board will protect our Baa3 investment grade credit rating if circumstances turn negative and will take appropriate action

Cash Flow

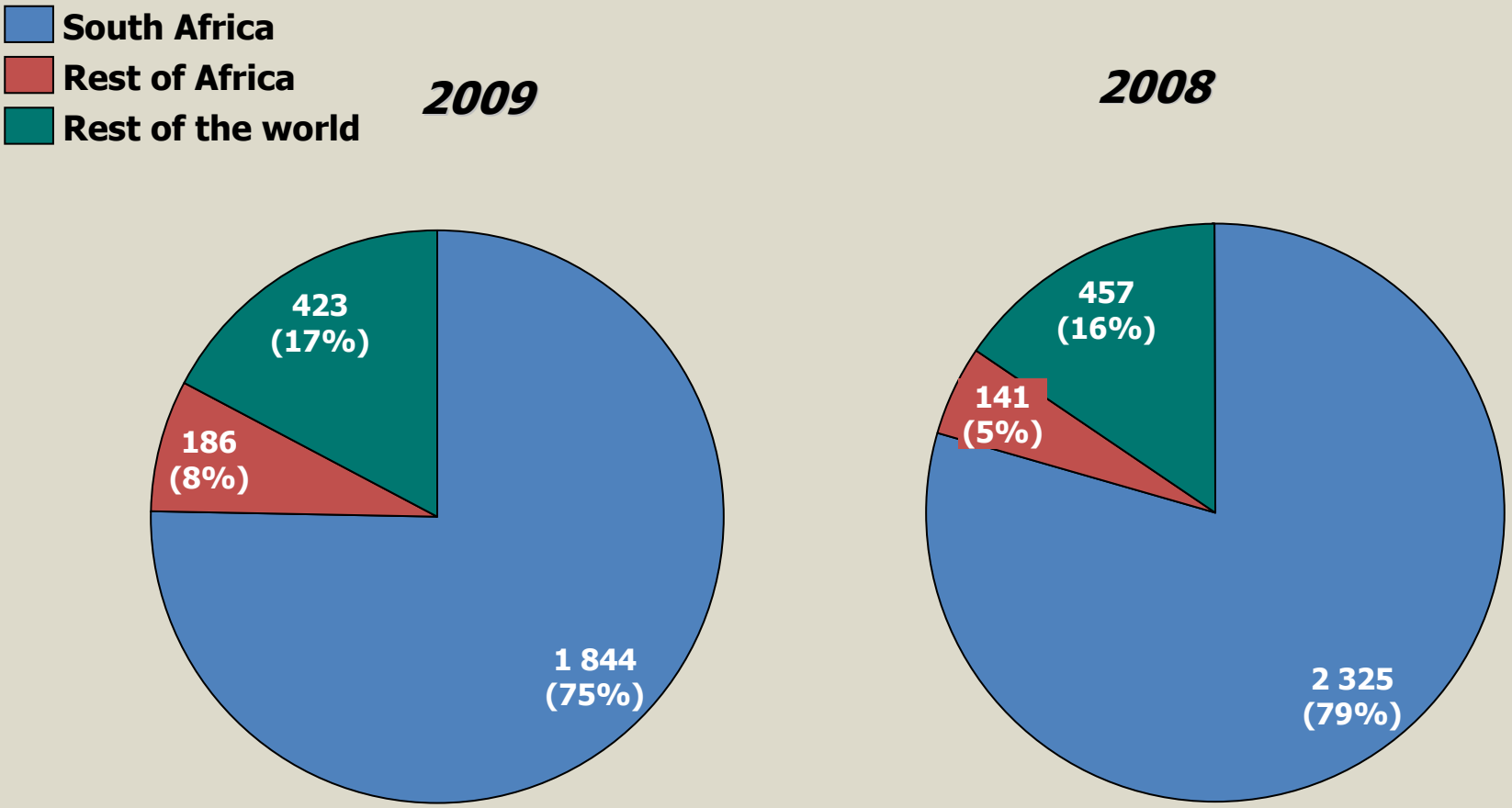
Rm	2009	2008	% change
Cash generated by operations	**5 753**	5 689	+1%
Continuing operations	***5 187***	*3 633*	+43%
Discontinued operations	***566***	*2 056*	
Tax and finance costs paid	**(1 700)**	(2 822)	-40%
Net cash flow from operating activities	**4 053**	**2 867**	**+41%**
Proceeds/(expenditure) on discontinued assets	**1 418**[1]	3 123	
Net (acquisitions)/disposal of businesses	**(340)**	(135)	
Expansion capital expenditure	**(640)**	(1 595)	+60%
Replacement capital expenditure	**(1 115)**	(1 017)	-10%
Investments, equities and loans	**741**	680	
Shareholder remuneration and hedge costs	**(1 009)**[2]	(909)	
Net decrease in debt	**3 108**	**3 015**	
Free cash flow	**2 938**	**1 850**	
Cash conversion ratio	**221%**	**139%**	

