AMERCO /NV/
Form 10-Q
November 07, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
R**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the quarterly period ended September 30, 2007

or

£**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the transition period from __________________ to __________________

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-11255	**AMERCO** (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definition of an "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer R Non-accelerated filer £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Yes £ No R

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes R No £

20,059,314 shares of AMERCO Common Stock, $0.25 par value, were outstanding at November 1, 2007.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2007	March 31, 2007
	(Unaudited)	
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 203,344	$ 75,272
Reinsurance recoverables and trade receivables, net	189,869	184,617
Notes and mortgage receivables, net	1,862	1,669
Inventories, net	62,983	67,023
Prepaid expenses	47,487	52,080
Investments, fixed maturities and marketable equities	656,912	681,801
Investments, other	166,650	178,699
Deferred policy acquisition costs, net	43,887	44,514
Other assets	231,506	95,123
Related party assets	205,849	245,179
	1,810,349	1,625,977
Property, plant and equipment, at cost:		
Land	206,780	202,917
Buildings and improvements	834,331	802,289
Furniture and equipment	313,303	301,751
Rental trailers and other rental equipment	206,599	200,208
Rental trucks	1,736,826	1,604,123
SAC Holding II - property, plant and equipment	81,385	80,349
	3,379,224	3,191,637
Less: Accumulated depreciation	(1,310,726)	(1,294,566)
Total property, plant and equipment	2,068,498	1,897,071
Total assets	$ 3,878,847	$ 3,523,048
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 264,876	$ 251,197
AMERCO's notes and loans payable	1,452,042	1,181,165
SAC Holding II notes and loans payable, non-recourse to AMERCO	74,197	74,887
Policy benefits and losses, claims and loss expenses payable	773,250	768,751
Liabilities from investment contracts	361,380	386,640
Other policyholders' funds and liabilities	10,774	10,563
Deferred income	14,935	16,478
Deferred income taxes	137,676	113,170
Related party liabilities	2,008	2,099
Total liabilities	3,091,138	2,804,950
Commitments and contingencies (Notes 3, 6 and 7)		
Stockholders' equity:		
Series preferred stock, with or without par value, 50,000,000 shares authorized:		
Series A preferred stock, with no par value, 6,100,000 shares authorized;		

6,100,000 shares issued and outstanding as of September 30 and March 31, 2007	-	-
Series B preferred stock, with no par value, 100,000 shares authorized; none issued and outstanding as of September 30 and March 31, 2007	-	-
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of $0.25 par value, 10,000,000 shares authorized; none issued and outstanding as of September 30 and March 31, 2007	-	-
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700 issued as of September 30 and March 31, 2007	10,497	10,497
Additional paid-in capital	376,661	375,412
Accumulated other comprehensive loss	(32,628)	(41,779)
Retained earnings	941,870	849,300
Cost of common shares in treasury, net (21,926,386 shares as of September 30, 2007 and 21,440,387 as of March 31, 2007)	(501,165)	(467,198)
Unearned employee stock ownership plan shares	(7,526)	(8,134)
Total stockholders' equity	787,709	718,098
Total liabilities and stockholders' equity	$ 3,878,847	$ 3,523,048

The accompanying notes are an integral part of these condensed consolidated financial statements.

1

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 439,801	$ 445,720
Self-storage revenues	33,088	32,416
Self-moving and self-storage products and service sales	62,495	61,916
Property management fees	3,993	3,986
Life insurance premiums	27,937	31,120
Property and casualty insurance premiums	7,332	6,470
Net investment and interest income	16,419	15,626
Other revenue	9,492	8,999
Total revenues	600,557	606,253
Costs and expenses:		
Operating expenses	284,990	280,808
Commission expenses	53,437	53,605
Cost of sales	33,943	31,448
Benefits and losses	25,592	28,842
Amortization of deferred policy acquisition costs	3,266	4,825
Lease expense	34,457	37,385
Depreciation, net of (gains) losses on disposals	55,746	43,087
Total costs and expenses	491,431	480,000
Earnings from operations	109,126	126,253
Interest expense	(27,495)	(21,063)
Amortization of fees on early extinguishment of debt	-	(6,969)
Pretax earnings	81,631	98,221
Income tax expense	(31,157)	(37,730)
Net earnings	50,474	60,491
Less: Preferred stock dividends	(3,241)	(3,241)
Earnings available to common shareholders	$ 47,233	$ 57,250
Basic and diluted earnings per common share	$ 2.39	$ 2.74
Weighted average common shares outstanding: Basic and diluted	19,733,755	20,910,204

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 835,878	$ 852,954
Self-storage revenues	65,124	62,847
Self-moving and self-storage products and service sales	131,209	129,367
Property management fees	7,940	7,833
Life insurance premiums	57,124	62,039
Property and casualty insurance premiums	13,248	11,852
Net investment and interest income	30,788	29,101
Other revenue	17,404	16,932
Total revenues	1,158,715	1,172,925
Costs and expenses:		
Operating expenses	558,321	542,187
Commission expenses	101,360	103,141
Cost of sales	68,591	63,764
Benefits and losses	54,869	59,448
Amortization of deferred policy acquisition costs	7,183	10,451
Lease expense	67,195	74,757
Depreciation, net of (gains) losses on disposals	100,011	82,758
Total costs and expenses	957,530	936,506
Earnings from operations	201,185	236,419
Interest expense	(51,266)	(39,525)
Amortization of fees on early extinguishment of debt	-	(6,969)
Pretax earnings	149,919	189,925
Income tax expense	(57,693)	(74,013)
Net earnings	92,226	115,912
Less: Preferred stock dividends	(6,482)	(6,482)
Earnings available to common shareholders	$ 85,744	$ 109,430
Basic and diluted earnings per common share	$ 4.32	$ 5.23
Weighted average common shares outstanding: Basic and diluted	19,850,874	20,903,946

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 92,226	$ 115,912
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	113,194	86,545
Amortization of deferred policy acquisition costs	7,183	10,451
Change in provision for (gain) loss on trade receivables	87	(11)
Change in provision for gain on mortgage notes	(19)	(20)
Change in provision for inventory reserves	1,281	-
Net gain on sale of real and personal property	(13,183)	(3,787)
Net loss on sale of investments	149	891
Write-off of unamortized debt issuance costs	-	6,969
Deferred income taxes	33,966	27,677
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	(5,154)	18,383
Inventories	3,181	(8,357)
Prepaid expenses	4,120	(2,962)
Capitalization of deferred policy acquisition costs	(2,539)	(3,166)
Other assets	(10,373)	(95)
Related party assets	41,881	12,899
Accounts payable and accrued expenses	13,497	7,380
Policy benefits and losses, claims and loss expenses payable	5,066	(8,420)
Other policyholders' funds and liabilities	211	1,577
Deferred income	(1,673)	530
Related party liabilities	(3,411)	(10,016)
Net cash provided by operating activities	279,690	252,380
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(360,511)	(378,605)
Short term investments	(128,627)	(103,999)
Fixed maturities investments	(45,622)	(59,033)
Real estate	(3,441)	-
Mortgage loans	(4,895)	(8,855)
Proceeds from sale of:		
Property, plant and equipment	100,660	57,204
Short term investments	144,814	145,044
Fixed maturities investments	61,206	52,056
Cash received in excess of purchase for company acquired	-	1,235
Equity securities	46	-
Preferred stock	2,625	125
Real estate	153	10,113

Mortgage loans		4,043		4,182
Payments from notes and mortgage receivables		367		293
Net cash used by investing activities		(229,182)		(280,240)
Cash flows from financing activities:				
Borrowings from credit facilities		447,620		276,744
Principal repayments on credit facilities		(179,043)		(39,614)
Debt issuance costs		(9,850)		(539)
Leveraged Employee Stock Ownership Plan - repayments from loan		608		608
Treasury stock repurchases		(33,966)		-
Securitization deposits		(116,176)		-
Preferred stock dividends paid		(6,482)		(6,482)
Investment contract deposits		8,772		8,444
Investment contract withdrawals		(34,032)		(40,275)
Net cash provided by financing activities		77,451		198,886
Effects of exchange rate on cash		113		131
Increase in cash equivalents		128,072		171,157
Cash and cash equivalents at the beginning of period		75,272		155,459
Cash and cash equivalents at the end of period	$	203,344	$	326,616

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The second fiscal quarter for AMERCO ends on the 30th of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30th of June for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the disclosure of our financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2007 and 2006 correspond to the Company's fiscal years 2008 and 2007, respectively.

Accounts denominated in non-U.S. currencies have been translated into U.S. dollars. Certain amounts reported in previous years have been reclassified to conform to the current presentation.

The consolidated financial statements for the second quarter and the first six months of fiscal 2008 and fiscal 2007, and the balance sheet as of March 31, 2007 include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II Corporation and its subsidiaries ("SAC Holding II").

