



Turners Finance Limited – Unsolicited ordinary share offer

Further to our release of 14 September 2015, Motor Trade Finances Limited (MTF) advises that Turners Limited (NZX:TNR), through its subsidiary Turners Finance Limited (Turners), has now written to MTF ordinary shareholders with an unsolicited offer to buy ordinary shares at \$1.15 per share. Turners is prepared to receive acceptances that would take their shareholding up to 20%. The offer closes on 17 October 2015.

Separately, MTF has received an approach (see below) from Heartland New Zealand Limited (Heartland) that may be relevant to ordinary shareholders' consideration of the offer from Turners.

Your Board intends to engage with both of these parties and also to take advice on the issues raised by Turners' offer and Heartland's approach. At this point, we believe it would be prudent for ordinary shareholders to await further advice from the Board before making any decision in relation to their shares.

MTF cautions ordinary shareholders about relying on recent traded values as a guide to underlying value.

An internal valuation was completed last year (with the assistance of an external expert) which valued our ordinary shares, for dry (non-originating) shareholders, at \$1.16 per share. The valuation was substantially higher for active shareholders, as in addition to the base value per share shareholder originators enjoy value from their total shareholding in the form of extra commission as a consequence of their relationship with and control over MTF. In considering the merits of Turners' offer and offer price, these shareholders should have regard to this additional value and the possibility of its loss or diminution should there be changes to MTF's commission arrangements following the Turners' offer. This is an important factor that the Board will be considering. Although a number of factors have changed since the valuation, the Board does not believe the current value is likely to be materially lower than last year's valuation and does believe it could well be higher.

The Board is in the process of seeking an update to the original valuation from the external expert and expects to be in a position to share the outcome with ordinary shareholders prior to the closing date for the Turners' offer.

At this stage, the Board expects to declare a further dividend of 7 cents per ordinary share, with that dividend most likely to be paid in November 2015. This would mean a total dividend for the 2015 financial year of 13 cents per ordinary share. Subject to business performance and capital requirements, the Board's current expectation is that the company will maintain the current dividend level in the near term.

Acceptance of Turners' offer will not guarantee that you will be able to sell all the shares you agree to sell. When the offer closes, if total acceptances are greater than the amount that Turners wishes to acquire, or is allowed to acquire, acceptances will be scaled pro-rata. Early acceptance of the offer does not provide any benefit or priority to a shareholder.

As we mentioned in our earlier letter, Turners cannot acquire more than 10% of our ordinary shares without both board approval and shareholder approval.

The Board, which must act in the best interest of the company, continues to consider whether there are any circumstances in which Turners holding more than 10% would be beneficial to the company and its shareholders. A major consideration in this assessment is that a stake of up to 20% would materially limit the ability of any other party to make an offer for MTF. This may have value consequences for all MTF stakeholders. The Board is seeking further engagement with Turners and also taking advice on the matter. At this point, we believe it is advisable for shareholders to await further advice from the Board before making a decision to accept the Turners' offer.

Communication from Heartland

In response to Turners' letter to MTF shareholders, the Board received a letter on 18 September 2015 from Heartland, reaffirming its interest in MTF. You will recall that in 2014 Heartland approached MTF with a takeover proposal that did not proceed. While there is no certainty at this point that Heartland will make an offer or that any offer, if made, would be recommended by your Board, its recent approach does indicate that shareholders would be advised to give themselves time to assess all

available options and await further advice from the Board.

As indicated above, the Board intends to engage with Heartland, as well as taking advice on the matter.

We will provide an update to ordinary shareholders, taking account of the issues raised by the Turners' offer and the Heartland approach, before the Turners' offer period closes.

Yours sincerely



Stephen Higgs
Chairman
Motor Trade Finances Limited