1. Tourvest R1 003m, Safair R337m and other fixed assets proceeds R78m
2. Distributions R765 ('08:R832m), hedge cost premium R137m ('08: R67m) & minorities R107m

Divisional overview

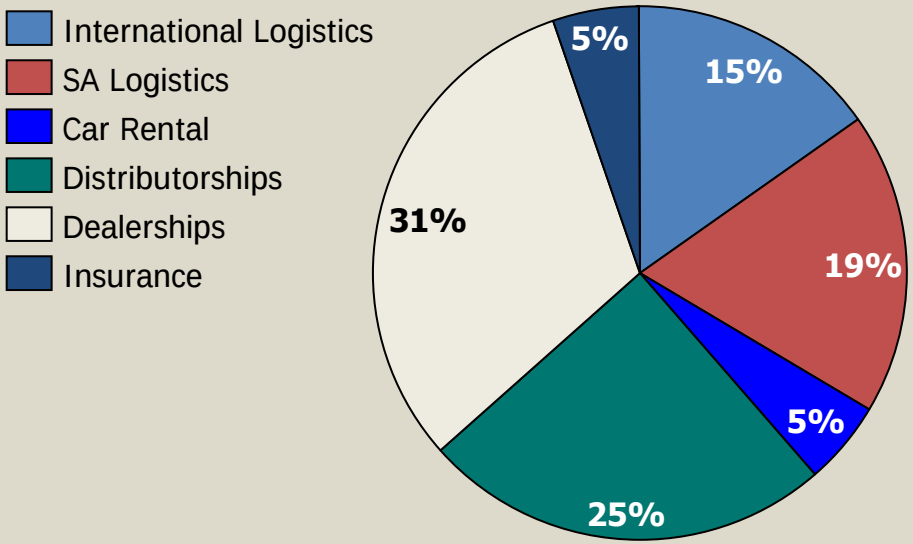
Operating income (Rm)

