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The Companies Announcements Office
ASX Limited

ASX Announcement

A.P. Eagers Limited signs Heads of Agreement to acquire the Kloster Motor Group

A.P. Eagers Limited (APE) today announced it had entered into a Heads of Agreement to acquire the Kloster Motor Group, the largest automotive retailer in the Newcastle and Hunter region.

A.P. Eagers has agreed to pay approximately \$27m to acquire 100% of the shares in the business trading as the Kloster Motor Group. This figure represents the goodwill and estimated net assets (March 2007) of the group which has an annual turnover of \$300m. The final purchase price is subject to final structuring of the acquisition.

Concurrently A.P. Eagers has agreed to purchase all the land and buildings used by the Kloster Motor Group that are owned by the vendors for a total price of \$34m.

The acquisition is subject to satisfactory due diligence, agreement on satisfactory transaction documentation and the approval of each of the motor vehicle manufacturers involved.

The acquisition will be funded through the payment of \$55m in cash and \$6m in A.P. Eagers shares and will be earnings accretive in year one.

The Kloster Motor Group is the premier motor dealership group in Newcastle and the Hunter region with impressive facilities in the best locations. The Kloster family established the business in 1934 and laid the solid foundations of the group for 41 years until they sold. The current owners Peter Dunn, Peter Robinson and Trevor Reading have grown the business substantially during their 20 plus year ownership.

The Kloster Motor Group currently has exclusive representation for BMW / Mini, Chrysler Jeep and Dodge, Ford, Honda, Hyundai, Mitsubishi, Nissan, Suzuki and VW within Newcastle along with additional representation for Ford and Hyundai in a number of regional centres in the Hunter Valley.

Klosters has spent over 70 years listening to its customers, meeting their needs and building a local reputation for high class customer service built on integrity, credibility and quality.

A.P. Eagers Chief Executive Officer Martin Ward said the Kloster Motor Group has earned an industry reputation for success and innovation based around customer and manufacturer satisfaction. Klosters customer relationship management (CRM) system is leading edge within Australian motor retailing.

"Culturally the Kloster Motor Group is very similar to A.P. Eagers as we share strong track records in delivering success to our manufacturers and shareholders via great facilities and great people delivering outstanding customer satisfaction" said Mr Ward.

The acquisition further reinforces the Board's strategy to expand the Group's core motor dealership activities by identifying and acquiring strong and profitable businesses in key market areas both locally and interstate.

For further information, please contact Mr Martin Ward, Chief Executive Officer on (07) 3248 9455

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