The condensed consolidated balance sheet as of September 30, 2007 and the related condensed consolidated statements of operations for the second quarter and the first six months and the cash flows for the first six months ended fiscal 2008 and 2007 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the AMERCO 2007 Form 10-K.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO, a Nevada corporation ("AMERCO"), is the holding company for:

U-Haul International, Inc. ("U-Haul"),

Amerco Real Estate Company ("Real Estate"),

Republic Western Insurance Company ("RepWest") and its wholly-owned subsidiary,

Oxford Life Insurance Company ("Oxford") and its wholly-owned subsidiaries,

Unless the context otherwise requires, the term "Company," "we," "us" or "our" refers to AMERCO and its legal subsidiaries.

5

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Description of Operating Segments

AMERCO has four reportable segments. They are Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II.

Moving and Storage operations include AMERCO, U-Haul and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate and consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, the rental of self-storage spaces to the "do-it-yourself" mover and management of self-storage properties owned by others. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada.

Property and Casualty Insurance includes RepWest and its wholly-owned subsidiary. RepWest provides loss adjusting and claims handling for U-Haul through regional offices across North America. RepWest also underwrites components of the Safemove, Safetow and Safestor protection packages to U-Haul customers.

Life Insurance includes Oxford and its wholly-owned subsidiaries. Oxford originates and reinsures annuities, ordinary life and Medicare supplement insurance. Oxford also administers the self-insured employee health and dental plans for Arizona employees of the Company.

SAC Holding Corporation and its subsidiaries, and SAC Holding II Corporation and its subsidiaries, collectively referred to as "SAC Holdings," own self-storage properties that are managed by U-Haul under property management agreements and act as independent U-Haul rental equipment dealers. AMERCO, through its subsidiaries, has contractual interests in certain SAC Holdings' properties entitling AMERCO to potential future income based on the financial performance of these properties. With respect to SAC Holding II, AMERCO is considered the primary beneficiary of these contractual interests. Consequently, we include the results of SAC Holding II in the consolidated financial statements of AMERCO, as required by FIN 46(R).

2. Earnings per Share

Net earnings for purposes of computing earnings per common share are net earnings less preferred stock dividends. Preferred stock dividends include accrued dividends of AMERCO.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares net of shares committed to be released were 319,316 and 368,142 as of September 30, 2007 and September 30, 2006, respectively.

6,100,000 shares of preferred stock have been excluded from the weighted average shares outstanding calculation because they are not common stock and they are not convertible into common stock.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

3. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2008 Rate (a)	Maturities	September 30, 2007	March 31, 2007
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2018	$ 290,000	$ 295,000
Real estate loan (revolving credit)	-	2018	-	-
Senior mortgages	5.19%-5.75%	2015	519,990	521,332
Construction loan (revolving credit)	7.32%	2009	21,700	-
Working capital loan (revolving credit)	-	2008	-	-
Fleet loans (amortizing term)	6.11%-7.42%	2012-2014	322,143	364,833
Fleet loans (securitization)	5.40%-5.56%	2010-2014	298,209	-
Fleet loan (revolving credit)	-	2011	-	-
Total AMERCO notes and loans payable			$ 1,452,042	$ 1,181,165

(a) Interest rate as of September 30, 2007, including the effect of applicable hedging instruments

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. The lender is Merrill Lynch Commercial Finance Corp. and has a final maturity date of August 2018. The loan is comprised of a term loan facility with initial availability of $300.0 million and a revolving credit facility with an availability of $200.0 million. As of September 30, 2007 the outstanding balance on the Real Estate Loan was $290.0 million, with no portion of the revolver drawn down. U-Haul International, Inc. is a guarantor of this loan.

The amortizing term portion of the Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit portion of the Real Estate Loan requires monthly interest payments when drawn, with the unpaid loan balance and any accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers.

The interest rate, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate (“LIBOR”) plus the applicable margin. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.50%, the sum of which was 7.32%. The applicable margin ranges from 1.50% to 2.00%. The rate on the term facility portion of the loan is hedged with an interest rate swap fixing the rate at 6.93% based on the current margin.

The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. The lenders for these senior mortgages are Merrill Lynch Mortgage Lending, Inc. and Morgan Stanley Mortgage Capital, Inc. These senior mortgages loan balances as of September 30, 2007 were in the aggregate amount of $460.6 million and are due July 2015. These senior mortgages require average monthly principal and interest payments of $3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. These senior mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of these senior mortgages, are 5.68% per annum for the Merrill Lynch Mortgage Lending Agreement and 5.52% per annum for the Morgan Stanley Mortgage Capital Agreement. The default provisions of these senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Various subsidiaries of the Company are borrowers under mortgage backed loans that we also classify as senior mortgages. These loans are secured by certain properties owned by the Company. The loan balance of these notes totals $59.4 as of September 30, 2007. Maturity dates begin in 2009 with the majority maturing in 2015. Rates for these loans range from 5.19% to 5.75%. The loans require monthly principal and interest payments with the balances due upon maturity. The default provisions of the loans include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Construction / Working Capital Loans

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit Construction Loan with MidFirst Bank effective June 29, 2006. The maximum amount that can be drawn at any one time is $40.0 million. The final maturity is June 2009. As of September 30, 2007 the outstanding balance was $21.7 million.

The Construction Loan requires monthly interest only payments with the principal and any accrued and unpaid interest due at maturity. The loan can be used to develop new or existing storage properties. The loan is secured by the properties being constructed. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. At September 30, 2007 the applicable LIBOR was 5.82% and the margin was 1.50%, the sum of which was 7.32%. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Amerco Real Estate Company is a borrower under an asset backed facility. The lender is JP Morgan Chase Bank and the facility was originally in the amount of $20.0 million. The loan is secured by certain properties owned by the borrower. On September 5, 2007, the loan was amended to increase the availability to $35.0 million. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2008, subject to a one year extension. The loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. At September 30, 2007 the facility was fully available.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Merrill Lynch Commercial Finance Corp. The Company's outstanding balance at September 30, 2007 was $106.6 million and the final maturity is April 2012.

The Merrill Lynch Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Merrill Lynch Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.50% and 1.75%. At September 30, 2007, the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 6.81% based on the current margin. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is BTMU Capital Corporation (“BTMU”). The Company’s outstanding balance at September 30, 2007 was $119.3 million, and the final maturity is October 2012.

The BTMU Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The BTMU Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 7.32% based on the current margin. AMERCO and U-Haul International, Inc. are guarantors of the loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Bayerische Hypo-und Vereinsbank AG (“HVB”). The Company’s outstanding balance at September 30, 2007 was $33.7 million and its final maturity is July 2013.

The HVB Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HVB Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 7.42% based on the current margin. U-Haul International, Inc. is a guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is U.S. Bancorp Equipment Finance, Inc. (“U.S. Bank”). The Company’s outstanding balance at September 30, 2007 was $26.5 million and its final maturity is February 2014.

The U.S. Bank Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The U.S. Bank Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.125%, the sum of which was 6.95%. The interest rate is hedged with an interest rate swap fixing the rate at 6.37% based on the current margin. AMERCO and U-Haul International, Inc. are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lenders are HSBC Bank US, NA and KBC Bank, NV (“HSBC/KBC”). The Company’s outstanding balance at September 30, 2007 was $36.0 million and its final maturity is March 2014.

The HSBC/KBC Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HSBC/KBC Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.125%, the sum of which was 6.95%. The interest rate is hedged with an interest rate swap fixing the rate at 6.11% based on the current margin. AMERCO is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Rental Truck Securitizations

U-Haul S Fleet and its subsidiaries (collectively, “USF”) issued a $217.0 million asset-backed note (“Boxed-Truck Note”) and a $86.6 million asset-backed note (“Cargo Van/Pickup Note”) on June 1, 2007. USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from these securitized transactions will be used to finance new box truck, cargo van and pickup truck purchases throughout fiscal 2008. U.S. Bank, NA acts as the trustee for this securitization.

The Boxed Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At September 30, 2007 the outstanding balance was $211.6 million. $91.7 million remains in an escrow account, available to acquire new box trucks through the end of fiscal 2008. The note is secured by the box trucks being purchased and operating cash flows associated with their operation. The unused portion of this facility has been recorded as “Other assets” on our balance sheet.

The Cargo Van/Pickup Note has a fixed interest rate of 5.40% with an estimated final maturity of May 2010. At September 30, 2007 the outstanding balance was $86.6 million. $2.4 million remains in an escrow account, available to acquire new cargo vans and pick up trucks. The note is secured by the cargo vans and pickup trucks being purchased and the operating cash flows associated with their operation. The unused portion of this facility has been recorded as “Other assets” on our balance sheet.

The Box Truck Note and Cargo Van/Pickup Note have the benefit of financial guaranty insurance policies through Ambac Assurance Corporation. These policies guarantee the timely payment of interest on and the ultimate payment of the principal of the notes.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Box Truck Note and the Cargo Van/Pickup Note are subject to certain covenants with respect to liens, additional indebtedness of the special purpose entities, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of the notes include non-payment of principal or interest and other standard reporting and change in control covenants.

