



**Chairman's Address
Annual General Meeting
Wednesday 8 May 2013**

Good morning, ladies and gentlemen.

Record Results

2012 was another record year for AP Eagers.

Our Net Profit Before Tax of \$78.7 million was 35% above the previous record achieved in 2011; and our Earnings Per Share of 34 cents also bettered the previous record by 33%.

Record Dividend

These record results are, of course, ultimately for the benefit of you, our shareholders. A record full year dividend of 20 cents per share was paid for 2012, a full 25% above the previous record.

It is worth reflecting that our record year was not a one-off achievement. The previous record dividend was from 2011 and it also exceeded the earlier mark by 25%.

In fact, 2012 saw our 11th record dividend in the past 12 years, and continues our history of having paid a dividend every year since listing on the stock exchange in 1957.

Most pleasingly, our increased profitability in 2012 was due in part to improved operational results from our Queensland, Northern Territory and South Australian car and national truck divisions. This reflects that our management team has not been satisfied with record results in recent years. They continue to drive gains in market penetration and improve the performance and processes of existing businesses.

Diversification Strategy

Last year I commented on our track record of delivering Earnings Per Share growth from acquisitions. I said that geographic diversification through acquisition has been a key plank in our growth strategy. Whilst this remains the case, 2012 was a year of consolidation, allowing us to better integrate businesses acquired in recent years.

It is important that growth is at a sustainable pace and that we remain focused on continual improvement of existing operations. With this in mind, however, we are confident that opportunities for growth through acquisition will continue to present themselves, particularly if the political uncertainty of recent years stabilises after the federal election in September.

Although there were no significant dealership acquisitions for us in 2012, we did acquire a strategic investment in Automotive Holdings Group Limited. This was a rare opportunity that presented itself during the year and allows us to benefit from the booming West Australian economy in a segment we know and understand. Needless to say, we are pleased with our investment and the resulting dividend stream.

Board

I would like to take this opportunity to thank my fellow directors for their dedication and ability to act quickly and positively. It is sometimes overlooked that our competitors are typically small privately owned dealerships who, by virtue of their size and structure, are often able to act without the process and rigour required of a listed public company. However, the professionalism, dedication and skill-set of my fellow directors allow your company to have the best of both worlds – public company standards set by a board that is highly effective and able to act quickly for the benefit of shareholders and the company as a whole.

Management and Staff

Supporting your board is a strong management team led by Martin Ward. Year after year, Martin and his team have acted decisively to deliver record results in changing market conditions and challenging economic times.

The board appreciates very much the efforts put in by management and all employees in a way that balances the needs of our key stakeholders for the benefit of the company as a whole.

Centenary

Finally, it is important to acknowledge that this is our centenary year.

We started selling cars and trucks over 100 years ago, even before Henry Ford installed his first moving assembly line to revolutionise the industry.

Over the past century, your company has grown from strength to strength, all the while with the support of five key stakeholder groups – our suppliers, customers, employees, the communities in which we live and operate, and of course you, our shareholders. Each of these important groups has made critical contributions to our continued growth and success over many years, and for this we offer our sincere thanks.

Tonight we will formally launch the “AP Eagers Foundation” to support the charitable efforts of our individual dealerships and as a continuation of the company’s philanthropic values established by our founders 100 years ago.

A book recording and celebrating our 100 year history will also be released tonight and it will be available for everyone on our website.

I now ask Martin to present his report on 2012 and comment on the coming year.

Thank you.

Ben Macdonald
Chairman



**CEO's Address
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Thank you, Ben.

Good morning, ladies and gentlemen.

Records Results

At last year's AGM I was very proud to report a 25% uplift in underlying EPS and a corresponding 25% uplift in the dividend paid for 2011. I am immensely proud to be able to report a repeat of that performance in 2012, with underlying EPS increasing by a further 26%, and our fully franked dividend increasing by a further 25%. Notably, the dividend paid has increased by 56% over the last two years.

Reasons for Record 2012

Our ongoing focus on improving our business and favourable automotive market conditions were keys to the success in 2012.

The combination of the high Australian dollar and a highly competitive Australian new vehicle market has driven car affordability to levels not seen for some 40 years. Low unemployment and interest rates, and the quality and choice offered to the consumer by new vehicle manufacturers are driving strong demand.

However, it is important to note that new vehicle supply constraints due to the Japanese Tsunami and Thailand floods in 2011 supported industry margins in 2012.

For a well-run business, strong demand generates opportunity for financial returns, and AP Eagers has been and remains well placed to benefit from favourable automotive market conditions.

After-sales parts and service income, an integrated finance and insurance offering, and less exposure to the consumer shift to online, have meant that the automotive retail segment has proven to be much more resilient than many other retail segments.

Pleasingly, the improved 2012 financial result was broadly based with almost all divisions and departments experiencing an improvement on the previous year. Of particular note was continued improvement in the South Australia Cars and National Truck divisions acquired with Adtrans in 2010, and in the original base of the business, the Queensland and Northern Territory division.

Recognition for another successful year needs to be given to our employees, which now number some 3000 across five states and territories. Without their ongoing engagement and commitment the focus we have on continually improving our business will not succeed. My thanks go out to the entire AP Eagers team – who through their ever-improving performance results deserve the recognition of being “the best in the business”.

Strategic Investment in AHG

In 2012 we acquired a significant interest in Automotive Holdings Group Limited. At yesterday's closing share price of \$4.24 the unrealized gain on the investment is \$67 million, compared to an investment cost of \$143 million. Dividends of \$8.7 million, fully franked, have been received to date.

AP Eagers has grown substantially and successfully through selective acquisition, and we have a well-developed understanding of the industry and relative values in Australia. As Automotive Holdings is a robust business with operational strength in the tightly held, high growth West Australian market, we believe it was in the interests of our shareholders for us to accept the opportunity to acquire an interest in that company.

Start to the Year 2013

Whilst new vehicle sales are at record levels, industry wide vehicle supply is unconstrained, which has led to increased inventory across the industry creating some downward pressure on new vehicle sale margins. Elements of the Australian economy have slowed and this is creating head winds in some of our business locations.

We believe these negatives are balanced by strength in our parts and service results from an ongoing focus on business improvement, and the growth in the three to five year old vehicle car parc.

In light of these industry wide dynamics, and the first four months of 2013 trading, we are on track to match the record first half 2012 operating result in the first half of 2013, subject to ongoing market conditions.

Over and above the operating result, we anticipate that the fully franked dividends from AHG will contribute to an increase in Profit After Tax of \$3.9 million for the first half of 2013

Outlook

As for 2012 the focus for 2013 is to continue our relentless efforts of continuous improvement in existing businesses. Initiatives such as Carzoos "used car buying you can't get wrong" will continue to be developed and applied.

Acquisition opportunities are constantly available. However, we will only expand when these opportunities meet our strategic and investment criteria. Our focus as always will be on Earnings Per Share growth and the corresponding dividend growth.

Centenary

Finally, it would be remiss of me not to recognise the centenary of this great company. 100 years for any company is noteworthy, particularly in an industry not much older than the company itself.

I feel very privileged to be a part of this organisation and to be able to share the success that has been achieved with the support and contribution of many long-term shareholders, loyal employees and other key partners. This mutual contribution from our key supporters has been critical to the prosperity of your company over many years and, I believe, will continue into the future.

Thank you.