THORN Group Ltd.

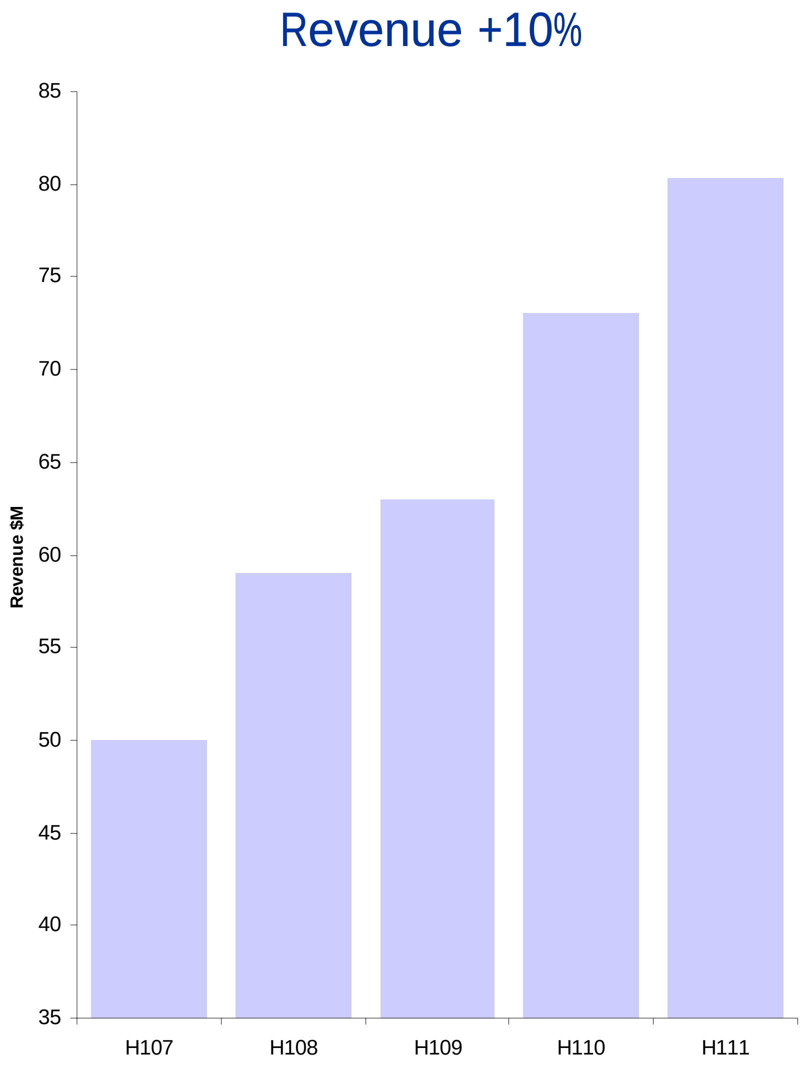
2011 Interim Results
24 November 2010

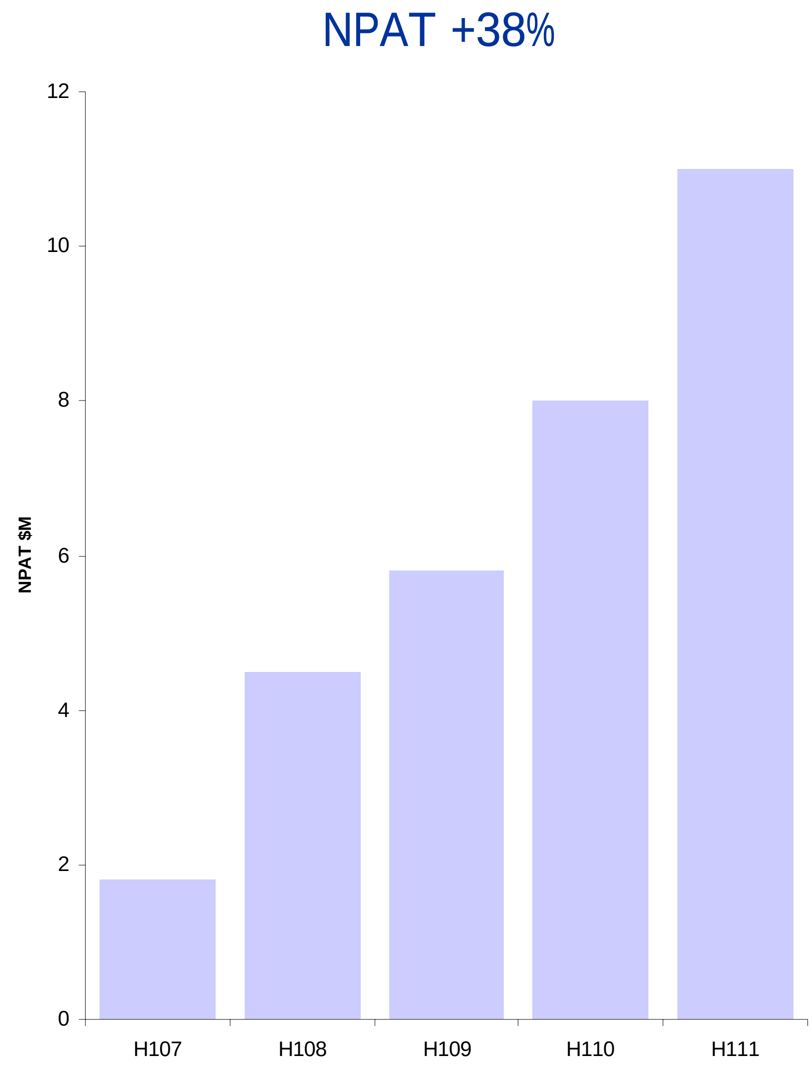
Group Performance Summary

- Normalised Net Profit after Tax up 38% at $11m[1]
- 2.4% increase in Net Profit after Tax to $11m
- Revenue up 10%
- 6.7% total customer growth
- EPS of 8.53 cents
- 9.1% debt/equity ratio; 5.1% net debt
- Interim DPS 3.54 cents, a 38% increase
- Total arrears remain at record lows
- Cashfirst continues to develop
- Investment in Big Brown Box to be exited by end FY11