Revolving Credit Agreement

U-Haul International, Inc. and several of its subsidiaries are borrowers under a revolving credit facility. The lender is Merrill Lynch Commercial Finance Corp. The maximum amount that can be drawn is $100.0 million with a final maturity of 2011. As of September 30, 2007, the facility was fully available.

The revolving credit agreement requires monthly interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit agreement is secured by various older rental trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin. U-Haul International, Inc. is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Annual Maturities of AMERCO Consolidated Notes and Loans Payable

The annual maturities of AMERCO consolidated long-term debt as of September 30, 2007 for the next five years and thereafter is as follows:

	Year Ending September 30,					
	2008	**2009**	**2010**	**2011**	**2012**	**Thereafter**
			(Unaudited)			
			(In thousands)			
Notes payable, secured	$ 110,829	$ 125,323	$ 159,029	$ 63,355	$ 141,671	$ 851,835

SAC Holding II Notes and Loans Payable to Third Parties

SAC Holding II notes and loans payable to third parties, other than AMERCO, were as follows:

	September 30, 2007	**March 31, 2007**
	(Unaudited)	
	(In thousands)	
Notes payable, secured, 7.87% interest rate, due 2027	$ 74,197	$ 74,887

Secured notes payable are secured by deeds of trusts on the collateralized land and buildings. Principal and interest payments on notes payable to third party lenders are due monthly in the amount of $0.6 million. Certain notes payable contain provisions whereby the loans may not be prepaid at any time prior to the maturity date without payment to the lender of a yield maintenance premium, as defined in the loan agreements.

On March 15, 2004, the SAC entities issued $200.0 million aggregate principal amount of 8.5% senior notes due 2014 (the “new SAC notes”). SAC Holding Corporation and SAC Holding II Corporation were jointly and severally liable for these obligations. The proceeds from this issuance flowed exclusively to SAC Holding Corporation and as such SAC Holding II had recorded no liability for this. On August 30, 2004, SAC Holdings paid down $43.2 million on this note. On June 22, 2007, SAC Holdings repaid the balance of the new SAC notes and terminated the related indenture. No funds from SAC Holding II were used as part of this transaction.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Annual Maturities of SAC Holding II Notes and Loans Payable to Third Parties

The annual maturities of SAC Holding II long-term debt as of September 30, 2007 for the next five years and thereafter is as follows:

	Year Ending September 30,					
	2008	**2009**	**2010**	**2011**	**2012**	**Thereafter**
	(Unaudited)					
	(In thousands)					
Notes payable, secured	$ 1,499	$ 1,640	$ 1,776	$ 1,923	$ 2,067	$ 65,292

4. Interest on Borrowings

Interest Expense

Expenses associated with loans outstanding were as follows:

	Quarter Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Interest expense	$ 25,373	$ 19,331
Capitalized interest	(322)	(129)
Amortization of transaction costs	1,514	1,076
Interest income resulting from derivatives	(568)	(738)
Amortization of transaction costs related to early extinguishment of debt	-	6,969
Total AMERCO interest expense	25,997	26,509
SAC Holding II interest expense	3,236	3,206
Less: Intercompany transactions	1,738	1,683
Total SAC Holding II interest expense	1,498	1,523
Total	$ 27,495	$ 28,032

	Six Months Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Interest expense	$ 47,496	$ 35,888

Capitalized interest	(605)	(171)
Amortization of transaction costs	2,395	2,374
Interest income resulting from derivatives	(1,021)	(1,601)
Amortization of transaction costs related to early extinguishment of debt	-	6,969
Total AMERCO interest expense	48,265	43,459
SAC Holding II interest expense	6,467	6,600
Less: Intercompany transactions	3,466	3,565
Total SAC Holding II interest expense	3,001	3,035
Total	$ 51,266	$ 46,494

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Interest paid in cash by AMERCO amounted to $25.9 million and $17.1 million for the second quarter of fiscal 2008 and fiscal 2007, respectively.

Interest paid in cash by AMERCO (excluding any fees from the early extinguishment of debt) amounted to $46.0 million and $33.2 million for the first six months of fiscal 2008 and fiscal 2007, respectively.

The exposure to market risk for changes in interest rates relates primarily to our variable rate debt obligations. We have used interest rate swap and interest rate cap agreements to provide for matching the gain or loss recognition on the hedging instrument with the recognition of the changes in the cash flows associated with the hedged asset or liability attributable to the hedged risk or the earnings effect of the hedged forecasted transaction. As of September 30, 2007, the Company had approximately $633.8 million of variable rate debt obligations. On June 8, 2005, the Company entered into separate interest rate swap contracts for $100.0 million of our variable rate debt over a three year term and for $100.0 million of our variable rate debt over a five year term, which were designated as cash flow hedges effective July 1, 2005. These swap contracts were cancelled on August 16, 2006 in conjunction with our amendment of the Real Estate Loan and we entered into a new interest rate swap contract for $300.0 million of our variable rate debt over a twelve year term effective on August 18, 2006. On May 13, 2004, the Company entered into separate interest rate cap contracts for $200.0 million of our variable rate debt over a two year term and for $50.0 million of our variable rate debt over a three year term; however, effective July 11, 2005 when the Real Estate Loan was paid down by $222.4 million the cash flow hedge designations for these contracts were removed. The $200.0 million interest rate cap contract expired on May 17, 2006 and the $50.0 million interest rate cap contract expired on May 17, 2007. On November 15, 2005, the Company entered into a forward starting interest rate swap contract for $142.3 million of a variable rate debt over a six year term that started on May 10, 2006. On June 21, 2006, the Company entered into a forward starting interest rate swap contract for $50.0 million of our variable rate debt over a seven year term that started on July 10, 2006. On June 9, 2006, the Company entered into a forward starting interest rate swap contract for $144.9 million of a variable rate debt over a six year term that started on October 10, 2006. On February 9, 2007, the Company entered into an interest rate swap contract for $30.0 million of our variable rate debt over a seven year term that started on February 12, 2007. On March 8, 2007, the Company entered into two separate interest rate swap contracts each for $20.0 million of our variable rate debt over a seven year term that started on March 10, 2007. These interest rate swap agreements were designated cash flow hedges on their effective dates.

The interest rate cap agreement is no longer designated as a hedge as it was replaced with an interest rate swap agreement when the associated debt was replaced in fiscal 2007. Therefore all changes in the interest rate caps fair value (including changes in the option's time value), are recorded to earnings. Previously the change in each caplets' respective allocated fair value amount was reclassified out of accumulated other comprehensive income into earnings when each of the hedged forecasted transactions (the quarterly interest payments) impact earnings and when interest payments are either made or received.

The hedging relationship of the interest rate swap agreements is not considered to be perfectly effective. Therefore, for each reporting period an effectiveness test is performed. For the portion of the change in the interest rate swaps fair value deemed effective, this is charged to accumulated other comprehensive income. The remaining ineffective portion is charged to interest expense for the period. For the six months ended September 30, 2007 and September 30, 2006, the Company recorded interest income related to these swap agreements of $1.2 million and $1.6 million, respectively, all of which represented the ineffective component of the swaps that impacted earnings during the period.

12

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	6.87%	6.85%
Interest rate at the end of the quarter	7.32%	6.82%
Maximum amount outstanding during the quarter	$ 121,700	$ 90,000
Average amount outstanding during the quarter	$ 98,874	$ 90,000
Facility fees	$ 65	$ 57

	Revolving Credit Activity Six Months Ended September 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the first six months	6.80%	7.35%
Interest rate at the end of the first six months	7.32%	6.82%
Maximum amount outstanding during the first six months	$ 138,700	$ 90,000
Average amount outstanding during the first six months	$ 100,065	$ 90,000
Facility fees	$ 134	$ 114

5. Comprehensive Income (Loss)

A summary of accumulated other comprehensive income (loss) components, net of tax, were as follows:

	Foreign Currency Translation	Unrealized Gain (Loss) on Investments	Fair Market Value of Cash Flow Hedge	FASB Statement No. 158 Adjustment	Accumulated Other Comprehensive Income (Loss)
			(Unaudited)		

					(In thousands)					
Balance at March 31, 2007	$	(36,166)	$	(355)	$	(5,105)	$	(153)	$	(41,779)
Foreign currency translation		11,879		-		-		-		11,879
Unrealized loss on investments		-		(1,287)		-		-		(1,287)
Change in fair market value of cash flow hedge		-		-		(1,441)		-		(1,441)
Balance at September 30, 2007	$	(24,287)	$	(1,642)	$	(6,546)	$	(153)	$	(32,628)

Total comprehensive income for the six months ended September 30, 2007 and 2006 were $101.4 million and $103.6 million, respectively.

13

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

6. Contingent Liabilities and Commitments

The Company leases a portion of its rental equipment and certain of its facilities under operating leases with terms that expire at various dates substantially through 2012, with the exception of one land lease expiring in 2034. At September 30, 2007, AMERCO has guaranteed $170.1 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, the Company has the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. AMERCO has been leasing equipment since 1987 and has experienced no material losses relating to these types of residual value guarantees.