Geographical segmentation: Continuing operations

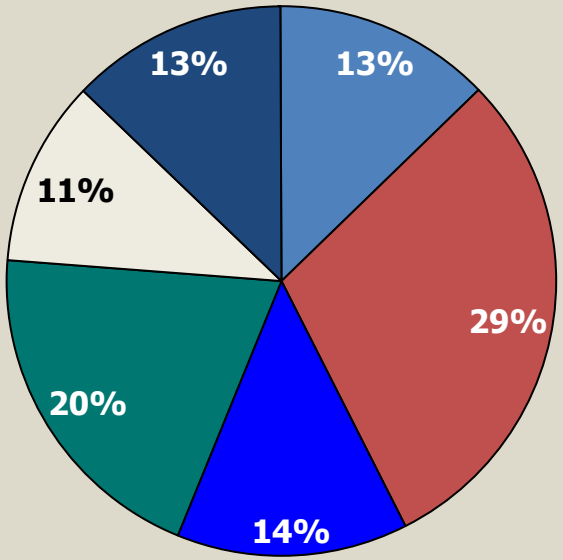


Divisional statistics

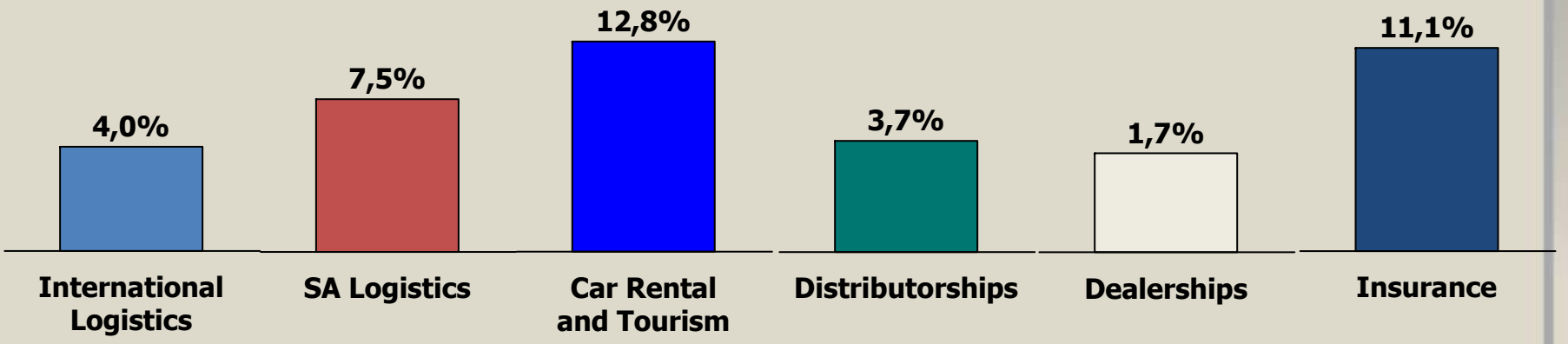
Revenue



Operating profit



Margins

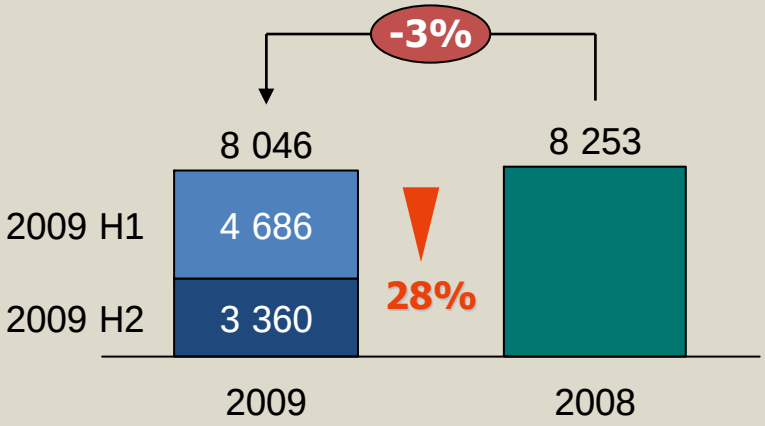


Logistics

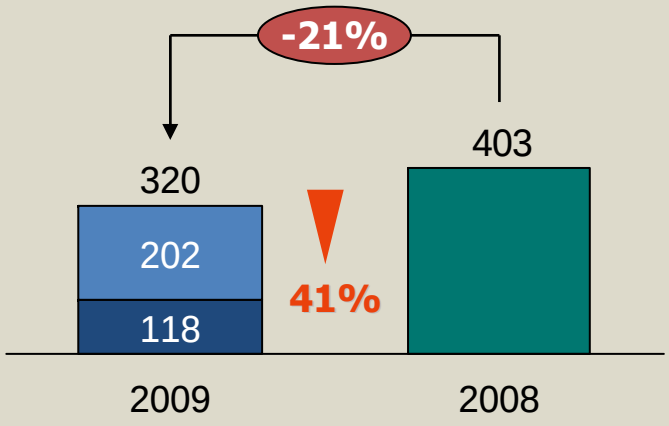
Imperial Holdings

International Logistics (ZAR)

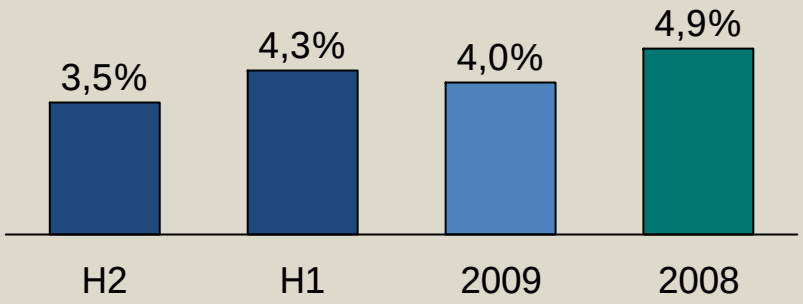
Revenue (Rm)



Operating profit (Rm)

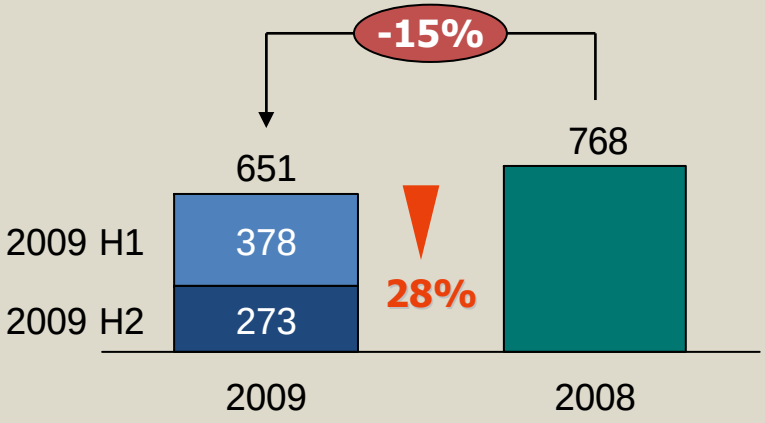


Operating margins

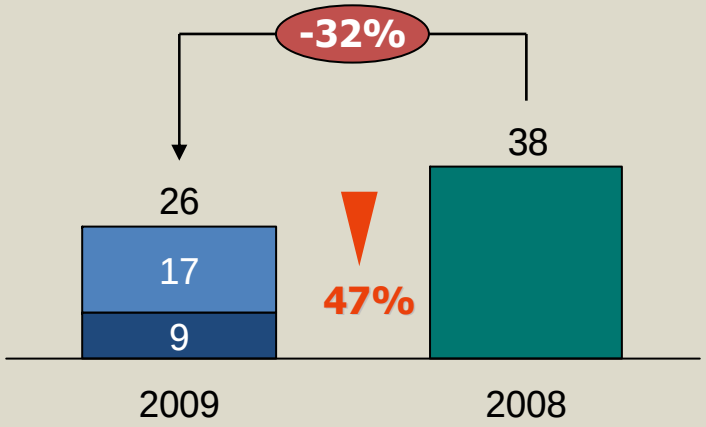


International Logistics (EURO)

