Mr Ben Macdonald
Chairman
A.P. Eagers Limited

Annual General Meeting
9.00am on Friday 18 May 2007

Ladies and Gentlemen,

It is not often that a Chairman is able to present an address to a Queensland based company that has been listed for 50 years, so this is, in many respects, a special occasion.

A.P. Eagers listed on the 17th of April, 1957 and consequently passed the 50 year mark as a listed company last month. Not only has the company been listed for 50 years but it has also paid a dividend every year since listing and moreover, has paid record dividends in the last six years.

I can confidently say that it is the intention of your Board to continue the expansion you have witnessed over the past few years and to ensure we have the ability to do this we look to your support of the resolutions being put to you today.

Results and Dividends for 2006

2006 has undoubtedly been one of the most exciting and rewarding years in the company's more recent history. I will leave the detail to our CEO Martin Ward to cover in his address as he is the main architect of the Company's more recent growth and improved financial performance but it is with much pleasure that I am able to report the payment of a record fully franked final dividend of 24 cents per share. The final dividend, payable this coming Monday the 21st of May 2007, subject of course to your approval later in the meeting, takes the total fully franked dividend for the full year to 43 cents per share.

The full year net profit before tax was $36.8 million which contains a profit on the sale of surplus property of $15 million, a trading profit of $20.9 million and an investment return of $0.9 million from MTQ Insurance Services. The results were achieved on revenue of $1.174 billion, up $102 million on the previous year.

The Group's investment in MTQ Insurance Services produced an equity accounted profit of $922,000 which reflects the strong economic value of the Group's 19.4% holding in that Company.

Assets and Opportunities

Last year I placed emphasis on the Group's strong asset base with particular reference to its land and building portfolio and mentioned that unutilized or surplus property would be either developed or sold.

There has been considerable change to the Group's property portfolio in the last twelve months.

Following the completion of new premises for Torque Toyota and Torque Ford at North Lakes, two surplus properties at Redcliffe were sold during the year together with a major development site on Breakfast Creek Road, Newstead. The sale of these properties resulted in the abnormal profit of $15 million referred to earlier and freed up cash of $44.9 million.

Even after the sale of these properties the independent valuation of our remaining properties in December 2006 resulted in a $49 million valuation increase which was taken to the property revaluation reserve account. The appropriate allowance for capital gains tax was provided for in conformity with current accounting standards.

Equity Expansion

During the year additional equity was raised by way of a one for eight rights issue at $7.00 per share, a placement at $7.00 per share, Dividend Reinvestment participation and various issues to staff under the Group's Tax Exempt Share Plan and Senior Executive Deferred Commission Plan. In all, additional equity of $29 million was raised.

These funds, together with the funds from property sales were utilised in the acquisition of additional operating businesses, on-going dealership development and new properties which Martin will discuss in more detail shortly.

Growth Opportunities

The motor industry in Australia is going through a period of rapid change. The vast majority of dealerships are privately owned by dealers in their late 50s and 60s. Many of whom have no family successors or other succession plans in place. Consequently they are looking to the market for their exit strategy.

Whilst we are able to identify and plan for certain dealership acquisition opportunities, many arise on an almost day to day basis and require immediate consideration which must be made in conjunction with the Franchisors involved in the dealerships. It is difficult to plan precisely our future funding requirements but we must never lose the ability to make soundly based business decisions on a timely basis. If we can't do this some viable opportunities may be lost to us.

However, as a public company with a very sound Balance Sheet, we are at the forefront of the industry consolidation process and confident of playing a leading role in its future development. Confident also of our evaluation processes and confident of our ability to maintain and build on our current strong management team.

In addition to acquisition growth we have identified and are progressing several organic growth opportunities which present themselves as strong contributors and which become more attractive with volume growth. Whilst still in the evaluation stage these opportunities will not move us outside our core competencies but enable us to leverage more successfully off our existing operations.