Lease commitments for leases having terms of more than one year were as follows:

	Property, Plant and Equipment	Rental Equipment	Total
		(Unaudited)	
		(In thousands)	
Year-ended September 30:			
2008	$ 12,458	$ 116,904	$ 129,362
2009	12,134	102,248	114,382
2010	11,723	84,057	95,780
2011	11,601	67,796	79,397
2012	10,928	53,883	64,811
Thereafter	22,593	52,125	74,718
Total	$ 81,437	$ 477,013	$ 558,450

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

7. Contingencies

Shoen

On September 24, 2002, Paul F. Shoen filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV02-05602, seeking damages and equitable relief on behalf of AMERCO from SAC Holdings and certain current and former members of the AMERCO Board of Directors, including Edward J. Shoen, Mark V. Shoen and James P. Shoen as defendants. AMERCO is named a nominal defendant for purposes of the derivative action. The complaint alleges breach of fiduciary duty, self-dealing, usurpation of corporate opportunities, wrongful interference with prospective economic advantage and unjust enrichment and seeks the unwinding of sales of self-storage properties by subsidiaries of AMERCO to SAC Holdings prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. On October 28, 2002, AMERCO, the Shoen directors, the non-Shoen directors and SAC Holdings filed Motions to Dismiss the complaint. In addition, on October 28, 2002, Ron Belec filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Ron Belec vs. William E. Carty, et al., CV 02-06331 and on January 16, 2003, M.S. Management Company, Inc. filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned M.S. Management Company, Inc. vs. William E. Carty, et al., CV 03-00386. Two additional derivative suits were also filed against these parties. These additional suits are substantially similar to the Paul F. Shoen derivative action. The five suits assert virtually identical claims. In fact, three of the five plaintiffs are parties who are working closely together and chose to file the same claims multiple times. These lawsuits alleged that the AMERCO Board lacked independence. In reaching its decision to dismiss these claims, the court determined that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. The court consolidated all five complaints before dismissing them on May 28, 2003. Plaintiffs appealed and, on July 13, 2006, the Nevada Supreme Court reviewed and remanded the claim to the trial court for proceedings consistent with its ruling, allowing the plaintiffs to file an amended complaint and plead in addition to substantive claims, demand futility. On November 8, 2006, the nominal plaintiffs filed an Amended Complaint. On December 22, 2006, the defendants filed Motions to Dismiss. Briefing was concluded on February 21, 2007. On March 29, 2007, the Court denied AMERCO’s motion to dismiss regarding the issue of demand futility. On March 30, 2007, the Court heard oral argument on the remainder of the Defendants’ Motions to Dismiss and requested supplemental briefing. The supplemental briefs were filed on May 14, 2007. In September and October of 2007, the defendants filed Motions For Judgment on the Pleadings or, In the Alternative, Summary Judgment. We are currently awaiting the Court’s rulings on these motions.

Environmental

In the normal course of business, AMERCO is a defendant in a number of suits and claims. AMERCO is also a party to several administrative proceedings arising from state and local provisions that regulate the removal and/or cleanup of underground fuel storage tanks. It is the opinion of management, that none of these suits, claims or proceedings involving AMERCO, individually or in the aggregate, are expected to result in a material loss.

Compliance with environmental requirements of federal, state and local governments significantly affects Real Estate’s business operations. Among other things, these requirements regulate the discharge of materials into the water, air and land and govern the use and disposal of hazardous substances. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to have a material adverse effect on AMERCO's financial position or operating results. Real Estate expects to spend approximately $7.6 million in total through 2011 to remediate these properties.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Other

The Company is named as a defendant in various other litigation and claims arising out of the normal course of business. In management's opinion none of these other matters will have a material effect on the Company's financial condition and ongoing results of operations.

8. Related Party Transactions

AMERCO has engaged in related party transactions and has continuing related party interests with certain major stockholders, directors and officers of the consolidated group as disclosed below. Management believes that the transactions described below and in the related notes were consummated on terms equivalent to those that would prevail in arm's-length transactions.

SAC Holdings was established in order to acquire self-storage properties. These properties are being managed by the Company pursuant to management agreements. The sale of self-storage properties by the Company to SAC Holdings has in the past provided significant cash flows to the Company.

Management believes that its sales of self-storage properties to SAC Holdings has provided a unique structure for the Company to earn moving equipment rental revenues and property management fee revenues from the SAC Holdings self-storage properties that the Company manages.

During the first six months of fiscal 2008, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"), wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of $9.4 million and $9.8 million, and received cash interest payments of $10.2 million and $37.2 million, from SAC Holdings during the first six months of fiscal 2008 and 2007, respectively. The cash interest payments for the first six months of fiscal 2007 included a payment to significantly reduce the outstanding interest receivable from SAC Holdings. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2008 was $203.7 million and the aggregate notes receivable balance at September 30, 2007 was $198.4 million, of which $75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements. In accordance with the terms of these notes, SAC Holdings may repay the notes without penalty or premium.

Interest accrues on the outstanding principal balance of junior notes of SAC Holdings that the Company holds at a 9.0% rate per annum. A fixed portion of that basic interest is paid on a monthly basis. Additional interest can be earned on notes totaling $122.2 million of principal depending upon the amount of remaining basic interest and the cash flow generated by the underlying property. This amount is referred to as the "cash flow-based calculation."

To the extent that this cash flow-based calculation exceeds the amount of remaining basic interest, contingent interest is paid on the same monthly date as the fixed portion of basic interest. To the extent that the cash flow-based calculation is less than the amount of remaining basic interest, the additional interest payable on the applicable monthly date is limited to the amount of that cash flow-based calculation. In such a case, the excess of the remaining basic interest over the cash flow-based calculation is deferred. In addition, subject to certain contingencies, the junior notes provide that the holder of the note is entitled to receive a portion of the appreciation realized upon, among other things, the sale of such property by SAC Holdings. To date, no excess cash flows related to these arrangements have been earned or paid.

During the first six months of fiscal 2008, AMERCO and U-Haul held various junior notes with Private Mini Storage Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of $2.5 million during the first six months of both fiscal 2008 and 2007, and received cash interest payments of $2.5 million from Private Mini during the first six months of both fiscal 2008 and 2007, respectively. The balance of notes receivable from Private Mini at September 30, 2007 was $69.6 million. The largest aggregate amount outstanding during fiscal 2008 was $70.1 million.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. ("Mercury"), Four SAC Self-Storage Corporation ("4 SAC"), Five SAC Self-Storage Corporation ("5 SAC"), Galaxy Investments, L.P. ("Galaxy") and Private Mini pursuant to a standard form of management agreement, under which the Company receives a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. The Company received management fees, exclusive of reimbursed expenses, of $15.0 million and $9.2 million from the above mentioned entities during the first six months of fiscal 2008 and 2007, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant shareholder and director of AMERCO, has an interest in Mercury.

The Company leases space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. Total lease payments pursuant to such leases were $1.3 million for each of the first six months of fiscal 2008 and 2007. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to the Company.

At September 30, 2007, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with the Company's other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues. For the first six months of fiscal 2008 and 2007, the Company paid the above mentioned entities $20.8 million and $21.2 million, respectively in commissions pursuant to such dealership contracts.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $20.4 million, expenses of $1.3 million and cash flows of $49.4 million during the first six months of fiscal 2008. Revenues and commission expenses related to the Dealer Agreements were $97.3 million and $20.8 million, respectively.

In prior years, U-Haul sold various properties to SAC Holding Corporation at prices in excess of U-Haul's carrying values resulting in gains which U-Haul deferred and treated as additional paid-in capital. The transferred properties have historically been stated at the original cost basis as the gains were eliminated in consolidation. In March 2004, these deferred gains were recognized and treated as contributions from a related party in the amount of $111.0 million as a result of the deconsolidation of SAC Holdings Corporation.

On September 1, 2007, SAC Holding Corporation issued a promissory note to U-Haul. As part of the note, the Company reclassified $20.0 million of deferred interest due from SAC Holding Corporation to a note receivable. The note accrues interest at 9.0% per annum with interest payments due quarterly and a final maturity in 2019.

During the second quarter of fiscal 2008 the Company received $20.1 million from SAC Holding Corporation as full repayment for one of its junior notes.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Related Party Assets

		September 30, 2007		March 31, 2007
		(Unaudited)		
		(In thousands)		
Private Mini notes, receivables and interest	$	71,566	$	71,785
Oxford note receivable from SAC Holding Corporation		-		5,040
U-Haul notes receivable from SAC Holding Coporation		123,340		123,578
U-Haul interest receivable from SAC Holding Corporation		3,441		23,361
U-Haul receivable from SAC Holding Corporation		9,233		16,596
U-Haul receivable from Mercury		2,405		4,278
Other (a)		(4,136)		541
	$	205,849	$	245,179

(a) The current period credit balance resulted from a timing difference between Oxford and AMERCO for a partial repayment of an intercompany note. This will reverse in our December 31, 2007 financial statements.