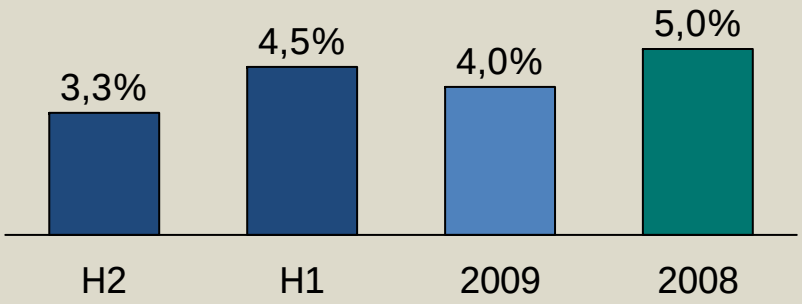
Revenue (Euro millions)



Operating profit (Euro millions)



Operating margins



R/€ exchange rates

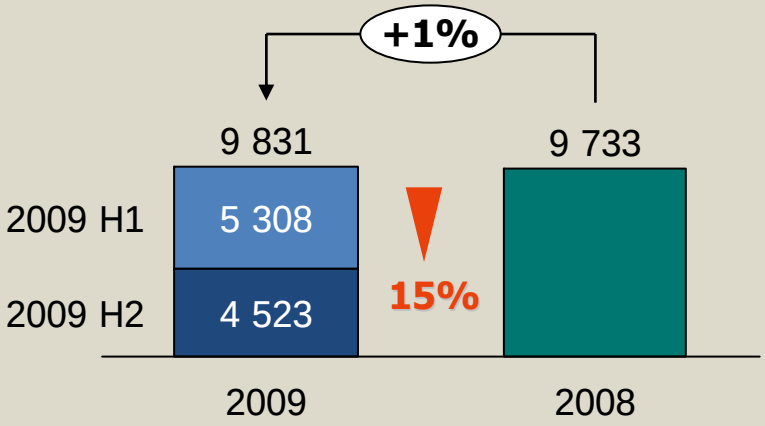
- 30 June 2009 : R10.88
- 2009 average : R12.35
- 2008 average : R10.75

International Logistics

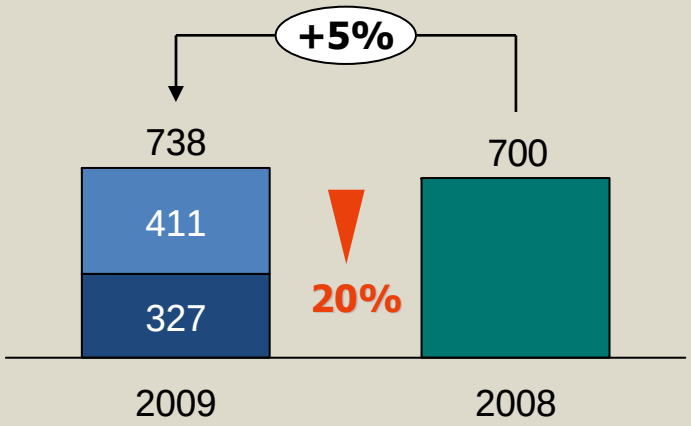
- Business remained profitable under severe H2 conditions
- Decline in international demand for steel, industrial chemicals and automotive products impacted negatively on business volumes. We responded by implementing aggressive cost cutting measures
- Container facilities and the bulk inland waterway shipping business were the most impacted. Short term charters cancelled and port leasing contracts adjusted to manage costs
- Contract logistics, liquid bulk shipping and bulk facilities were more resilient
- Due to weak trading in road transport, goodwill of such businesses was impaired

Southern African Logistics

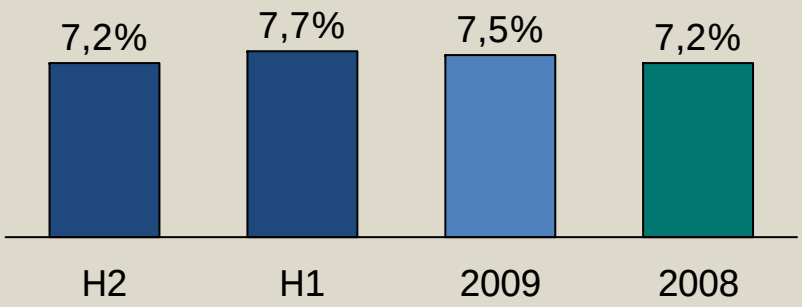
Revenue (Rm)