[1] *PCP NPAT contained a one-off tax benefit pertaining to the temporary investment allowance of $2.8m*

Historical performance: Strong growth





Note – normalised 2010 NPAT

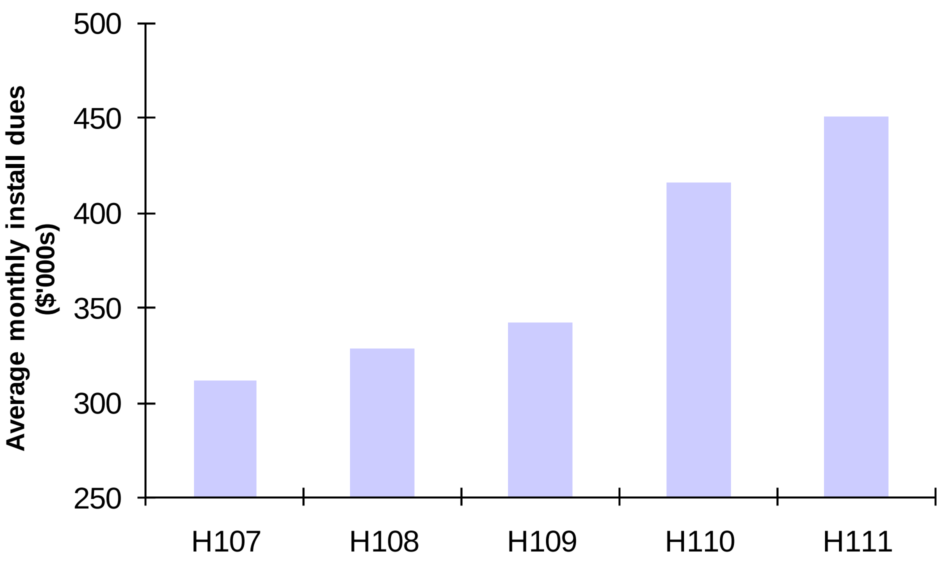
Consumer Rental

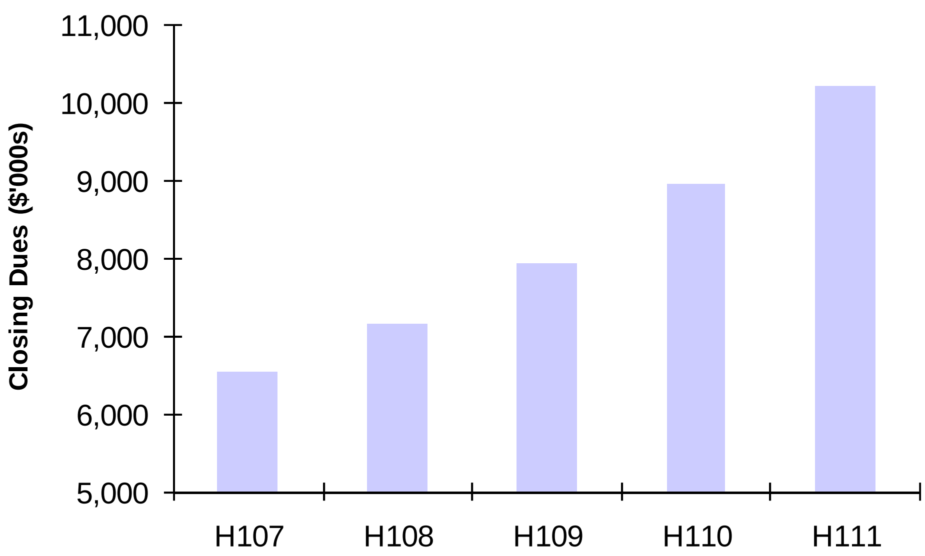
radio rentals

rentlo

Performance: Continues to tick all the boxes

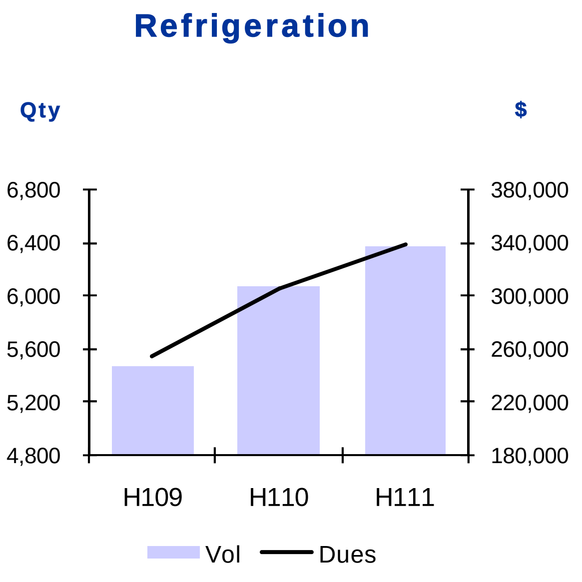
- Total installations grew 5%
  - Finance leases increased 8%
  - Operating leases increased 3%
- AUR (average price per unit) increased 4% to $48.42
- Monthly dues base now exceeds $10m