Related Party Liabilities

		September 30, 2007		March 31, 2007
		(Unaudited)		
		(In thousands)		
SAC Holding II payable to affiliate	$	2,008	$	2,099

9. Consolidating Financial Information by Industry Segment

AMERCO has four reportable segments. They are Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II. Management tracks revenues separately, but does not report any separate measure of the profitability for rental vehicles, rentals of self-storage spaces and sales of products that are required to be classified as a separate operating segment and accordingly does not present these as separate reportable segments. Deferred income taxes are shown as liabilities on the condensed consolidating statements.

This section includes condensed consolidating financial information which presents the condensed consolidating balance sheets as of September 30, 2007 and March 31, 2007 and the related condensed consolidating statements of operations for the second quarter and first six months of fiscal 2008 and 2007 and the condensed consolidating cash flow statements for the first six months of fiscal 2008 and 2007 for:

(a) Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate

(b) Property and Casualty Insurance, comprised of RepWest and its wholly-owned subsidiary

(c) Life Insurance, comprised of Oxford and its wholly-owned subsidiaries

(d) SAC Holding II and its subsidiaries

The information includes elimination entries necessary to consolidate AMERCO, the parent, with its subsidiaries and SAC Holding II and its subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

9. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group		
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination
						(Unaudited)		
						(In thousands)		
Assets:								
Cash and cash equivalents	$ 31	$ 182,197	$ 2,995	$ -	$ 185,223	$ 4,459	$ 13,662	$ -
Reinsurance recoverables and trade receivables, net	-	25,255	25	-	25,280	154,004	10,585	-
Notes and mortgage receivables, net	-	1,307	555	-	1,862	-	-	-
Inventories, net	-	61,644	-	-	61,644	-	-	-
Prepaid expenses	-	47,169	44	-	47,213	-	-	-
Investments, fixed maturities and marketable equities	-	-	-	-	-	151,662	505,250	-
Investments, other	-	966	13,917	-	14,883	71,784	79,983	-
Deferred policy acquisition costs, net	-	-	-	-	-	76	43,811	-
Other assets	6	181,375	41,738	-	223,119	2,193	911	-
Related party assets	1,208,523	233,811	89	(1,146,512) (d)	295,911	8,663	-	(17,962
	1,208,560	733,724	59,363	(1,146,512)	855,135	392,841	654,202	(17,962
Investment in subsidiaries	(160,547)	-	-	444,861 (c)	284,314	-	-	(284,314
Investment in SAC Holding II	(8,901)	-	-	-	(8,901)	-	-	-
Total investment in subsidiaries and SAC Holding II	(169,448)	-	-	444,861	275,413	-	-	(284,314
Property, plant and equipment, at cost:								

Land	-	43,731	163,049	-	206,780	-	-	-
Buildings and improvements	-	112,781	721,550	-	834,331	-	-	-
Furniture and equipment	4,645	290,586	18,072	-	313,303	-	-	-
Rental trailers and other rental equipment	-	206,599	-	-	206,599	-	-	-
Rental trucks	-	1,736,826	-	-	1,736,826	-	-	-
SAC Holding II - property, plant and equipment (b)	-	-	-	-	-	-	-	-
	4,645	2,390,523	902,671	-	3,297,839	-	-	-
Less: Accumulated depreciation	(950)	(1,004,243)	(302,187)	-	(1,307,380)	-	-	-
Total property, plant and equipment	3,695	1,386,280	600,484	-	1,990,459	-	-	-
Total assets	$ 1,042,807	$ 2,120,004	$ 659,847	$ (701,651)	$ 3,121,007	$ 392,841	$ 654,202	$ (302,276

(a) Balances as of June 30, 2007

(b) Included in this caption is land of $57,169, buildings and improvements of $97,680, and furniture and equipment of $748

(c) Eliminate investment in subsidiaries and SAC Holding II

(d) Eliminate intercompany receivables and payables

(e) Eliminate gain on sale of property from U-Haul to SAC Holding II

19

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of September 30, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group		
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations
	(Unaudited) (In thousands)							
Liabilities:								
Accounts payable and accrued expenses	$ 119	$ 250,746	$ 5,436	$ -	$ 256,301	$ -	$ 6,802	$ -
AMERCO's notes and loans payable	-	669,166	782,876	-	1,452,042	-	-	-
SAC Holding II notes and loans payable, non-recourse to AMERCO	-	-	-	-	-	-	-	-
Policy benefits and losses, claims and loss expenses payable	-	356,494	-	-	356,494	275,693	141,063	-
Liabilities from investment contracts	-	-	-	-	-	-	361,380	-
Other policyholders' funds and liabilities	-	-	-	-	-	7,913	2,861	-
Deferred income	-	14,104	-	-	14,104	-	-	-
Deferred income taxes	210,411	-	-	-	210,411	(39,009)	(5,032)	-
Related party liabilities	-	1,100,005	53,411	(1,146,512) (c)	6,904	2,244	8,814	(17,962) (c)
Total liabilities	210,530	2,390,515	841,723	(1,146,512)	2,296,256	246,841	515,888	(17,962)
Stockholders' equity:								

Series preferred stock:											
Series A preferred stock	-	-	-	-		-	-	-	-		
Series B preferred stock	-	-	-	-		-	-	-	-		
Series A common stock	-	-	-	-		-	-	-	-		
Common stock	10,497	540	1	(541)	(b)	10,497	3,300	2,500	(5,800)	(b)	
Additional paid-in capital	422,732	121,230	147,481	(268,711)	(b)	422,732	86,121	26,271	(112,392)	(b)	
Additional paid-in capital - SAC Holding II	-	-	-	-		-	-	-	-		
Accumulated other comprehensive income (loss)	(32,628)	(30,987)	-	30,987	(b)	(32,628)	(530)	(1,113)	1,643	(b)	
Retained earnings (deficit)	932,841	(353,768)	(329,358)	683,126	(b)	932,841	57,109	110,656	(167,765)	(b)	
Cost of common shares in treasury, net	(501,165)	-	-	-		(501,165)	-	-	-		
Unearned employee stock ownership plan shares	-	(7,526)	-	-		(7,526)	-	-	-		
Total stockholders' equity (deficit)	832,277	(270,511)	(181,876)	444,861		824,751	146,000	138,314	(284,314)		
Total liabilities and stockholders' equity	$ 1,042,807	$ 2,120,004	$ 659,847	$ (701,651)		$ 3,121,007	$ 392,841	$ 654,202	$ (302,276)		

(a) Balances as of June 30, 2007

(b) Eliminate investment in subsidiaries and SAC Holding II

(c) Eliminate intercompany receivables and payables

(d) Eliminate gain on sale of property from U-Haul to SAC Holding II

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2007 are as follows:

	Moving & Storage						AMERCO Legal Group		
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations
							(In thousands)		
Assets:									
Cash and cash equivalents	$ 9	$ 63,490	$ 807	$ -		$ 64,306	$ 4,228	$ 6,738	$ -
Reinsurance recoverables and trade receivables, net	-	18,343	27	-		18,370	155,172	11,075	-
Notes and mortgage receivables, net	-	1,236	433	-		1,669	-	-	-
Inventories, net	-	65,646	-	-		65,646	-	-	-
Prepaid expenses	11,173	40,586	30	-		51,789	-	-	-
Investments, fixed maturities and marketable equities	-	-	-	-		-	156,540	525,261	-
Investments, other	-	1,119	10,714	-		11,833	74,716	92,150	-
Deferred policy acquisition costs, net	-	-	-	-		-	196	44,318	-
Other assets	12	56,264	31,794	-		88,070	1,744	833	-
Related party assets	1,180,929	251,288	12,663	(1,113,379)	(d)	331,501	9,909	5,040	(20,840)
	1,192,123	497,972	56,468	(1,113,379)		633,184	402,505	685,415	(20,840)
Investment in subsidiaries	(235,860)	-	-	514,745	(c)	278,885	-	-	(278,885)
Investment in SAC Holding II	(9,256)	-	-	-		(9,256)	-	-	-
Total investment in subsidiaries and SAC Holding II	(245,116)	-	-	514,745		269,629	-	-	(278,885)
Property, plant and equipment, at cost:									
Land	-	39,868	163,049	-		202,917	-	-	-
Buildings and improvements	-	103,542	698,747	-		802,289	-	-	-

Furniture and equipment	4,588	279,219	17,944	-	301,751	-	-	-
Rental trailers and other rental equipment	-	200,208	-	-	200,208	-	-	-
Rental trucks	-	1,604,123	-	-	1,604,123	-	-	-
SAC Holding II - property, plant and equipment (b)	-	-	-	-	-	-	-	-
	4,588	2,226,960	879,740	-	3,111,288	-	-	-
Less: Accumulated depreciation	(627)	(995,028)	(296,563)	-	(1,292,218)	-	-	-
Total property, plant and equipment	3,961	1,231,932	583,177	-	1,819,070	-	-	-
Total assets	$ 950,968	$ 1,729,904	$ 639,645	$ (598,634)	$ 2,721,883	$ 402,505	$ 685,415	$ (299,725)

