

***KAR Auction Services, Inc.***  
***Q1 2012 Supplemental Financial Information***  
***May 7, 2012***

**KAR Auction Services, Inc.**  
**EBITDA and Adjusted EBITDA Measures**

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EBITDA and Adjusted EBITDA as presented herein are supplemental measures of our performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States (“GAAP”). They are not measurements of our financial performance under GAAP and should not be considered as substitutes for net income (loss) or any other performance measures derived in accordance with GAAP.

EBITDA is defined as net income (loss), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for the items of income and expense and expected incremental revenue and cost savings as described in our senior secured credit agreement covenant calculations. Management believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors about one of the principal measures of performance used by our creditors. In addition, management uses Adjusted EBITDA to evaluate our performance and to evaluate results relative to incentive compensation targets. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of the results as reported under GAAP. These measures may not be comparable to similarly titled measures reported by other companies.

The following tables reconcile EBITDA and Adjusted EBITDA to net income (loss) for the periods presented:

	<b>Three Months Ended March 31, 2012</b>				
<i>(Dollars in millions), (Unaudited)</i>	<b>ADESA</b>	<b>IAA</b>	<b>AFC</b>	<b>Corporate</b>	<b>Consolidated</b>
<b>Net income (loss)</b>	\$9.0	\$18.3	\$16.3	\$(17.6)	\$26.0
Add back:					
Income taxes	7.2	12.1	9.6	(10.5)	18.4
Interest expense, net of interest income	0.3	0.4	3.7	25.9	30.3
Depreciation and amortization	25.0	17.1	6.1	0.4	48.6
Intercompany	14.9	9.7	(4.1)	(20.5)	--
<b>EBITDA</b>	<b>56.4</b>	<b>57.6</b>	<b>31.6</b>	<b>(22.3)</b>	<b>123.3</b>
Adjustments	5.9	2.0	(2.5)	6.2	11.6
<b>Adjusted EBITDA</b>	<b>\$62.3</b>	<b>\$59.6</b>	<b>\$29.1</b>	<b>\$(16.1)</b>	<b>\$134.9</b>

	<b>Three Months Ended March 31, 2011</b>				
<i>(Dollars in millions), (Unaudited)</i>	<b>ADESA</b>	<b>IAA</b>	<b>AFC</b>	<b>Corporate</b>	<b>Consolidated</b>
<b>Net income (loss)</b>	\$25.8	\$19.2	\$15.0	\$(20.2)	\$39.8
Add back:					
Income taxes	(2.1)	9.4	6.2	(12.5)	1.0
Interest expense, net of interest income	0.2	0.6	2.1	30.3	33.2
Depreciation and amortization	21.4	16.4	6.2	0.1	44.1
Intercompany	13.2	9.6	(3.2)	(19.6)	--
<b>EBITDA</b>	<b>58.5</b>	<b>55.2</b>	<b>26.3</b>	<b>(21.9)</b>	<b>118.1</b>
Adjustments	3.2	2.4	(1.4)	5.0	9.2
<b>Adjusted EBITDA</b>	<b>\$61.7</b>	<b>\$57.6</b>	<b>\$24.9</b>	<b>\$(16.9)</b>	<b>\$127.3</b>

Certain of our loan covenant calculations utilize financial results for the most recent four consecutive fiscal quarters. The following table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

<i>(Dollars in millions), (Unaudited)</i>	<b>Three Months Ended</b>				<b>Twelve Months Ended</b>
	<b>June 30, 2011</b>	<b>September 30, 2011</b>	<b>December 31, 2011</b>	<b>March 31, 2012</b>	<b>March 31, 2012</b>
<b>Net income (loss)</b>	\$ (14.3)	\$ 32.2	\$ 14.5	\$ 26.0	\$ 58.4
Add back:					
Income taxes	(6.9)	14.7	9.0	18.4	35.2
Interest expense, net of interest income	49.6	29.3	30.7	30.3	139.9
Depreciation and amortization	43.6	43.8	48.3	48.6	184.3
<b>EBITDA</b>	<u>72.0</u>	<u>120.0</u>	<u>102.5</u>	<u>123.3</u>	<u>417.8</u>
Nonrecurring charges	16.2	5.8	5.2	5.4	32.6
Noncash charges	46.2	(7.5)	7.1	9.1	54.9
AFC interest expense	(2.3)	(2.6)	(2.7)	(2.9)	(10.5)
<b>Adjusted EBITDA</b>	<u>\$132.1</u>	<u>\$115.7</u>	<u>\$112.1</u>	<u>\$134.9</u>	<u>\$494.8</u>