I am particularly pleased to say that the company's purchase of a 19.6% stake in Adtrans Group Limited (Adtrans) is a strategic investment in a like minded organization which affords us the opportunity of more fully understanding the South Australian market and in particular the truck market in which Adtrans is heavily involved.

Moreover this acquisition has the sanction of the Adtrans Board which also sanctioned the appointment of our CEO Mr Martin Ward as a Director of Adtrans Group Limited on the 3rd of this month.

A 15% parcel of Adtrans shares was acquired from Adtrans majority shareholder and Chairman Mr Graeme Bignell leaving A.P. Eagers as the largest Adtrans shareholder. The level of shareholding and Board representation will require A.P. Eagers to equity account its Adtrans investment.

Current Trading

Let me now comment on our 2007 first quarter trading results.

Our unaudited results for the three months to 31 March 2007 reflect a 41.8% increase in earnings over the first quarter last year. Neither this years nor last years first quarter results are affected by any abnormal gains or losses, the 2007 results being predominantly derived from operational trading alone. The 2007 quarter's result includes one month's contribution from the recently acquired Kloster Motor Group and has benefited as expected from the additional businesses acquired during 2006 previously reported to the market and a lower interest cost as a consequence of surplus cash reserves from the sale of properties and equity raisings in the last quarter of 2006. These cash reserves were utilised as previously reported in the purchase of the Kloster Group on the 28th of February this year.

Your Board believes that shareholders can expect an increased dividend return in 2007 of at least 10% given a continuation of favourable trading conditions.

As you will have realized, 2006 was an extremely active year for A.P. Eagers with numerous business and property acquisitions, property sales and equity raisings which placed tremendous pressure on the Group's management and staff and I thank them sincerely for their efforts in coping with the extra demand and for producing a sixth consecutive record profit. A tremendous effort.

I now ask our Managing Director and Chief Executive Officer Mr Martin Ward to present his overview of the Group's 2006 trading and to comment on how he sees the year ahead.

Mr Martin Ward
Chief Executive Officer
A.P. Eagers Limited

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Thank you Ben and good morning ladies and gentlemen.

It continues to be an honour and privilege to serve as Chief Executive Officer of this great company and I am even more excited about its future prospects than when I commenced in mid 2005. To say I am confident of further expanding our operational base and continuing to add to shareholder value is an understatement.

Whilst being a relatively small company we are blessed with a dynamic board with extremely relevant, diverse skills. This year I have received significant individual support from Tony Love regarding property strategies, Peter Henley regarding financial services strategies, Nick Politis regarding a range of specific car franchise strategies and Ben Macdonald for his overall chairmanship and individual personal advice as we have progressed through a considerable acquisition schedule. You have a very active board and I would like to personally thank them for their support for me in my role as Chief Executive Officer.

Credit also must be given to the Group's executive management who have worked with and supported me over the last year and a half. Their efforts have been nothing short of inspirational during a tremendously exciting growth period.

I wish to cover a number of factors today that I hope will provide a good insight into the future prospects for your company and I would like to start by reviewing the motor industry on which our core operations depend.

For the first four months of 2007 new vehicle sales nationally are 27,427 units ahead of the same period in 2006, a lift of 9.0%. In Queensland the uplift is 11.3%, NSW 8.0% and the Northern Territory 8.6%.

What is evident from these figures is that the market has adapted to the rise in the price of petrol and is capitalising on the growth of compact passenger vehicles made more affordable by the strengthening of the Australian dollar against other currencies. With the Australian economy maintaining its momentum, low unemployment and inflation under control, the forecast for vehicle sales for 2007 is a figure of around 1 million units. Of interest is the resurgence of the large car segment which in April was up 15.1% and 4.5% on an April year to date basis with an uplift in the sale of locally made cars evident in April.

Looking at YTD April 2007, Toyota continues to dominate the market with a 22.0% share followed by Holden on 14.8%, Ford on 10.5%, Mazda on 7.9% and Nissan on 6.6%.