(a) Balances as of December 31, 2006

(b) Included in this caption is land of $57,169, buildings and improvements of $96,879, and furniture and equipment of $513

(c) Eliminate investment in subsidiaries and SAC Holding II

(d) Eliminate intercompany receivables and payables

(e) Eliminate gain on sale of property from U-Haul to SAC Holding II

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group		
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations
						(In thousands)		
Liabilities:								
Accounts payable and accrued expenses	$ 926	$ 236,830	$ 4,973	$ -	$ 242,729	$ -	$ 7,083	$ -
AMERCO's notes and loans payable	-	406,458	774,707	-	1,181,165	-	-	-
SAC Holding II notes and loans payable, non-recourse to AMERCO	-	-	-	-	-	-	-	-
Policy benefits and losses, claims and loss expenses payable	-	330,602	-	-	330,602	291,241	146,908	-
Liabilities from investment contracts	-	-	-	-	-	-	386,640	-
Other policyholders' funds and liabilities	-	-	-	-	-	7,633	2,930	-
Deferred income	-	15,629	-	-	15,629	-	-	-
Deferred income taxes	186,594	-	-	-	186,594	(41,223)	(3,167)	-
Related party liabilities	-	1,077,090	46,139	(1,113,379) (c)	9,850	2,411	8,579	(20,840) (c)
Total liabilities	187,520	2,066,609	825,819	(1,113,379)	1,966,569	260,062	548,973	(20,840)
Stockholders' equity:								

Series preferred stock:										
Series A preferred stock	-	-	-	-		-	-	-	-	
Series B preferred stock	-	-	-	-		-	-	-	-	
Series A common stock	-	-	-	-		-	-	-	-	
Common stock	10,497	540	1	(541)	(b)	10,497	3,300	2,500	(5,800)	(b)
Additional paid-in capital	421,483	121,230	147,481	(268,711)	(b)	421,483	86,121	26,271	(112,392)	(b)
Additional paid-in capital - SAC Holding II	-	-	-	-		-	-	-	-	
Accumulated other comprehensive income (loss)	(41,779)	(41,454)	-	41,454	(b)	(41,779)	(163)	(192)	355	(b)
Retained earnings (deficit)	840,445	(408,887)	(333,656)	742,543	(b)	840,445	53,185	107,863	(161,048)	(b)
Cost of common shares in treasury, net	(467,198)	-	-	-		(467,198)	-	-	-	
Unearned employee stock ownership plan shares	-	(8,134)	-	-		(8,134)	-	-	-	
Total stockholders' equity (deficit)	763,448	(336,705)	(186,174)	514,745		755,314	142,443	136,442	(278,885)	
Total liabilities and stockholders' equity	$ 950,968	$ 1,729,904	$ 639,645	$ (598,634)		$ 2,721,883	$ 402,505	$ 685,415	$ (299,725)	$

(a) Balances as of December 31, 2006

(b) Eliminate investment in subsidiaries and SAC Holding II

(c) Eliminate intercompany receivables and payables

(d) Eliminate gain on sale of property from U-Haul to SAC Holding II

22

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statement of operations by industry segment for the quarter ended September 30, 2007 are as follows:

	Moving & Storage						AMERCO Legal Group				A
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
							(Unaudited) (In thousands)				
Revenues:											
Self-moving equipment rentals	$ -	$ 439,801	$ -	$ -		$ 439,801	$ -	$ -	$ -		$ 439,801
Self-storage revenues	-	27,865	418	-		28,283	-	-	-		28,283
Self-moving & self-storage products & service sales	-	58,185	-	-		58,185	-	-	-		58,185
Property management fees	-	4,742	-	-		4,742	-	-	-		4,742
Life insurance premiums	-	-	-	-		-	-	27,937	-		27,937
Property and casualty insurance premiums	-	-	-	-		-	7,332	-	-		7,332
Net investment and interest income	1,091	9,163	-	-		10,254	3,061	5,294	(452)	(b,d)	18,157
Other revenue	-	9,274	17,661	(18,676)	(b)	8,259	-	1,229	(131)	(b)	9,357
Total revenues	1,091	549,030	18,079	(18,676)		549,524	10,393	34,460	(583)		593,794
Costs and expenses:											
Operating expenses	2,219	285,829	2,314	(18,676)	(b)	271,686	3,746	6,467	(1,868)	(b,c,d)	280,031
Commission expenses	-	56,171	-	-		56,171	-	-	-		56,171
Cost of sales	-	31,485	-	-		31,485	-	-	-		31,485
Benefits and losses	-	-	-	-		-	2,887	21,200	1,505	(c)	25,592
	-	-	-	-		-	38	3,228	-		3,266

Amortization of deferred policy acquisition costs											
Lease expense	22	34,814	19	-		34,855	-	-	(220)	(b)	34,635
Depreciation, net of (gains) losses on disposals	148	52,101	2,961	-		55,210	-	-	-		55,210
Total costs and expenses	2,389	460,400	5,294	(18,676)		449,407	6,671	30,895	(583)		486,390
Equity in earnings of subsidiaries	37,248	-	-	(32,429)	(f)	4,819	-	-	(4,819)	(f)	-
Equity in earnings of SAC Holding II	43	-	-	-		43	-	-	-		43
Total - equity in earnings of subsidiaries and SAC Holding II	37,291	-	-	(32,429)		4,862	-	-	(4,819)		43
Earnings from operations	35,993	88,630	12,785	(32,429)		104,979	3,722	3,565	(4,819)		107,447
Interest income (expense)	22,276	(34,906)	(13,367)	-		(25,997)	-	-	-		(25,997)
Pretax earnings (loss)	58,269	53,724	(582)	(32,429)		78,982	3,722	3,565	(4,819)		81,450
Income tax expense	(7,882)	(20,139)	(574)	-		(28,595)	(1,303)	(1,165)	-		(31,063)
Net earnings (loss)	50,387	33,585	(1,156)	(32,429)		50,387	2,419	2,400	(4,819)		50,387
Less: Preferred stock dividends	(3,241)	-	-	-		(3,241)	-	-	-		(3,241)
Earnings (loss) available to common shareholders	$ 47,146	$ 33,585	$ (1,156)	$ (32,429)		$ 47,146	$ 2,419	$ 2,400	$ (4,819)		$ 47,146

(a) Balances for the quarter ended June 30, 2007

(b) Eliminate intercompany lease income and commission income

(c) Eliminate intercompany

premiums
(d) Eliminate
intercompany
interest on debt
(e) Eliminate gain on sale of surplus
property from U-Haul to SAC
Holding II
(f) Eliminate equity in earnings of subsidiaries
and equity in earnings of SAC Holding II
(g) Eliminate management fees charged to SAC Holding II
and other intercompany operating expenses

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the quarter ended September 30, 2006 are as follows:

	Moving & Storage						AMERCO Legal Group				AM
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
							(Unaudited) (In thousands)				
Revenues:											
Self-moving equipment rentals	$ -	$ 445,720	$ -	$ -		$ 445,720	$ -	$ -	$ -		$ 445,720
Self-storage revenues	-	26,970	398	-		27,368	-	-	-		27,368
Self-moving & self-storage products & service sales	-	57,531	-	-		57,531	-	-	-		57,531
Property management fees	-	4,738	-	-		4,738	-	-	-		4,738
Life insurance premiums	-	-	-	-		-	-	31,519	(399)	(c)	31,120
Property and casualty insurance premiums	-	-	-	-		-	6,470	-	-		6,470
Net investment and interest income	1,242	7,818	-	-		9,060	2,790	5,771	(312)	(b,d)	17,309
Other revenue	174	8,625	16,940	(18,335)	(b)	7,404	-	1,441	(16)	(b)	8,829
Total revenues	1,416	551,402	17,338	(18,335)		551,821	9,260	38,731	(727)		599,085
Costs and expenses:											
Operating expenses	2,768	282,779	2,705	(18,335)	(b)	269,917	2,004	7,221	(3,419)	(b,c,d)	275,723
Commission expenses	-	56,359	-	-		56,359	-	-	-		56,359
Cost of sales	-	29,559	-	-		29,559	-	-	-		29,559
Benefits and losses	-	-	-	-		-	4,949	21,925	1,968	(c)	28,842
	-	-	-	-		-	643	4,182	-		4,825