## Segment Results

### ADESA Results

<i>(Dollars in millions)</i>	Three Months Ended March 31,	
	2012	2011
ADESA revenue	<b>\$270.6</b>	\$268.3
Cost of services*	<b>148.0</b>	155.0
Gross profit*	<b>122.6</b>	113.3
Selling, general and administrative	<b>66.7</b>	55.1
Depreciation and amortization	<b>25.0</b>	21.4
Operating profit	<b>\$30.9</b>	<b>\$36.8</b>
EBITDA	<b>\$56.4</b>	\$58.5
Adjustments	<b>5.9</b>	3.2
Adjusted EBITDA	<b>\$62.3</b>	<b>\$61.7</b>

\* Exclusive of depreciation and amortization

Revenue for ADESA for the three months ended March 31, 2012, increased \$2.3 million, or 1%, to \$270.6 million, as compared with \$268.3 million for the three months ended March 31, 2011. Gross profit for ADESA increased \$9.3 million, or 8%, to \$122.6 million, as compared with \$113.3 million for the three months ended March 31, 2011. Gross margin for ADESA was 45.3% for the three months ended March 31, 2012 versus 42.2% for the three months ended March 31, 2011. The increases in revenue and gross profit were primarily a result of a 9% increase in the number of vehicles sold. Selling, general and administrative expense increased \$11.6 million to \$66.7 million, primarily due to the acquisition and integration of OPENLANE which accounted for approximately \$11.7 million, as well as an increase in incentive compensation, partially offset by a decrease in stock-based compensation expense and fluctuations in the Canadian exchange rate.

For the three months ended March 31, 2012, ADESA's used vehicle conversion percentage declined to 62.6% (excluding OPENLANE) as compared to 66.7% for the three months ended March 31, 2011. The decrease in conversion rate was primarily due to the relative increase in dealer consignment vehicles sold.

### IAA Results

<i>(Dollars in millions)</i>	Three Months Ended March 31,	
	2012	2011
IAA revenue	<b>\$189.4</b>	\$175.9
Cost of services*	<b>111.4</b>	100.4
Gross profit*	<b>78.0</b>	75.5
Selling, general and administrative	<b>19.7</b>	20.6
Depreciation and amortization	<b>17.1</b>	16.4
Operating profit	<b>\$41.2</b>	<b>\$38.5</b>
EBITDA	<b>\$57.6</b>	\$55.2
Adjustments	<b>2.0</b>	2.4
Adjusted EBITDA	<b>\$59.6</b>	<b>\$57.6</b>

\* Exclusive of depreciation and amortization

Revenue from IAA for the three months ended March 31, 2012 increased \$13.5 million, or 8%, to \$189.4 million, as compared with \$175.9 million for the three months ended March 31, 2011. Gross profit at IAA increased \$2.5 million, or 3%, to \$78.0 million, as compared with \$75.5 million for the three months ended March 31, 2011, while the gross margin percent decreased to 41.2% for the three months ended March 31, 2012, as compared with 42.9% for the three months ended March 31, 2011. The increases in revenue and gross profit were a result of an increase in vehicles sold of approximately 6% for the three months ended March 31, 2012. Additionally, an increase in purchased vehicles sold, in which the entire selling price of the vehicle is recorded as revenue, also contributed to the growth in revenue. Selling, general and administrative expense decreased \$0.9 million, or 4%, to \$19.7 million, as compared with \$20.6 million for the three months ended March 31, 2011. The decrease in selling, general and administrative expenses was attributable to decreases in stock-based compensation expense and incentive-based compensation expense.