Operating profit (Rm)



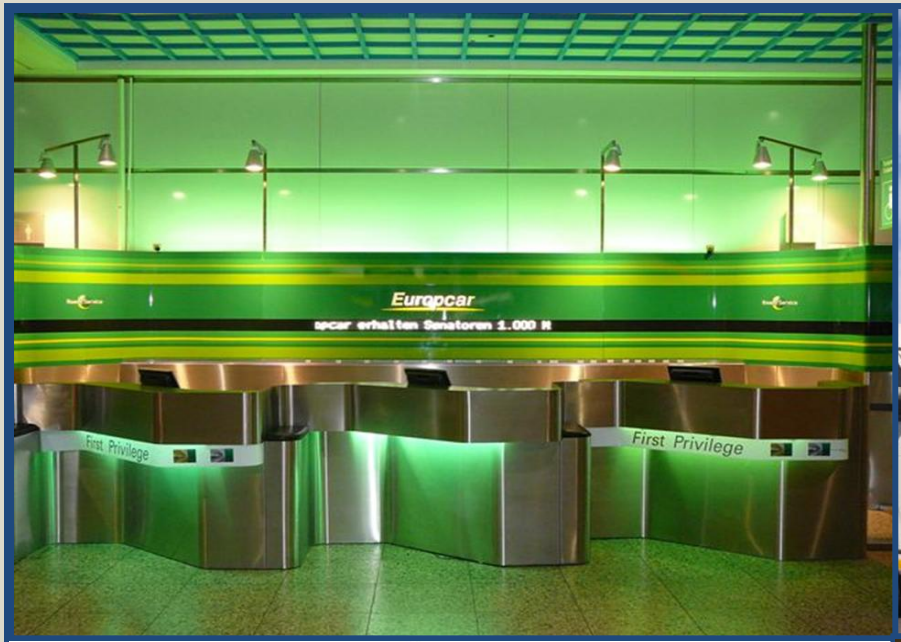
Operating margins



Southern African Logistics

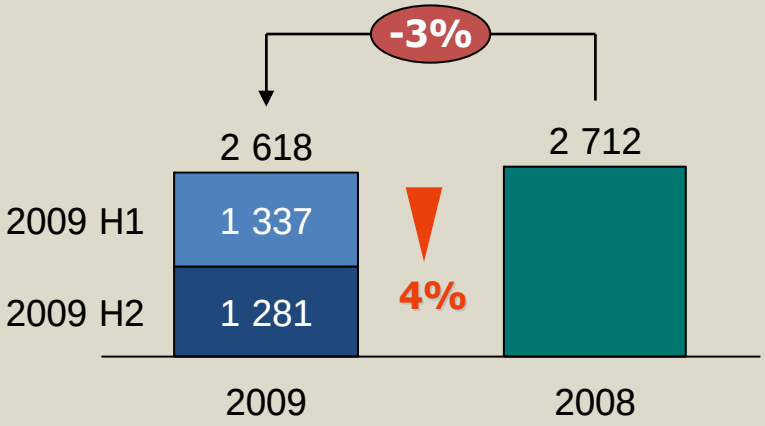
- Revenue and operating profit up
- Tough trading since October 2008 due to slowdown in manufacturing, mining, fuel, commodities, construction and imports and exports
- Distribution of FMCG also declined in the second half
- The 9 day national strike in April 2009 negatively impacted second half results
- Valuable new contracts won
- Fleet in Zimbabwe being modernised
- A fourth subdivision housing asset light businesses created