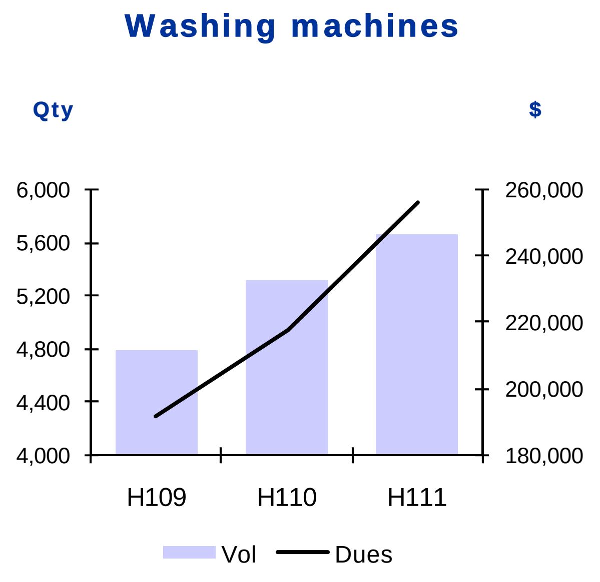


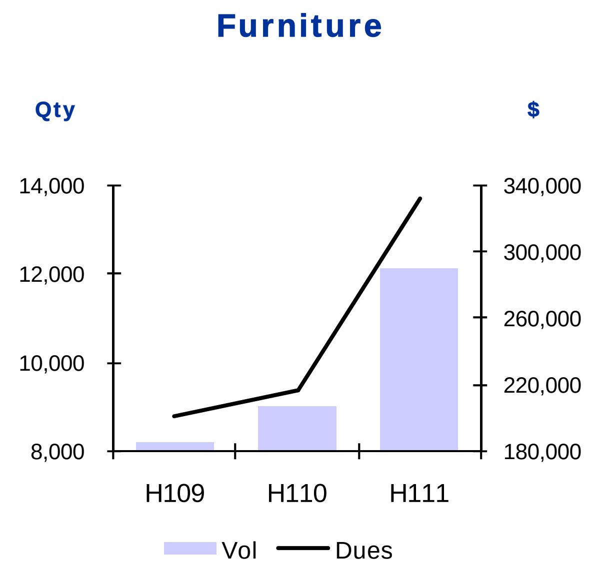


Trading: Operating Leases

- ‘Essential’ products remain a key driver
- Whitegoods up 11% - increased demand for larger appliances
- Furniture up 54% - quality and range of product improved