Strong movers are Toyota, up 14.3%, Mazda up 21.5%, Nissan up 40.4%, Mitsubishi climbing back after a disappointing 2006 up 21.7% and Honda up 22.4%. Holden slipped 1.5% whilst Ford fell 7.9%.

It is important to note that following the Group's acquisition of the Newcastle / Hunter Valley based Kloster Group in March this year, A.P. Eagers now has representation in all the top 10 selling vehicle brands in Australia and 21 of the top 25 brands. We should not underestimate the fact that the wide spread of franchises that we hold and attract substantially lessens the Group's risk inherent in single franchised operations. Going forward we are in good shape to benefit from the model proliferation that is helping drive the Australian new vehicle market.

Turning now to property issues I would like to make a few observations.

Firstly I believe that the market does not necessarily recognise or at times fully reward us for the value of our property portfolio, however, it is an important plank in our continued prosperity and with upward valuations totaling $82 million over the last 3 years ($33 million in 2003 and $49 million in 2006) adds more than just solid assets to our balance sheet.

We are able to strongly leverage borrowing off these assets to provide funding for the expansion of our operational base whilst minimising the need to expand and dilute shareholder equity.

Whilst increased valuations flow through to our operational expenses by way of increased internal rental charges, these expenses would still be payable through external lease rentals if we did not own the properties. Future business acquisitions will continue to be evaluated on the benefits to be gained from acquiring or leasing the associated properties. Whilst we prefer to control our destiny through property ownership we are not averse to acquisition where the selling owner prefers to maintain ownership of their property.

We are mindful of the costs associated with holding property not utilised in our operational program but will not be deterred from acquiring and holding properties that we identify as being strategically important to our future operational needs. Prior to the sale of our City Automotive Group site and the adjoining vacant site in Breakfast Creek Road late last year we estimate that our underutilized properties represented 19% of our total portfolio and had holding costs of $2.8m during 2006. This large percentage of underutilized property and cost is not healthy on an ongoing basis however the $14m profit made after just 3 years of ownership was great for shareholders.

The value of the Group's property portfolio has expanded significantly due to revaluation and the purchase of land and buildings in Newcastle. Due to current dealership developments and planned expansion, the Group will still be operating during 2007 with $28m of underutilized land representing approximately 11% of our property portfolio at a reduced holding cost of $2.1m. As a number of dealership facilities will be completed throughout 2007 this cost and the percentage of underutilised property will be further reduced as we move into 2008.

Following the sale of our City Automotive Group site mentioned earlier on Breakfast Creek Road late last year, we needed to relocate the three City Automotive Group franchises, namely City Subaru, City Peugeot and City Mitsubishi.

I am pleased to confirm we have managed to relocate or are in the process of relocating all three businesses onto other A.P. Eagers owned or operated sites requiring some modest refurbishment cost but not requiring any additional land.

Following the relocation of Land Rover to Fortitude Valley, cost benefits will flow from the amalgamation of the Land Rover, Jaguar and Volvo operations. The new Subaru location in Newstead (ex Land Rover) will benefit from its much improved exposure to main stream traffic on Breakfast Creek Road.

Refurbishment of vacant Group property on James Street here in Fortitude Valley is about to commence to house the Peugeot franchise with planning well underway to cater for the Mitsubishi franchise on another Group operated facility.

Let's take a look at the Group's businesses and property portfolio through a 5 minute slide presentation.

Switching now to the growth opportunities mentioned by our Chairman.

There is no doubt that the ageing franchised dealer network in Australia will yield up some exciting buying opportunities over the coming years.

Large listed companies, through well planned funding strategies, will no doubt shape the future of the retail Motor Industry in Australia as the financial barriers to entry in the new car segment grow. It is increasingly more difficult for the private sector to fund prevailing goodwill demands on top of property / lease expectations.

As I mentioned earlier, with a strong Australian economy, inflation under control and affordable car prices we foresee strong growth prospects for your company and the luxury of selecting business opportunities that meet our strategic model.