Car Rental and Tourism

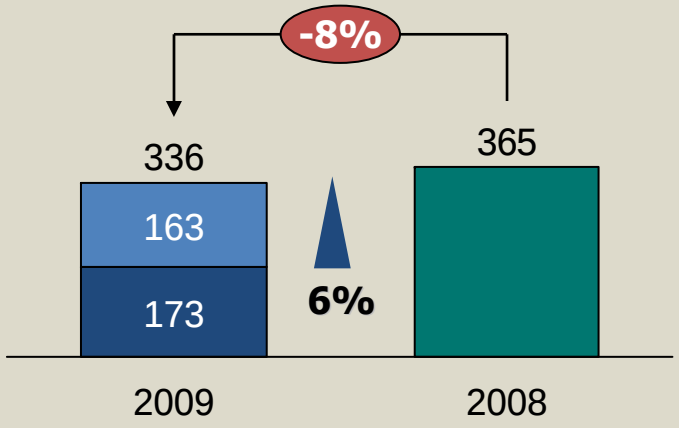


Car Rental and Tourism

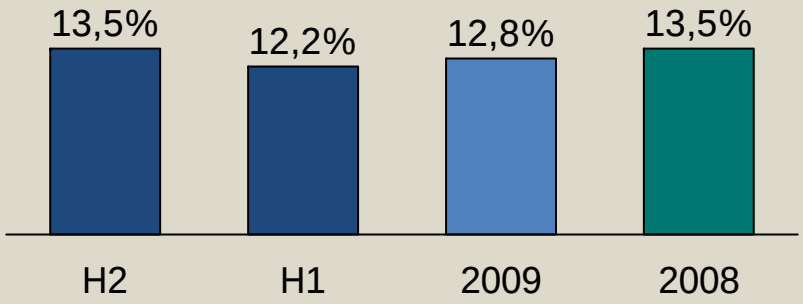
Revenue (Rm)



Operating profit (Rm)



Operating margins



Average fleet 15 608 (2008: 15 319)

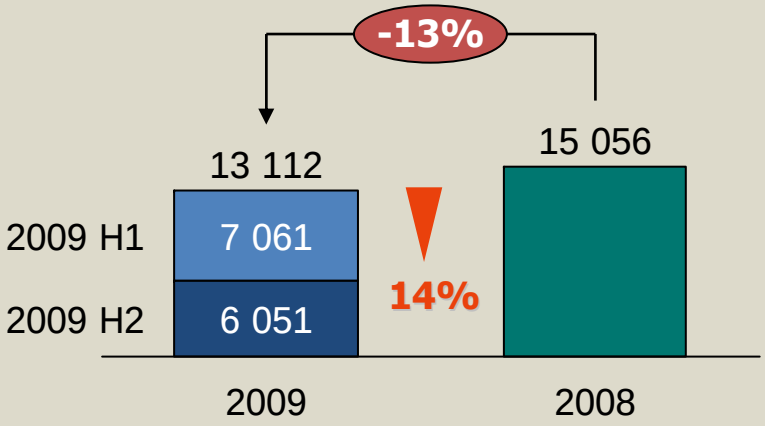
Car Rental and Tourism

- Decline in international inbound volumes
- Europcar rebranding successful
- Tempest low cost positioning is working
- U-Drive acquisition contributed positively to the results
- Autopedigree was under significant pressure
- Unchanged contribution from Tourism businesses assisted by the IPL cricket tournament and Lions rugby tour
- Coach fleet expanded for 2010 and beyond
- Moeketsi Mosola, former CEO of SA Tourism, appointed to head up Tourism Division

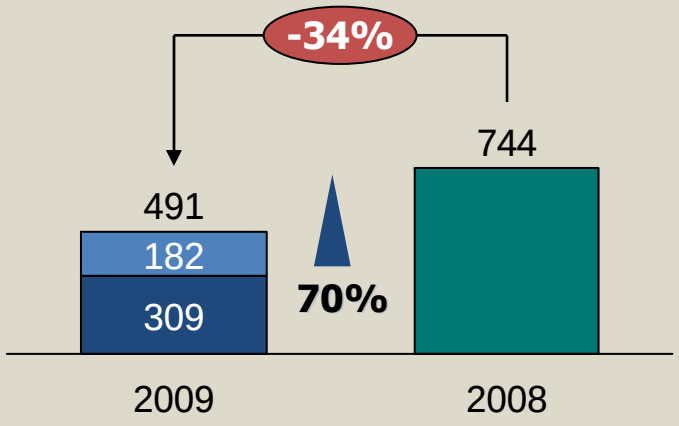
Distributorships

Distributorships

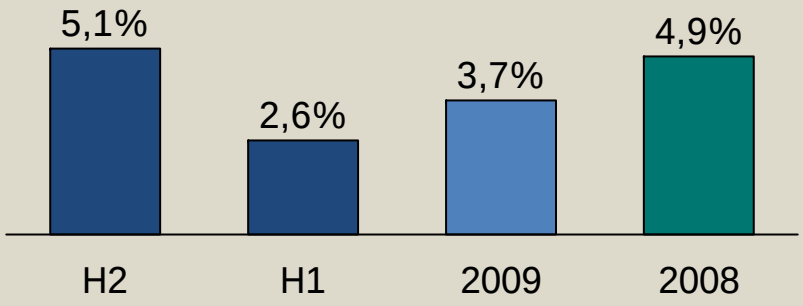
Revenue (Rm)



Operating profit (Rm)



Operating margins



- 17 outlets closed
- Rationalisation cost R30 million
- Total Imperial Group sold 53 241 new and 47 925 used cars in SA

