Chairman's Address
Annual General Meeting
Friday 29 May 2009

Ladies and gentlemen,

For many companies across a range of industries, 2008 was undoubtedly one of the most challenging years in recent history. In that context I am pleased to report on our achievements for 2008.

Our 2008 Dividend

Even in these turbulent times, we have been able to maintain our 52 year history of paying a dividend each year since listing as a public company in 1957.

The final dividend for 2008 of 22 cents took our annual dividend to 44 cents per share.

For the first time in our history we were this year able to pay the final dividend early, in April, rather than waiting for it to be approved at this meeting. This was a direct consequence of our new constitution which was adopted by shareholders last year.

Our 2008 Results

As with many companies, our results for 2008 included a number of "one off" items that can complicate any comparison and understanding of the results.

Full details of our 2008 results are set out in our Annual Report. In summary, our normalised trading profit before tax was $26.2 million compared with $40.0 million in 2007, representing a drop of approximately 35%.

We also received an $11.5 million tax refund of GST that had previously been paid on manufacturer holdback payments.

The results were then impacted by non-cash impairment adjustments before tax of $17.8 million, mainly resulting from the impairment of acquisition goodwill and our investment in Adtrans Group Ltd.

After these one-offs, our net profit after tax was $14.5 million, compared to $28.6 million for 2007, representing a reduction of around 49%.

However, the total value of our property portfolio remained stable at $333 million, as supported by full independent property valuations, and our operating cash flow increased by 32% to $48.5 million.

2008's Challenges

I now turn to some of the challenges we faced during 2008.

A most pleasing aspect of the year was our ability to meet various external challenges - to quickly comprehend their potential impact and then implement and execute plans in a rapidly changing environment.

It is well documented that our industry experienced not just the onset of the global financial crisis but also the withdrawal of two major industry financiers, GE Finance and GMAC, together with reduced demand for vehicles.

Despite these obstacles, we were able to rapidly adjust to the capital constrained economic conditions by reducing our total debt by $111 million or 26% – a significant achievement.

Given our strong asset base and relationships with financiers, we were able to promptly arrange replacement wholesale and retail funding capacity with alternate financiers when GE Finance and GMAC withdrew from Australia.

As we hold an extensive property portfolio, we have focused on taking advantage of the flexibility that comes with owning real estate. Negotiations are ongoing for the potential sale of specific non-core properties which comprise up to 15% of our total portfolio, as previously announced.

Banking

Prior to the global financial crisis, we operated with one bank for our corporate banking needs. We believe that was the prevailing wisdom for a company of our size and circumstances. Now, the prudent approach is to spread the risk of being exposed to only one financier.

Therefore we have recently agreed on terms for a new $65 million facility with Toyota Financial Services which will be utilised in coming months to partially replace our existing long-term ANZ facility.

Management and Staff

These achievements in such challenging times are a tribute to our management team and staff.

As you would appreciate, the unusual market conditions have brought additional pressures for everyone. Yet management has been responsive to the changing environment, proactive in finding solutions and hard working to implement change.

It should come as no surprise when I say that your Board is very satisfied with management and is confident they will support the future growth and development of your company.

Thank you to Martin and his management team and thank you to all staff for their tremendous efforts throughout the year.

Share Buy-back

As previously announced, we are undertaking a buy-back of up to 10% of our issued shares, having now purchased 20,166 shares.

Why have we undertaken this buy-back?

Every decision we make involves an assessment of how best to use shareholder funds to extract value for shareholders. Should we acquire businesses or assets, pay dividends or reduce debt? We continually prioritise these competing demands for capital.

In recent months, our share price has followed the global trend downwards below Net Tangible Assets. This, in combination with our reduced debt levels, has simplified our analysis of the competing demands for funds.

In simple terms, we believe our shares are good value at current market prices which are below our Net Tangible Assets of $8.12 per share as at 30 April, and this is under constant review, as you would expect.

The buy-back is testament to our strong balance sheet and asset backing.

Growth Opportunities

Over the past few years we have grown rapidly through the acquisition of complementary businesses and properties in New South Wales, the Northern Territory and Queensland.

Although the changing economic environment rendered it inappropriate to be in acquisition mode in recent months, the tightening credit and retail markets are expected to provide better opportunities for growth in the next 12 to 18 months. Our reduced debt has us well-positioned to take advantage.

It is the Board's intention to continue our expansionary program. However, we will take advantage of opportunities only when they meet our investment criteria, with an expectation of being earnings accretive for shareholders.

We look forward to your continued strong support for such growth initiatives.

Future Dividends

Finally, on the Board's behalf, I would like to comment on the possibility of future dividend payments.

We recognise the value that shareholders place on receiving consistent franked dividends and that some listed companies have disappointed shareholders in this area in recent times. However, we would like to reinforce our position that subject to any prevailing conditions, it is our intention to continue to provide a strong and reliable franked dividend stream going forward for our shareholders.