Before closing with comment on operational issues let me briefly comment on the Groups 2006 acquisitions and the two strategic acquisitions made in the first few months of 2007.

Bayside Honda and Kia and Brisbane Motor Auctions were acquired for minimal goodwill from the Administrators of the defunct Auto Group in February and March 2006. Both business are performing well and to expectations. Hidden Valley Ford and the Stuart Motor Group in Darwin acquired in August 2006 have not performed to expectation and we have moved quickly to restructure them. We anticipate a recovery during 2007 and remain confident about the long term prospects for this business. Bridge Toyota in Darwin, purchased in May 2005, continues to provide strong returns.

The purchase of the Audi / Citroen dealership at Kawana Waters in December 2006 gave us an entry into the Sunshine Coast and a plank on which to build in that demographic region.

The Group's most strategic acquisition was the purchase of The Kloster Group in the Newcastle / Hunter Valley region of NSW settled on the 28th of February this year. With turnover of $300 million per annum and exclusive representation for BMW / Mini, Chrysler Jeep and Dodge, Ford, Honda, Hyundai, Mitsubishi, Nissan, Suzuki and VW within Newcastle and additional representation for Ford and Hyundai in a number of regional centres in the Hunter Valley, Klosters provided a strategic earnings accretive acquisition on realistic earnings multiples. Additionally they have strong management who, with the exception of one of the three vendors, continue in the business. All three vendors received shares in A.P. Eagers as part of the acquisition price and have every incentive to further progress the Kloster business.

As this is such an important acquisition let's take a look at a two minute DVD of this business.

With a track record of delivering success to manufacturers and shareholders the Kloster Group fits in exceptionally well with A.P. Eagers and they are a welcome addition to the Group with results in the first month of operations in line with expectations.

In so far as Adtrans is concerned our investment in that Company makes sense in a number of ways. Firstly it gives us entry into the South Australian market via a blocking stake that has the blessing of the Adtrans Board. Secondly it is immediately earnings accretive on an equity accounted basis and thirdly, as the Chairman pointed out, enables us to gain more than an insight into the truck retailing business in which we are not currently involved.

Over the past 6 years Adtrans has shown consistent growth in revenue, earnings, dividends paid and shareholder equity. At an average entry price of $3.93 per share we are more than comfortable with this investment and re-iterate that we do not have any immediate plans to increase our shareholding in Adtrans above 19.9%.

Further growth opportunities are constantly being assessed and a few smaller acquisitions are likely during 2007.

And where have these corporate activities left us operationally?

By and large in a strong position going forward but with a few areas to fix.

The new and used sectors of our business have performed creditably in a market that saw margins remain tight, inventory and debtors were well controlled and with the addition of the Brisbane Motor Auctions business the used car result improved markedly.

Disappointingly our fixed operational returns fell despite increased turnover and are under review. A Fixed Operations Manager is being employed who will work alongside the General Manager Operations – Queensland and Northern Territories to ensure continued operational focus is placed on our core business operations. We can and will improve our core business returns through greater focus and increased disciplined daily operating controls.

To adequately contend with the increased acquisition workload and the consequent need for more individual specialisation we are reviewing our corporate structure and recently employed an HR Manager to cover this increasingly vital role.

Needless to say all members of the current executive management team have excelled in an extremely frenetic year and I extend my personal thanks to them.

I would also like to extend my thanks to each and every employee of the A.P. Eagers team which is now around 2,100. Daily commitment to thousands of customers is really what drives this Group. 55% of our team, around 1,150 employees are now shareholders and together we can grow the legacy of this great company.

Finally may I say that 2006 was an extremely exciting year for our company and I am pleased to see shareholders rewarded by way of increased dividend returns and strong capital growth. The job is far from done however and you can no doubt gauge the momentum that has carried over into 2007 and be assured that we will be working hard to see that it continues.

Thank you.