Amortization of deferred policy acquisition costs											
Lease expense	22	37,858	801	-		38,681	-	-	(1,118)	(b)	37,563
Depreciation, net of (gains) losses on disposals	60	43,366	(869)	-		42,557	-	-	-		42,557
Total costs and expenses	2,850	449,921	2,637	(18,335)		437,073	7,596	33,328	(2,569)		475,428
Equity in earnings of subsidiaries	46,841	-	-	(40,359)	(f)	6,482	-	-	(6,482)	(f)	-
Equity in earnings of SAC Holding II	560	-	-	-		560	-	-	-		560
Total - equity in earnings of subsidiaries and SAC Holding II	47,401	-	-	(40,359)		7,042	-	-	(6,482)		560
Earnings from operations	45,967	101,481	14,701	(40,359)		121,790	1,664	5,403	(4,640)		124,217
Interest income (expense)	21,981	(27,685)	(13,836)	-		(19,540)	-	-	-		(19,540)
Amortization of fees on early extinguishment of debt	-	(302)	(6,667)	-		(6,969)	-	-	-		(6,969)
Pretax earnings (loss)	67,948	73,494	(5,802)	(40,359)		95,281	1,664	5,403	(4,640)		97,708
Income tax benefit (expense)	(7,544)	(29,328)	1,995	-		(34,877)	(560)	(1,867)	-		(37,304)
Net earnings (loss)	60,404	44,166	(3,807)	(40,359)		60,404	1,104	3,536	(4,640)		60,404
Less: Preferred stock dividends	(3,241)	-	-	-		(3,241)	-	-	-		(3,241)
Earnings (loss) available to common shareholders	$ 57,163	$ 44,166	$ (3,807)	$ (40,359)		$ 57,163	$ 1,104	$ 3,536	$ (4,640)		$ 57,163

(a) Balances for the quarter ended June 30, 2006

(b) Eliminate intercompany lease income and commission income

(c) Eliminate intercompany premiums

(d) Eliminate
intercompany
interest on debt
(e) Eliminate gain on sale of surplus property
from U-Haul to SAC Holding II
(f) Eliminate equity in earnings of subsidiaries
and equity in earnings of SAC Holding II
(g) Eliminate management fees charged to SAC Holding II
and other intercompany operating expenses

24

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the six months ended September 30, 2007 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AME Consol
							(Unaudited) (In thousands)				
Revenues:											
Self-moving equipment rentals	$ -	$ 835,878	$ -	$ -		$ 835,878	$ -	$ -	$ -		$ 83
Self-storage revenues	-	54,489	838	-		55,327	-	-	-		5
Self-moving & self-storage products & service sales	-	122,247	-	-		122,247	-	-	-		12
Property management fees	-	9,428	-	-		9,428	-	-	-		
Life insurance premiums	-	-	-	-		-	-	57,124	-		5
Property and casualty insurance premiums	-	-	-	-		-	13,248	-	-		1
Net investment and interest income	2,277	15,571	-	-		17,848	6,161	11,148	(903)	(b,d)	3
Other revenue	-	17,454	34,727	(37,169)	(b)	15,012	-	2,371	(259)	(b)	1
Total revenues	2,277	1,055,067	35,565	(37,169)		1,055,740	19,409	70,643	(1,162)		1,14
Costs and expenses:											
Operating expenses	5,869	559,050	5,148	(37,169)	(b)	532,898	6,508	12,839	(3,989)	(b,c,d)	54
Commission expenses	-	106,517	-	-		106,517	-	-	-		10
Cost of sales	-	63,911	-	-		63,911	-	-	-		6
Benefits and losses	-	-	-	-		-	6,684	44,918	3,267	(c)	5
	-	-	-	-		-	179	7,004	-		

Amortization of deferred policy acquisition costs											
Lease expense	48	67,898	44	-		67,990	-	-	(440)	(b)	6
Depreciation, net of (gains) losses on disposals	322	103,104	(4,378)	-		99,048	-	-	-		9
Total costs and expenses	6,239	900,480	814	(37,169)		870,364	13,371	64,761	(1,162)		94
Equity in earnings of subsidiaries	67,157	-	-	(59,417)	(f)	7,740	-	-	(7,740)	(f)	
Equity in earnings of SAC Holding II	355	-	-	-		355	-	-	-		
Total - equity in earnings of subsidiaries and SAC Holding II	67,512	-	-	(59,417)		8,095	-	-	(7,740)		
Earnings from operations	63,550	154,587	34,751	(59,417)		193,471	6,038	5,882	(7,740)		19
Interest income (expense)	43,541	(65,542)	(26,264)	-		(48,265)	-	-	-		(4
Pretax earnings	107,091	89,045	8,487	(59,417)		145,206	6,038	5,882	(7,740)		14
Income tax expense	(15,039)	(33,926)	(4,189)	-		(53,154)	(2,114)	(2,066)	-		(5
Net earnings	92,052	55,119	4,298	(59,417)		92,052	3,924	3,816	(7,740)		9
Less: Preferred stock dividends	(6,482)	-	-	-		(6,482)	-	-	-		(
Earnings available to common shareholders	$ 85,570	$ 55,119	$ 4,298	$ (59,417)		$ 85,570	$ 3,924	$ 3,816	$ (7,740)		$ 8

(a) Balances for the six months ended June 30, 2007

(b) Eliminate intercompany lease income and commission income

(c) Eliminate intercompany premiums

(d) Eliminate intercompany interest on debt

(e) Eliminate gain on sale of surplus property from U-Haul to SAC Holding II

(f) Eliminate equity in earnings of subsidiaries and
equity in earnings of SAC Holding II
(g) Eliminate management fees charged to SAC Holding II
and other intercompany operating expenses

25

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the six months ended September 30, 2006 are as follows:

	Moving & Storage						AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AME Conso
							(Unaudited) (In thousands)				
Revenues:											
Self-moving equipment rentals	$ -	$ 852,954	$ -	$ -		$ 852,954	$ -	$ -	$ -		$ 85
Self-storage revenues	-	52,149	808	-		52,957	-	-	-		5
Self-moving & self-storage products & service sales	-	120,230	-	-		120,230	-	-	-		12
Property management fees	-	9,334	-	-		9,334	-	-	-		
Life insurance premiums	-	-	-	-		-	-	62,836	(797)	(c)	6
Property and casualty insurance premiums	-	-	-	-		-	11,852	-	-		1
Net investment and interest income	2,462	14,386	-	-		16,848	5,476	11,277	(935)	(b,d)	3
Other revenue	204	16,752	33,763	(36,583)	(b)	14,136	-	2,755	(281)	(b)	1
Total revenues	2,666	1,065,805	34,571	(36,583)		1,066,459	17,328	76,868	(2,013)		1,15
Costs and expenses:											
Operating expenses	7,333	545,586	4,718	(36,583)	(b)	521,054	3,567	13,970	(6,341)	(b,c,d)	53
Commission expenses	-	108,451	-	-		108,451	-	-	-		10
Cost of sales	-	59,788	-	-		59,788	-	-	-		5
Benefits and losses	-	-	-	-		-	9,131	46,358	3,959	(c)	5
	-	-	-	-		-	1,265	9,186	-		1

Amortization of deferred policy acquisition costs											
Lease expense	41	75,726	818	-		76,585	-	-	(1,473)	(b)	7
Depreciation, net of (gains) losses on disposals	122	80,639	939	-		81,700	-	-	-		8
Total costs and expenses	7,496	870,190	6,475	(36,583)		847,578	13,963	69,514	(3,855)		92
Equity in earnings of subsidiaries	89,889	-	-	(81,056)	(f)	8,833	-	-	(8,833)	(f)	
Equity in earnings of SAC Holding II	997	-	-	-		997	-	-	-		
Total - equity in earnings of subsidiaries and SAC Holding II	90,886	-	-	(81,056)		9,830	-	-	(8,833)		
Earnings from operations	86,056	195,615	28,096	(81,056)		228,711	3,365	7,354	(6,991)		23
Interest income (expense)	44,102	(54,526)	(26,066)	-		(36,490)	-	-	-		(3
Amortization of fees on early extinguishment of debt	-	(302)	(6,667)	-		(6,969)	-	-	-		(
Pretax earnings (loss)	130,158	140,787	(4,637)	(81,056)		185,252	3,365	7,354	(6,991)		18
Income tax benefit (expense)	(14,420)	(56,425)	1,331	-		(69,514)	(1,178)	(2,550)	-		(7
Net earnings (loss)	115,738	84,362	(3,306)	(81,056)		115,738	2,187	4,804	(6,991)		11
Less: Preferred stock dividends	(6,482)	-	-	-		(6,482)	-	-	-		(
Earnings (loss) available to common shareholders	$ 109,256	$ 84,362	$ (3,306)	$ (81,056)		$ 109,256	$ 2,187	$ 4,804	$ (6,991)		$ 10

(a) Balances for the six months ended June 30, 2006

(b) Eliminate intercompany lease income and commission income

(c) Eliminate intercompany premiums

(d) Eliminate intercompany interest on debt

(e) Eliminate gain on sale of surplus property from U-Haul to SAC Holding II

(f) Eliminate equity in earnings of subsidiaries and equity in earnings of SAC Holding II

(g) Eliminate management fees charged to SAC Holding II and other intercompany operating expenses