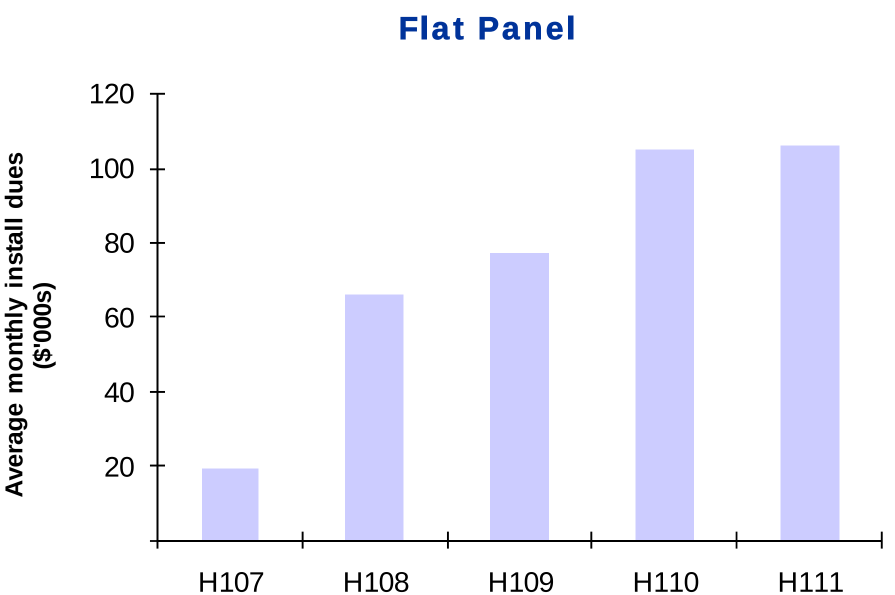


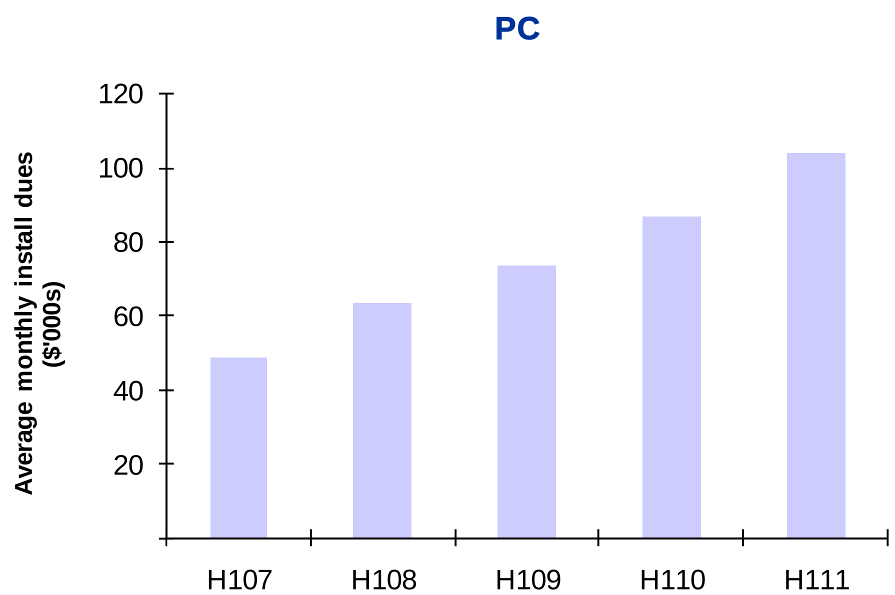




Trading: Finance Leases

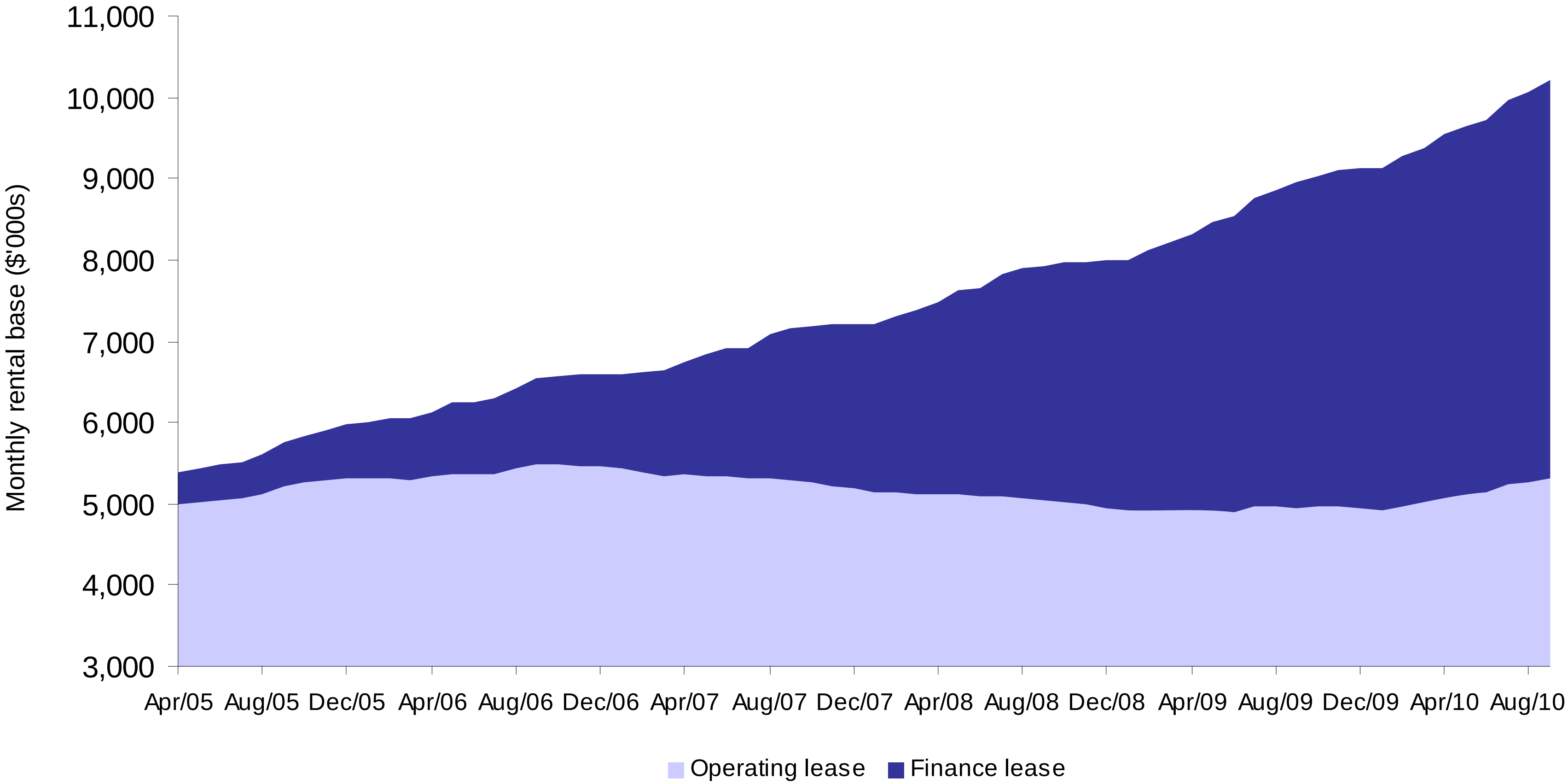
- Solid demand for flat panels (FP) and PCs
- Launch of Thorn brand has met with good consumer response – 25% of Q2 installs
- Desktop demand stabilised
- New technology impacts slowing