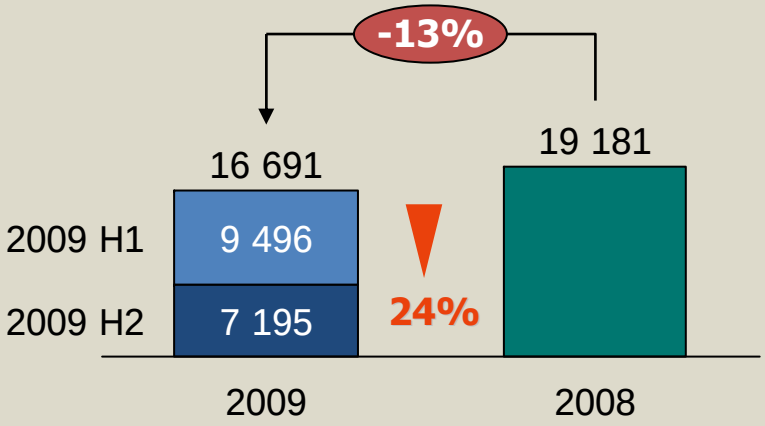
Distributorships

- Excellent performance in H2 despite tough market conditions
- Rationalisation will yield R100m annualised saving
- Stronger Rand increasing our competitiveness
- Increased contribution from parts and service
- Australian dealerships profitable before R25m VAT recovery
- Good performance from NAC despite weak general aviation market. Lower forward order book for 2010
- Good performance from Imperial Autoparts

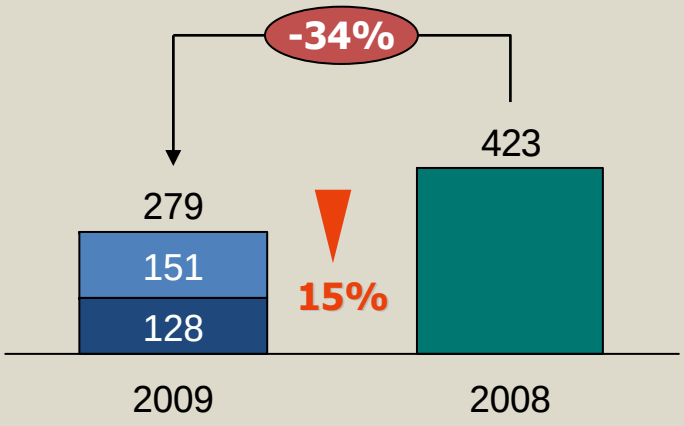
Dealerships

Dealerships

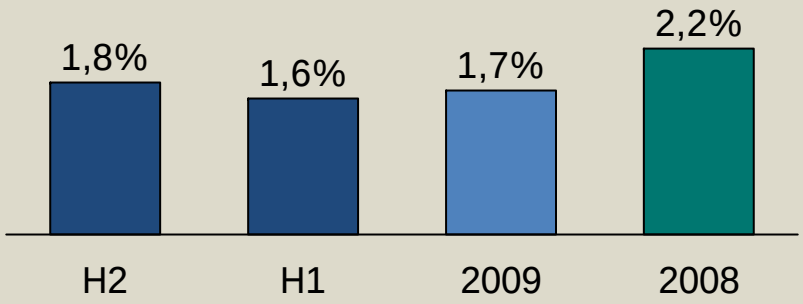
Revenue (Rm)



Operating profit (Rm)



Operating margins



23 unprofitable outlets closed

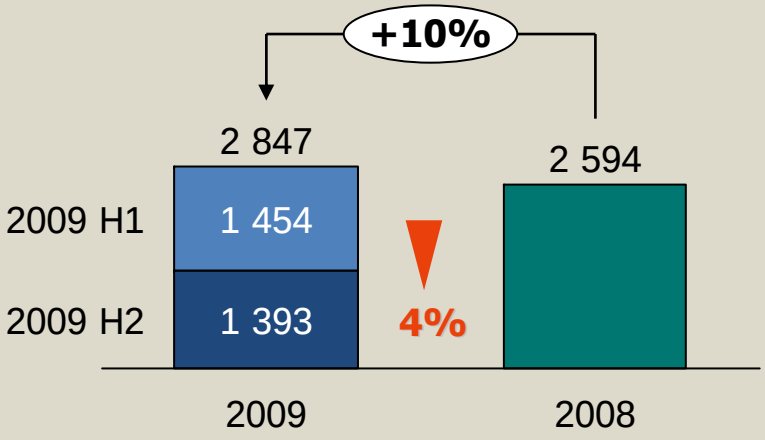
Dealerships

- Operating margin of 1,7% achieved under tough circumstances
- Total market decline of 23% in H2 vs H1. Lagged market in passenger and light commercials due to dealership closures
- Our medium and heavy commercial vehicles sales outperformed the market
- Stricter lending criteria by banks was main cause of lower sales, despite rate cuts
- 8% higher revenue from servicing
- Loss in Jurgens due to a decline in caravan sales and trailer startup costs
- Beekman Canopies performed well despite lower light commercial vehicle sales
- UK and Swedish dealerships profitable
- Profit on property sale of R51m (2008:R47m) not included in operating profit
- New flagship dealerships generally performing well