## **AFC Results**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<i>(Dollars in millions except volumes and per loan amounts)</i>		
AFC revenue	<b>\$46.9</b>	\$40.5
Cost of services*	<b>10.0</b>	9.1
Gross profit*	<b>36.9</b>	31.4
Selling, general and administrative	<b>5.3</b>	5.1
Depreciation and amortization	<b>6.1</b>	6.2
Operating profit	<b>\$25.5</b>	\$20.1
EBITDA	<b>\$31.6</b>	\$26.3
Adjustments	<b>(2.5)</b>	(1.4)
Adjusted EBITDA	<b>\$29.1</b>	\$24.9
Loan transactions	<b>318,859</b>	272,013
Revenue per loan transaction	<b>\$147</b>	\$149

\* Exclusive of depreciation and amortization

Revenue for AFC for the three months ended March 31, 2012 increased \$6.4 million, or 16%, to \$46.9 million, as compared with \$40.5 million for the three months ended March 31, 2011. Gross profit at AFC increased \$5.5 million, or 18%, to \$36.9 million, as compared with \$31.4 million for the three months ended March 31, 2011. Gross margin for AFC was 79% for the three months ended March 31, 2012 versus 78% for the three months ended March 31, 2011. The increases in revenue and gross profit were primarily a result of a 17% increase in loan transaction units, partially offset by a 1% decrease in revenue per loan transaction. Revenue per loan transaction decreased primarily as a result of a decrease in average loan values and an increase in the provision for credit losses, partially offset by an increase in the average portfolio duration. Selling, general and administrative expense in the first three months of 2012 increased \$0.2 million to \$5.3 million, primarily as a result of increases in compensation expense and travel costs, partially offset by a decrease in professional fees.

## **LIQUIDITY AND CAPITAL RESOURCES**

The company believes that the significant indicators of liquidity for its business are cash on hand, cash flow from operations, working capital and amounts available under its credit facility. The company's principal sources of liquidity consist of cash generated by operations and borrowings under its revolving credit facility.

<i>(Dollars in millions)</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>	<b>March 31, 2011</b>
Cash and cash equivalents	<b>\$125.2</b>	\$97.4	\$242.3
Restricted cash	<b>7.1</b>	8.2	5.8
Working capital	<b>237.4</b>	177.0	345.9
Amounts available under credit facility*	<b>250.0</b>	181.1	250.0
Cash flow from operations	<b>74.5</b>		81.3

\* KAR Auction Services, Inc. has a \$250 million revolving line of credit as part of the company's Credit Agreement, which was undrawn as of March 31, 2012. There were related outstanding letters of credit totaling approximately \$24.8 million, \$28.5 million and \$29.6 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively, which reduce the amount available for borrowings under the senior credit facility.

For the three months ended March 31, 2012, the Company used cash of \$68.9 million to repay borrowings on the revolving credit facility and \$13.3 million to purchase property, plant, equipment and computer software.

### **Non-GAAP Financial Measures**

The company provides historical and forward-looking non-GAAP measures called EBITDA, Adjusted EBITDA, adjusted net income and adjusted net income per share. Management believes that these measures provide investors additional meaningful methods to evaluate certain aspects of the company's results period over period and for the other reasons set forth previously.

Earnings guidance also does not contemplate future items such as business development activities, strategic developments (such as restructurings or dispositions of assets or investments), significant expenses related to litigation and changes in applicable laws and regulations (including significant accounting and tax matters). The timing and amounts of these items are highly variable, difficult to predict, and of a potential size that could have a substantial impact on the company's reported results for any given period. Prospective quantification of these items is generally not practicable. Forward-looking non-GAAP guidance excludes stock-based compensation under certain equity grants related to the 2007 merger, increased depreciation and amortization expense that resulted from the 2007 revaluation of the company's assets, as well as one-time charges, net of taxes.