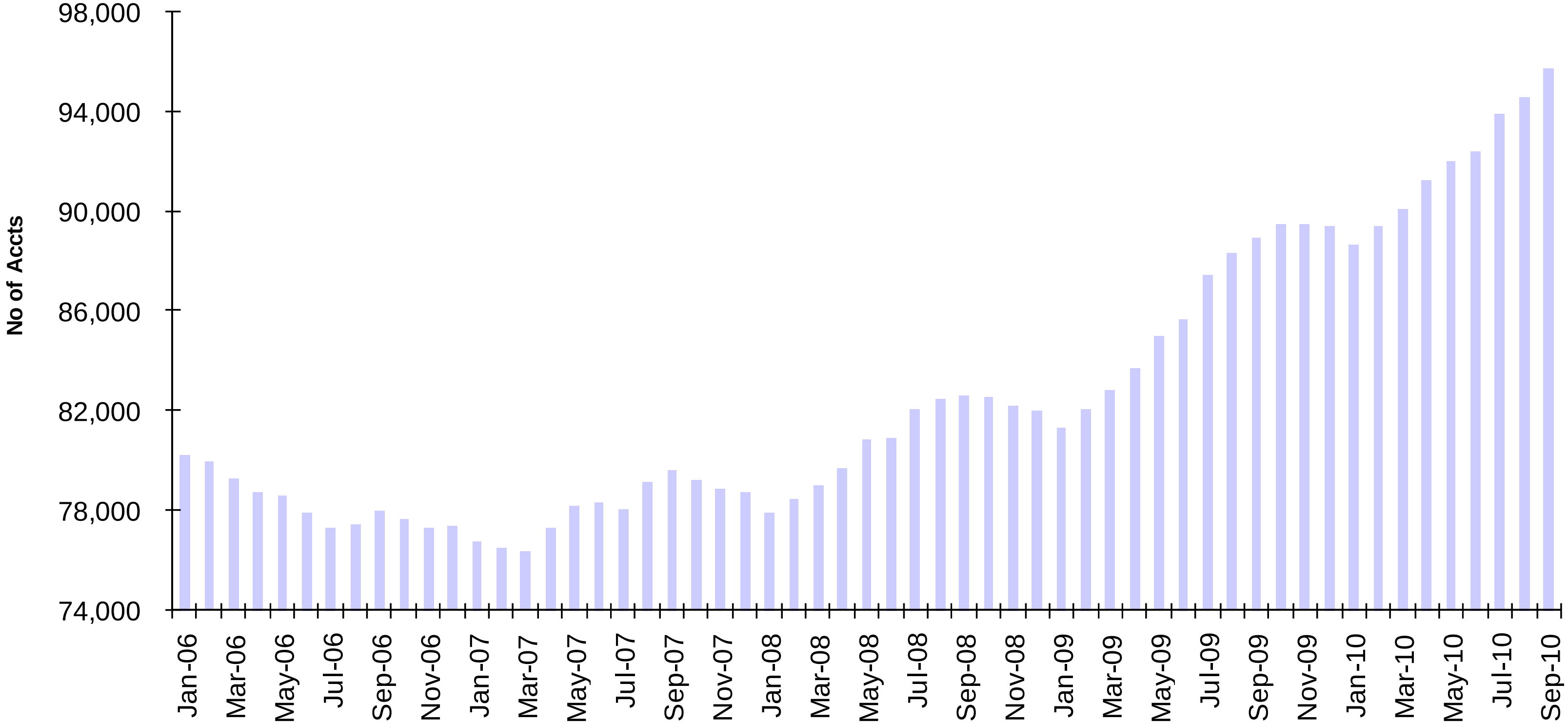
Trading: Overall

- 9% growth of rental base due to strong installation increases
- Disconnection curves are improving in-line with the better quality of written business and lower arrears rates, resulting in longer average contract lengths



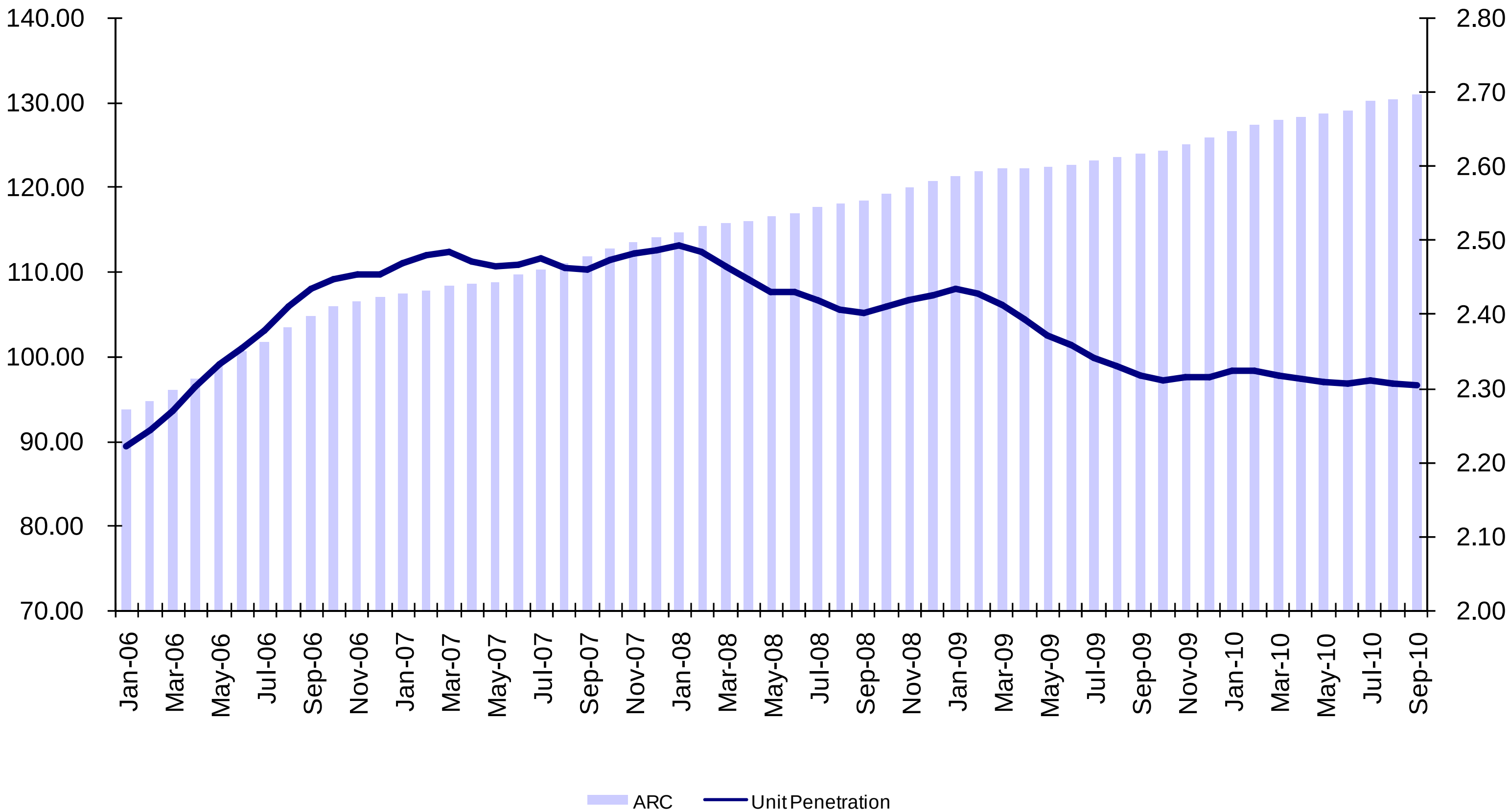
Customer Growth: 6.3%

- 6.3% customer growth versus 7.4% LY
- 40% retention rate maintained i.e. take-up of a new contract at completion of current contract
- Customer base now approaching 96,000