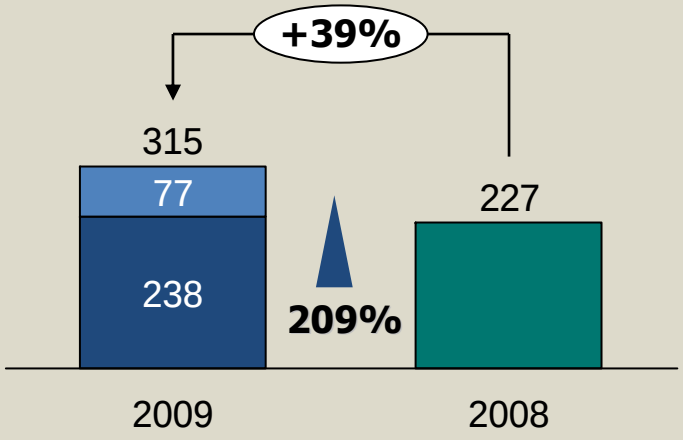
Regent group

Regent group

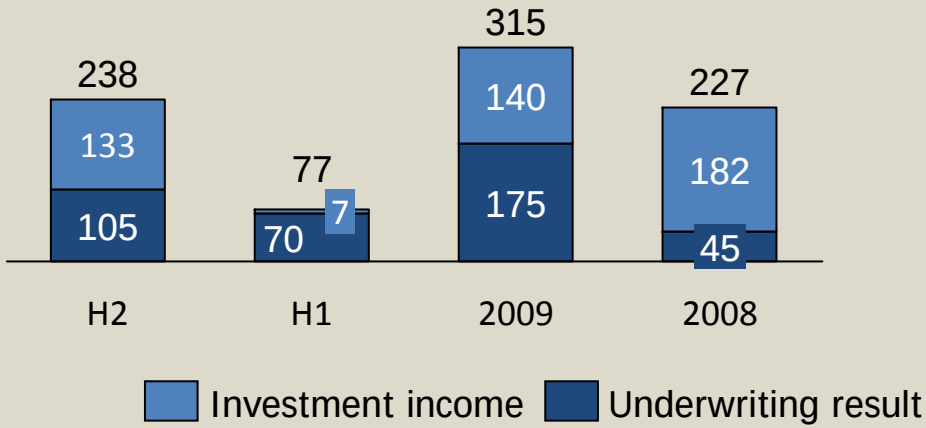
Revenue (Rm)



Operating profit (Rm)



Operating profit split



Regent group

- Underlying business starting to show strength
- Gross premium increased 10% - good performance in Botswana and commercial vehicles
- Underwriting result in motor comprehensive remained weak
- Merger contributes R35m annualised savings
- Steady build-up in monthly premium credit life book
- Cell captive business of R30m was consolidated in 2nd half
- Overall investment return was down due to weak equity market in the first half. Equities reduced to 17% of total investible funds at year end
- R250m additional capital invested in Regent group
- David Gnodde appointed CEO of Regent Group

People development and social investment

- Leadership skills and technical training are key drivers
- Management programmes also important to achieve our transformation goals
- R24m invested in second state-of-the-art technical training centre
- Capacity of more than 800 apprentices per year
- Imperial Ukhamba Community Development Trust actively supports three under-privileged schools in Gauteng
    - 3 300 learners
    - Close co-operation with Gauteng education department
    - Over R 11m spent since inception
- People development and transformation now an executive portfolio under Berenice Francis

Strategy and prospects

Strategic intent

- Restructuring resulted in strong balance sheet
- Steps taken to right-size motor operations in line with demand expectation
- Expansion of logistics, tourism and financial services will follow, enhancing the balance of our portfolio
- Internationally, expansion will be aligned to Imperial Logistics International
- Opportunities in Europe are beginning to emerge
- Regent group can now be more outwardly focused after period of consolidation
- We will also consider growth opportunities in industries adjacent to our current activities

Imperial Bank

- In-principle agreement reached with Nedbank
    - sale of our 49,9% share for R1 775m
    - cooperation to promote vehicle finance through Imperial dealerships
- Financial services synergies will be maintained
- Group relieved of future funding obligations enhancing our cash flows
- Financing arrangements within dealerships will not change

Prospects

- Business conditions to remain tough despite early signs of recovery in global economies
- SA and European logistics conditions will remain difficult
- Vehicle sales will remain weak
- Dealerships and Distributorships to benefit from rationalisation and cost cutting
- Good performance in Car Rental and Tourism in H2 expected
- Insurance underwriting result to be maintained and investment returns will improve
- Performance will benefit from balance sheet strength, rationalisation and rebalanced portfolio which positions us well in the current market

Imperial Holdings

Thank you