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating cash flow statements by industry segment for the six months ended September 30, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group				AME Cons
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated	SAC Holdin II
					(Unaudited)					
Cash flows from operating activities:					(In thousands)					
Net earnings	$ 92,052	$ 55,119	$ 4,298	$ (59,417)	$ 92,052	$ 3,924	$ 3,816	$ (7,740)	$ 92,052	$ 35
Earnings from consolidated entities	(67,512)	-	-	59,417	(8,095)	-	-	7,740	(355)	
Adjustments to reconcile net earnings to cash provided by operations:										
Depreciation	322	106,115	5,634	-	112,071	-	-	-	112,071	1,40
Amortization of deferred policy acquisition costs	-	-	-	-	-	179	7,004	-	7,183	
Change in provision for loss on trade receivables	-	31	-	-	31	-	56	-	87	
Change in provision for gain on mortgage notes	-	(19)	-	-	(19)	-	-	-	(19)	
Change in provision for inventory reserve	-	1,281	-	-	1,281	-	-	-	1,281	
Net gain on sale of real and personal	-	(3,011)	(10,012)	-	(13,023)	-	-	-	(13,023)	(16

property										
Net (gain) loss on sale of investments	-	-	-	-	-	167	(18)	-	149	
Deferred income taxes	31,666	121	-	-	31,787	2,411	(572)	-	33,626	23
Net change in other operating assets and liabilities:										
Reinsurance recoverables and trade receivables	-	(6,754)	(2)	-	(6,756)	1,168	434	-	(5,154)	
Inventories	-	3,143	-	-	3,143	-	-	-	3,143	3
Prepaid expenses	11,173	(7,056)	(14)	-	4,103	-	-	-	4,103	1
Capitalization of deferred policy acquisition costs	-	-	-	-	-	(59)	(2,480)	-	(2,539)	
Other assets	6	797	(9,774)	-	(8,971)	(447)	(79)	-	(9,497)	(87
Related party assets	5,812	17,204	12,574	-	35,590	1,246	5,040	-	41,876	
Accounts payable and accrued expenses	415	18,485	(4,187)	-	14,713	-	(1,613)	-	13,100	39
Policy benefits and losses, claims and loss expenses payable	-	26,459	-	-	26,459	(15,548)	(5,845)	-	5,066	
Other policyholders' funds and liabilities	-	-	-	-	-	280	(69)	-	211	
Deferred income	-	(1,655)	-	-	(1,655)	-	-	-	(1,655)	(1
Related party liabilities	-	(3,715)	-	-	(3,715)	(167)	235	-	(3,647)	23
Net cash provided (used) by	73,934	206,545	(1,483)	-	278,996	(6,846)	5,909	-	278,059	1,63

operating activities										
Cash flows from investing activities:										
Purchases of:										
Property, plant and equipment	(58)	(338,531)	(20,590)	-	(359,179)	-	-	-	(359,179)	(1,33
Short term investments	-	-	-	-	-	(34,607)	(94,020)	-	(128,627)	
Fixed maturities investments	-	-	-	-	-	(12,885)	(32,737)	-	(45,622)	
Real estate	-	-	(3,203)	-	(3,203)	(238)	-	-	(3,441)	
Mortgage loans	-	-	-	-	-	-	(4,895)	-	(4,895)	
Proceeds from sales of:										
Property, plant and equipment	-	88,385	11,884	-	100,269	-	-	-	100,269	39
Short term investments	-	-	-	-	-	37,778	107,036	-	144,814	
Fixed maturities investments	-	-	-	-	-	15,029	46,177	-	61,206	
Equity securities	-	-	-	-	-	-	46	-	46	
Preferred stock	-	-	-	-	-	2,000	625	-	2,625	
Real estate	-	153	-	-	153	-	-	-	153	
Mortgage loans	-	-	-	-	-	-	4,043	-	4,043	
Payments from notes and mortgage receivables	-	56	311	-	367	-	-	-	367	
Net cash provided (used) by investing activities	(58)	(249,937)	(11,598)	-	(261,593)	7,077	26,275	-	(228,241)	(94

(page 1 of 2)

(a) Balance for the period ended June 30, 2007

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Continuation of consolidating cash flow statements by industry segment for the six months ended September 30, 2007 are as follows:

	Moving & Storage					AMERCO Legal Group			AMERCO as Consolidated			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated	SAC Holding II	Eliminations	Total Consolidated
	(Unaudited)											
Cash flows from financing activities:	(In thousands)											
Borrowings from credit facilities	-	409,794	37,826	-	447,620	-	-	-	447,620	-	-	447,620
Principal repayments on credit facilities	-	(148,696)	(29,657)	-	(178,353)	-	-	-	(178,353)	(690)	-	(179,043)
Debt issuance costs	-	(9,680)	(170)	-	(9,850)	-	-	-	(9,850)	-	-	(9,850)
Leveraged Employee Stock Ownership Plan - repayments from loan	-	608	-	-	608	-	-	-	608	-	-	608
Treasury stock repurchases	(33,966)	-	-	-	(33,966)	-	-	-	(33,966)	-	-	(33,966)
Securitization deposits	-	(116,176)	-	-	(116,176)	-	-	-	(116,176)	-	-	(116,176)
Proceeds from (repayment of) intercompany loans	(33,406)	26,136	7,270	-	-	-	-	-	-	-	-	-
Preferred stock dividends	(6,482)	-	-	-	(6,482)	-	-	-	(6,482)	-	-	(6,482)

paid												
Investment contract deposits	-	-	-	-	-	-	8,772	-	8,772	-	-	8,772
Investment contract withdrawals	-	-	-	-	-	-	(34,032)	-	(34,032)	-	-	(34,032
Net cash provided (used) by financing activities	(73,854)	161,986	15,269	-	103,401	-	(25,260)	-	78,141	(690)	-	77,451
Effects of exchange rate on cash	-	113	-	-	113	-	-	-	113	-	-	113
Increase (decrease) in cash and cash equivalents	22	118,707	2,188	-	120,917	231	6,924	-	128,072	-	-	128,072
Cash and cash equivalents at beginning of period	9	63,490	807	-	64,306	4,228	6,738	-	75,272	-	-	75,272
Cash and cash equivalents at end of period	$ 31	$ 182,197	$ 2,995	$ -	$ 185,223	$ 4,459	$ 13,662	$ -	$ 203,344	$ -	$ -	$ 203,344

(page 2 of 2)

(a) Balance for the period ended June 30, 2007

28

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating cash flow statements by industry segment for the six months ended September 30, 2006 are as follows:

	Moving & Storage					AMERCO Legal Group				AM Con
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated	SAC Holdin II
					(Unaudited)					
Cash flows from operating activities:					(In thousands)					
Net earnings (loss)	$ 115,738	$ 84,362	$ (3,306)	$ (81,056)	$ 115,738	$ 2,187	$ 4,804	$ (6,991)	$ 115,738	$ 99
Earnings from consolidated entities	(90,886)	-	-	81,056	(9,830)	-	-	8,833	(997)	
Adjustments to reconcile net earnings (loss) to cash provided by operations:										
Depreciation	122	80,042	5,323	-	85,487	-	-	-	85,487	1,33
Amortization of deferred policy acquisition costs	-	-	-	-	-	1,265	9,186	-	10,451	
Change in provision for (gain) loss on trade receivables	-	(57)	-	-	(57)	-	46	-	(11)	
Change in provision for gain on mortgage notes	-	(20)	-	-	(20)	-	-	-	(20)	
Net (gain) loss on sale of real and personal	-	597	(4,384)	-	(3,787)	-	-	-	(3,787)	

property										
Net loss on sale of investments	-	-	-	-	-	505	386	-	891	
Write-off of unamortized debt issuance costs	-	302	6,667	-	6,969	-	-	-	6,969	
Deferred income taxes	25,888	(16)	-	-	25,872	24	1,030	-	26,926	64
Net change in other operating assets and liabilities:										
Reinsurance recoverables and trade receivables	-	(2,797)	1	-	(2,796)	20,125	1,054	-	18,383	
Inventories	-	(8,249)	-	-	(8,249)	-	-	-	(8,249)	(10
Prepaid expenses	1,096	(3,938)	-	-	(2,842)	-	-	-	(2,842)	(12
Capitalization of deferred policy acquisition costs	-	-	-	-	-	(699)	(2,467)	-	(3,166)	
Other assets	(3)	(936)	1,266	-	327	138	11	-	476	(57
Related party assets	(17,621)	11,360	2,793	18,668	15,200	6,232	(60)	(5,568)	15,804	2,90
Accounts payable and accrued expenses	(19,824)	31,704	(6,774)	-	5,106	-	1,697	-	6,803	57
Policy benefits and losses, claims and loss expenses payable	-	31,763	-	-	31,763	(30,506)	(9,677)	-	(8,420)	
Other policyholders' funds and liabilities	-	-	-	-	-	1,863	(286)	-	1,577	
Deferred income	-	486	-	-	486	-	-	-	486	4
Related party liabilities	(201)	4,801	-	(18,668)	(14,068)	(1,977)	186	5,184	(10,675)	(5,14
Net cash provided (used) by	14,309	229,404	1,586	-	245,299	(843)	5,910	1,458	251,824	55

operating activities										
Cash flows from investing activities:										
Purchases of:										
Property, plant and equipment	(931)	(340,932)	(36,566)	-	(378,429)	-	-	-	(378,429)	(17
Short term investments	-	-	-	-	-	(28,201)	(75,798)	-	(103,999)	