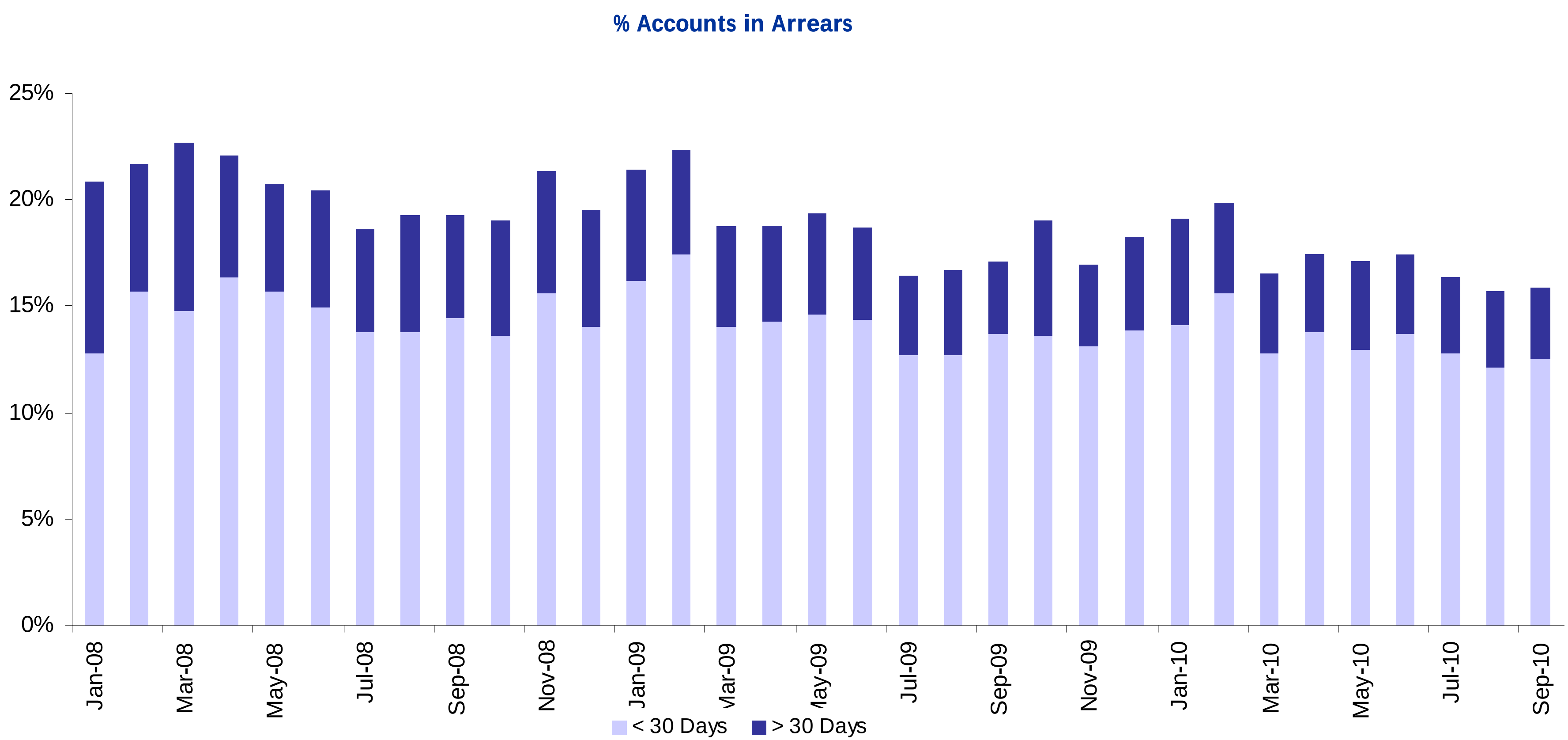
Customer Growth: 6.3 %

- 2.4% growth in average payment per month to $130.88
- Average units per customer steady in the 1st half



Account delinquencies maintained at record lows

- Focus on "Responsible Rental Policy"
- Providing product that suits a customers needs and budget



Opportunities for Growth

- Uncertain economic conditions
- Further acceptance of ‘rental’ as a means of accessing product
- Store expansion program:
  - Enabling increased market penetration in unserviced/underserviced areas of strong potential
  - ‘One Person Branches’
    - 6 to be opened by end December
    - Albany, Bega, Inverell, Pt Augusta, Mt Gambier and Warrnambool
  - Kiosks
    - Metropolitan areas
    - Mt Druitt trial to commence by end December
  - Showrooms
    - Selected metro and regional areas
    - Lake Haven (Central Coast NSW) to be opened by end December

cashfirst™ : Loan book continues to grow

Performance

- 18% growth in loan book and customers
- Loan book $6.5m
- Account base approaching 5,000 customers
- 65% of business written with new customers
- NSW and QLD continue to be strongest markets
- Approval rates continue to run at 15-20%
- 30% retention rate - customers now onto their second/third loans
- Write-offs improving to 5.9% of average book, down from 9.5% LY

Opportunities for Growth

- Increased market penetration – national TV advertising
- Increased retention – loyalty program with reduced rates
- Risk related pricing - lower rates for lower risk customers

: Early stages of development

Performance

- Relaunch 1st April 2010
- Development of:
  - Broader offering of financial products and services
  - Wider product range
  - Additional sales resources
  - Creation of vendor and preferred supplier relationships
- TABs remain cornerstone customers