I now invite our Managing Director and Chief Executive Officer, Martin Ward, to expand on our 2008 operational results and the year ahead.

Thank you.

Chief Executive Officer's Address
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Thank you, Ben.

Good morning, ladies and gentlemen.

The best words to describe the last 18 months are simply "it has been a rollercoaster".

To put this in context I will start in December 2007.

In December 2007 we were finishing our 7th year of record profit growth having climbed from $4.3 million of profit after tax in 2000 to $28.6 million of profit after tax in 2007.

Moving into the first four months of 2008 dark clouds were beginning to appear with high oil prices and the impact of 3 consecutive interest rate hikes between December 2007 and March 2008.

However by the end of April 2008, and as announced at this meeting last year, the automotive industry in Australia was still up 5.1% on 2007 and A.P. Eagers announced its profits for the first four months were up 32% on 2007.

May and June were tough though and the change was dramatic leading to a 28% decline in profits for these two months.

I am sure you will agree that a 32% uplift in four months followed by a 28% decline in two months is a very rapid change in fortunes, not easily predicted and a challenge to manage. Our half year results for 2008 are well documented and the other relevant features for the half year were that our corporate debt reached a peak of $173.5 million and our floorplan inventory financing reached a peak of $250 million.

There is always opportunity in adversity. The advantage of this "rapid negative change" was that we had no choice but to "rapidly react" and implement strategies immediately.

In summary, we set out to reduce debt, both corporate and floorplan, and to achieve a complete realignment of our new and used car inventories to match the changing environment.

In a declining market place where new vehicle sales had dropped by more than 20% per month by the final quarter, we were still able to execute our plans and reduce total debt by $111 million. This represented an important 26% drop in debt over the 180 day period or $600,000 of debt repayment per day.

The macroeconomic environment by this stage following the collapse of Lehman Brothers and the local announcement that GE and GMAC were exiting automotive financing in Australia, along with a new car sales decline by the third quarter, negatively compounded our own internal decisions to aggressively exit inventory. Combined, the effect was a 59% decline on second half trading profits compared to the same period in 2007.

So from 32% up in four months to being down 28% for the next two months and then a further drop to be down 59% for the last six months.

Rollercoasters are supposed to go up and down. The 2008 story doesn't end on a down. The negative story in the second half was played out between July and November. However, we finished the year with a strong December as most of our immediate strategies had been fully implemented by November, which combined with strong December retail sales stimulated by end of year "great value" offers from our manufacturers and improved confidence from the Government's first stimulus package.

Moving on to 2009

As a consequence of the rapid action just described in conjunction with the current low interest rate environment and Government stimulus packages, we have been buffered from the effects of the global financial crisis in this early part of 2009.

Our unaudited profit after tax for the four months to 30 April 2009 is in line with the same period last year.

Given the volatility of macro global and national economic environments and exchange rates and possible industry specific restructuring, it is impossible to forecast the half or full year results for 2009.

What we can say based on current information is that the Government's investment allowance for business will most likely create a strong May and June for us. We support the investment allowance initiative but it is possible that some pull forward of third quarter sales will occur and with rising Australian unemployment in the second half of 2009 we expect trading to become tougher.

Again, rather than forecasting, we can say our current plans involve continuing review of every dollar of expenditure and every dollar of debt with expectations that we can further strengthen our business. Whether these actions assist in protecting us from a further downturn in the economy or produce greater profits will be largely determined by external factors, but either way represent prudent decision making.

Growth

The Chairman mentioned our recent expansionary growth and expectations that this would continue.

Operationally, I should add that we believe internal growth and organic growth are major parts of our current business thinking and will provide better dollar returns than acquisitions will in the near term.

Further actions taken over the last twelve months have also helped us to strengthen our "business model", particularly in areas such as "customer relationship management" (CRM), "used cars", "F&I performance", "cost management control" and "employee productivity and efficiency".

Our focus on improving our business from the inside out will help us to deliver even better results from our external growth plans as correctly priced acquisitions become available.

Capacity to Expand

I would like to touch on our capacity to expand when the correct opportunity exists.

All actions taken to reduce debt, including selective property asset sales, position the company to reuse debt proportionally as a tool for growth in the future. This is backed by our LVR on property of just 40%. The inclusion of Toyota Financial Services as a key corporate financier, the support of ANZ, our loyal long term corporate banking partner, and interest from other major banks put us in a strong position when needed. As of today we also have an additional $100 million of agreed floorplan finance from our suite of five financiers that is available for expansion.

In summary, we have lots to do. Whilst being pleased with the quick actions we took, we are working tirelessly on a multitude of internal improvement opportunities and monitoring external opportunities. We cannot control the macroeconomic environment but we monitor it closely and feel prepared and ready to adjust as circumstances change.

To finish, I would like to thank the entire A.P. Eagers team whom I think are the best in the business and I am proud to be associated with this company.

Thank you