Opportunities for growth

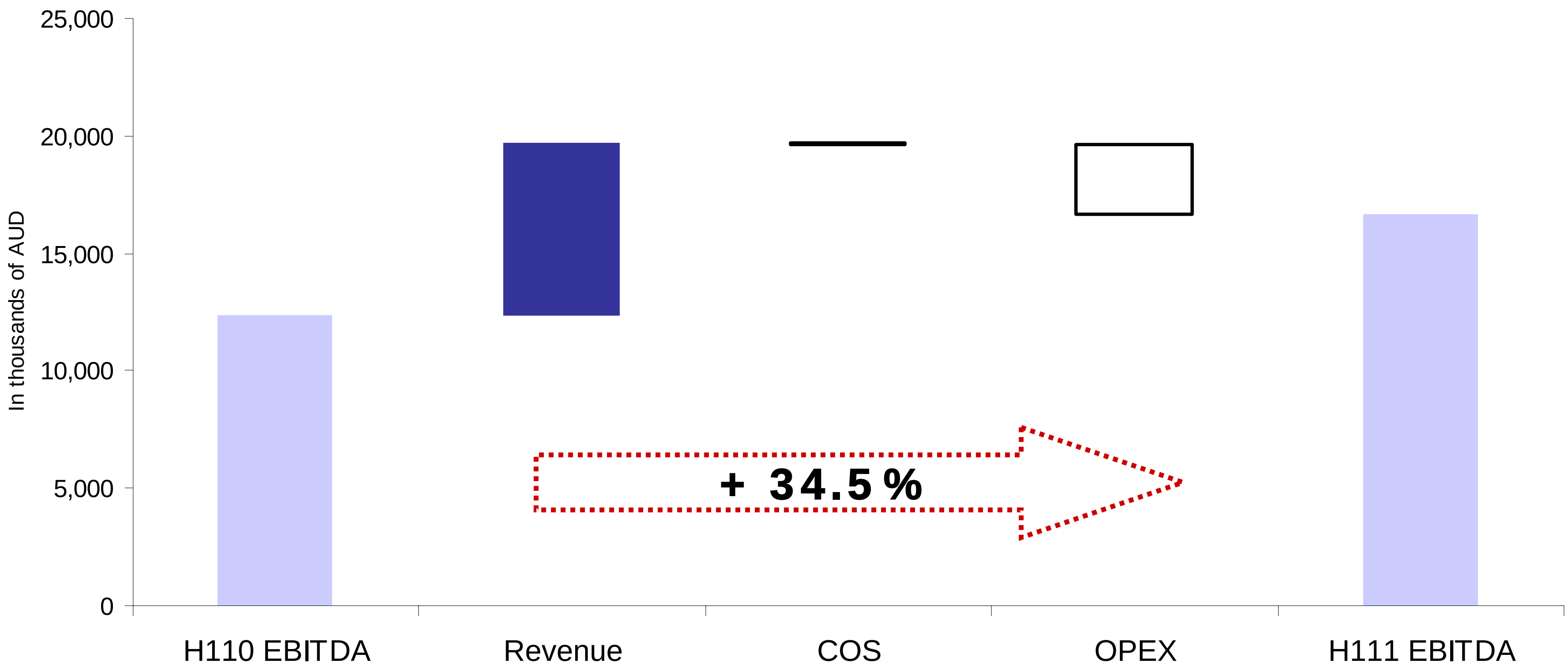
- Continuation of organic development strategies
- Acquisition opportunities being sought

: Retail market proving difficult

- Disappointing result impacted by tough retail market:
  - Price deflation as AUD strengthened;
  - Aggressive price competition;
  - Margin erosion;
  - Softening consumer demand; and
  - Post GFC stock and supply issues
- Following a strategic review the investment in Big Brown Box will be exited by March 2011
- No material impact expected on the financial performance of the Company in FY11

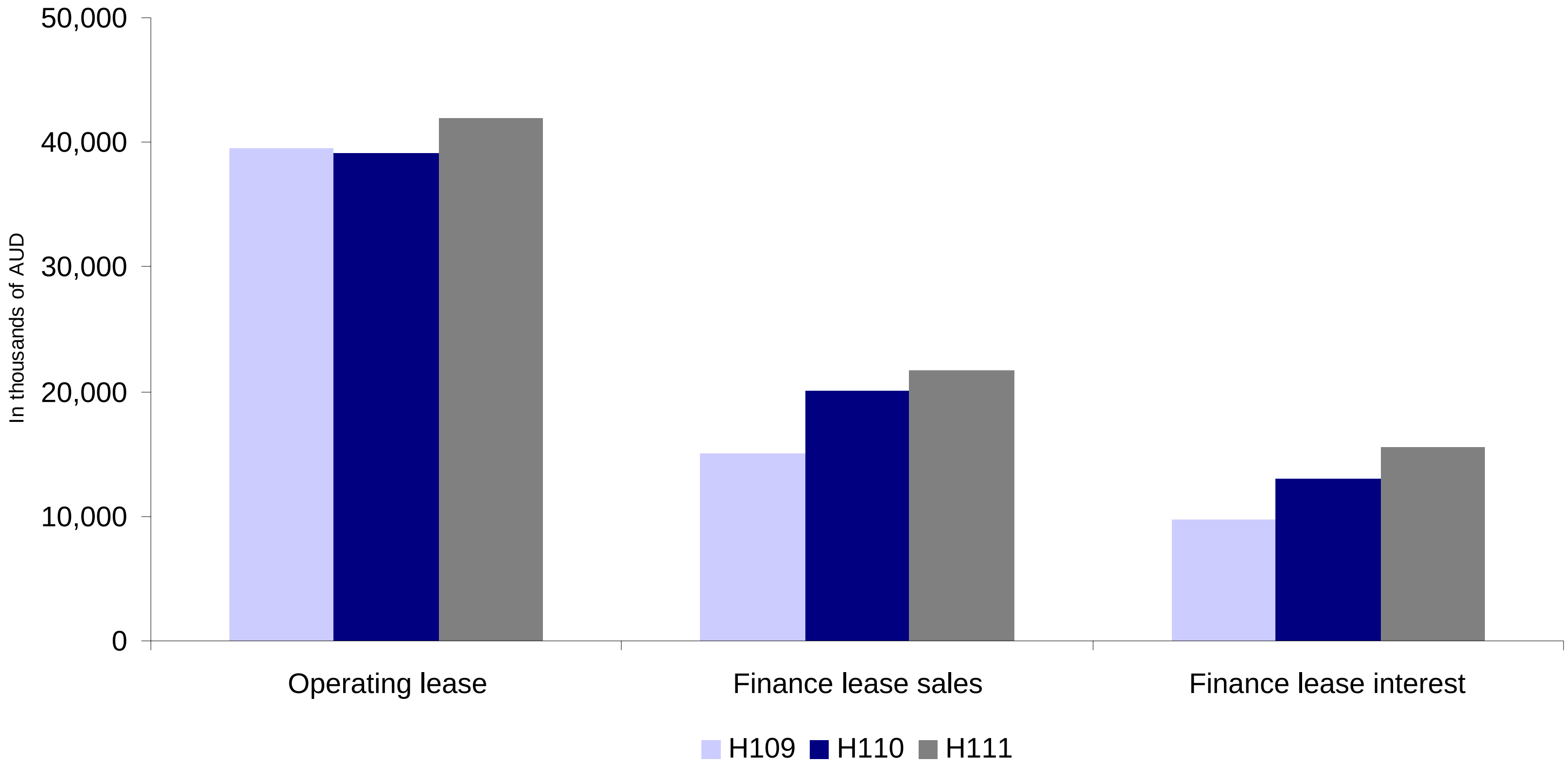
EBITDA: Double digit growth maintained

- Revenue increase of 10% main driver
- COS steady due to declining asset prices and bad debts
- Gross margin percent up to 61.8%
- OPEX increases in-line with the expansion of the business



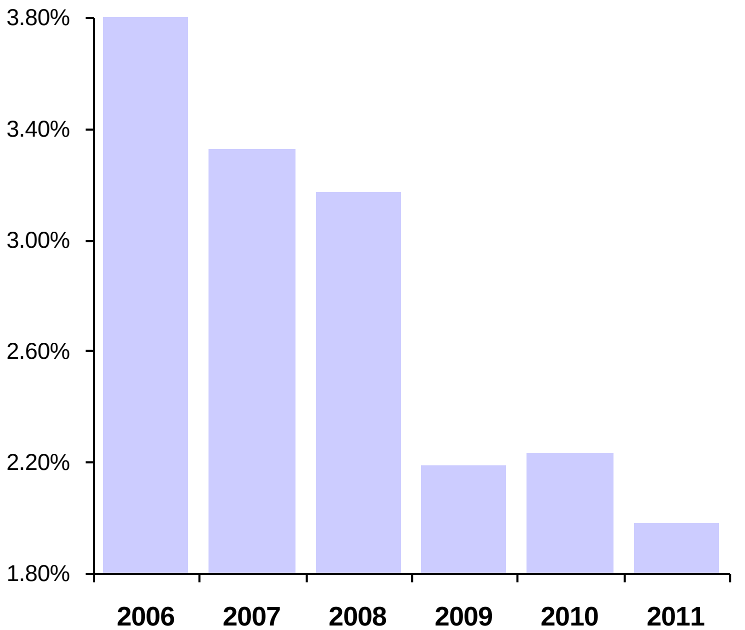
Revenue: Positive operating lease performance

- Finance lease sales revenue +7%
- Finance lease interest revenue +19% in-line with receivables growth
- Operating lease revenue +7% in-line with furniture and whitegoods install and unit on rent performance



Bad Debt: Tracking behind revenue growth

- Impairment charges on the rental book continue to decline as a percent to revenue – 2.0% versus 2.3% LY
- Provisioning movement continues to track in-line with finance lease sales



H1 Comparison: Rental Bad Debt & Asset Losses as a percentage of customer payments

In thousands of AUD	H110	H111
Provisioning movement	2,544	2,984
Losses incurred:		
— Net Debt	479	399
— Asset	832	920
Total	3,855	4,303

OPEX: Increases with business expansion

- Headcount increases in growth areas and new locations
- Marketing increases due to new business offerings and increased media cost
- Occupancy impacted by energy prices; like for like +2%
- Transport impacted by increased freight costs – direct import program

In thousands of AUD	H110	H111	Movement
Personnel	14,246	15,449	+8%
Marketing	4,847	5,921	+22%
IT & Telco	1,127	1,236	+10%
Occupancy	3,048	3,232	+6%
Transport	2,612	2,919	+12%
Other	3,871	4,220	+9%
OPEX	**29,751**	**32,977**	
Movement	1%	11%	

Balance sheet

- Net asset growth of 8%
- Total tangible assets $113m, an 11% increase
- Debt to equity ratio remains conservative at 9.1%

Key asset movements	30 Sep $'000s	Movement $'000s	
Cash	3,460	(2,287)	• Impacted by increased purchases and loan book growth
Finance lease	51,576	5,801	• 13% book growth
Cash loans	5,550	891	• Solid first half performance
Operating lease	1,258	79	• Remains steady due to arrears results
Inventory	1,208	339	• Impact of imported Visea TVs
Rental assets	41,169	5,958	• Growth in operating lease book

$97m due on finance lease book – including interest of $40m

Cashflow: Rental cashflows support growth

In thousands of AUD	H110	H111	
EBITDA	**12,313**	**16,664**	
Non cash movements:			
Share based payments	36	331	• New scheme from April 1
Disposal rental assets	14,780	13,374	• Reversal of non-cash movements
Rental asset depreciation	10,113	10,734	
Working capital	(5,895)	(6,122)	• Finance lease and cash loan book growth
Cash generated	**31,347**	**34,981**	
Investments	(27,667)	(30,986)	• 11% increase in rental asset acquisitions
Financing	(3,092)	(3,055)	• Dividend and debt increases
Tax	(2,339)	(3,227)	• LY impacted by tax benefit
Net cash movement	**(1,751)**	**(2,287)**	

Company Strengths and Outlook

- Demand continues for “essential” household goods
- Solid consumer businesses with opportunity to grow underserviced areas
- Emerging commercial business
- Strong cashflows
- Low debt to equity
- Ability to grow in both positive and negative economic environments
- Capacity to leverage ‘core competencies’

2011 full year NPAT guidance: $21 - $22m

Our Brands

radio rentals rentlo

- Leading operator in household goods rental market

THORN Business Services

- Well positioned for development in the SME market

cashfirst™

- Growing steadily with unsecured loans from $1,000 to $5,000

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