Chairman's Address
Annual General Meeting
Wednesday 21 May 2014

Good morning, ladies and gentlemen.

Record Results

As reported in our Annual Report, 2013 was another record year for your company.

Our Net Profit Before Tax of $86.7 million for the year was 10.2% above the previous record achieved in 2012; and our Earnings Per Share of 36.6 cents also bettered the previous record by 7.6%.

These record results were on the back of a strong operating performance by our South Australia Cars division, consistently strong results in Queensland and Northern Territory, increased dividend income from our strategic investment in Automotive Holdings Group, and profits on the sale of businesses and property.

Record Dividend

The company's performance in 2013 underpinned a record dividend of 23 cents per share, exceeding the previous record by15%.

As long-term shareholders would appreciate, this was our 12th record dividend in the past 13 years, and continues our history of having paid a dividend every year since listing on the stock exchange in 1957.

Our continually improving results demonstrate that our management team does not rest on their laurels. They are forever working on ways to improve performance and profitability.

Diversification Strategy

As our long-serving former Chairman, Ben Macdonald, noted at last year's AGM, it is important that the company grow at a sustainable pace and look for continual improvement in existing operations, but also remain open to opportunities for growth by acquisition.

In the past 12 months we have acquired Main North Nissan & Renault and Unley Nissan & Renault dealerships to complement our existing operations in Adelaide.

This year we have also announced the impending acquisitions of two sizable businesses to bolster our already substantial Queensland operations – Ian Boettcher Motors and the Craig Black Group. These two businesses alone will increase our annual revenue by approximately 15%, and Martin will provide further details in his address.

The intent is that these acquisitions will continue our track record of delivering Earnings Per Share growth for the benefit of shareholders.

Our growth by acquisition is complemented by our strategic investment in Automotive Holdings Group, which gives us exposure to the important West Australian economy in a segment we know and understand.

As a means of enhancing our product offering to customers, we also established a new business, Precision Automotive Technology, in late 2013 which sources and distributes our own range of car care products – paint protection, interior protection, electronic rust protection and window tint products.

Board

I would like to take this opportunity to thank my fellow directors for their dedication and support during the past 12 months. This has been of real personal assistance to me in my first year as Chairman of your company.

The ability of your directors to act quickly and decisively allows us to take advantage of opportunities as they arise and to remain at the forefront of the evolving industry landscape.

Management and Staff

On behalf of the board, I would also like to thank Martin, his senior management team and all staff for their ongoing commitment to improving the company's performance and achieving record results, year after year.

They do an outstanding job to satisfy the needs of our key stakeholder groups - shareholders, customers, suppliers, employees and the community.

AP Eagers Foundation

Finally, I would like to make mention of the AP Eagers Foundation.

Since our company's inception more than 100 years ago, we have provided much support to the communities in which we operate, through numerous local charities, associations and the like.

The AP Eagers Foundation was established in our centenary year to enhance the charitable efforts of our individual dealerships by leveraging off our growing scale. Its mission is to provide assistance through collaboration with our stakeholder groups.

Whilst our Foundation is in its infancy, already it has provided significant support to two worthy national causes, the Leukaemia Foundation and Variety the Children's Charity. I look forward to reporting on the Foundation's progress in coming years as it grows from strength to strength.

I now ask Martin to present his report on 2013 and comment on the current year.

Thank you.

Tim Crommelin
Chairman

CEO's Address
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Thank you, Tim.

Good morning ladies and gentlemen.

Record Result

As Tim mentioned 2013 was another record year. This is now three record years in a row with profit after tax up 101% in 3 years. After accounting for some share issues to fund the growth, basic earnings per share is up an impressive 73% and dividends are up 80% over the last 3 years.

Growth 2011 – 2013

When I look back on AP Eagers recent history I see a pattern of **grow, consolidate, pause, grow, consolidate, pause**. This is simply a common sense approach to buy businesses at the correct price, execute the changeover, integrate fully and then repeat. The length of the pause before repeating the process depends on a correctly priced business being available and the time taken to negotiate, execute and announce the next growth acquisition.

The Adtrans purchase in late 2010 increased our business operation by 40%. After 18 months of execution and consolidation of Adtrans the large strategic stake in Automotive Holdings Group became available and was acquired in mid-2012 followed yet again by a period of consolidation and strengthening of the company balance sheet.

During 2011 & 2012 the industry was exposed to global supply constraints, brought on as a result of the Japanese tsunami and Thailand floods. The effect of this was an industry wide reduction of inventory and a corresponding reduction in discounting. The net effect of these was record levels of industry profit across a number of franchises and segments. Many private businesses were available for sale at this time but were overpriced as a result of this abnormal market environment.

As the market returned to normal, ie unconstrained supply, car retailing became tougher in 2013 and many private business sellers became realistic on sale price expectations.

In a tougher business cycle we at AP Eagers have to work harder and smarter to produce a growth result from our existing businesses. This is not easy but we have a great team of automotive retailers whom are innovative and work really hard on the basics, to produce outstanding results relative to the business environment. In general the offset in a tough environment is that there are more growth options and they are more realistically priced.

Acquisitions 2014

In the last sixty days we have announced the purchase of Ian Boettcher Motors in Ipswich and the Craig Black Group located in south west and central Queensland. The combined acquisitions will increase our turnover by $400m an uplift of 15% on a full year basis. 8,500 additional new and used vehicle sales will lift the group to around 75,000 units annually and raise our staff numbers by 415 to more than 3,500.

The Ian Boettcher Motors acquisition is planned to be completed on July 1st and these are a few slides on what we have bought.

"Show slides"

The Craig Black Group acquisition is scheduled for completion on either August 1st or September 1st this year.

"Show slides"

With a combined approximate price of $50m ($41m in cash and 1.75 million APE shares to be issued to the vendors), both acquisitions are expected to be earnings accretive during the second half of 2014 although this will be partially offset by some "stamp duty" costs incurred on the changeover dates. Earnings accretion will continue in 2015 with a full 12 months earnings without the stamp duty impost.

80 McLachlan Street Sale

In order to improve our existing operations and with an eye on future growth the company has sold 80 McLachlan Street, the building we are in today for a price of $22.2m. We will be building new facilities for Austral Jaguar, Land Rover and Volvo dealerships on our existing company owned facilities at Newstead.

"Show artist impressions"

As a consequence of these builds we will also build a new Volkswagen dealership which meets this growing franchise's needs for the future.

"Show artist impressions"

These state of the art buildings along with some unique parking solutions we are working on for our Newstead strip should substantially increase the experience for our most important stakeholder the customer at each of these very important brands. Completion will occur in approximately three years in conjunction with our exit of this site. At this stage the location of our head office and Board room/AGM venue is likely to be in Newstead but details will become available over the next 3 years.

Ultimately when completed we will have better facilities for our customers and satisfy our franchisors' demands, all in a way that will improve our own ability to deliver greater shareholder returns. After paying the capital gains tax on this site we expect around $10m will be left over for further business growth in 2016/17.

Outlook

A lot of hard work is going into the execution of all three of these announced deals, the two acquisitions and the property sale and subsequent business relocations, with very little financial impact on our first half results to June 2014. Notwithstanding this the current operations teams are working hard to improve the existing business.

It is never easy to predict considering May and June represent the two biggest trading months of the year for our industry, but at this stage we are on track for a 5-7% improvement in profit before tax for the half year, subject to any change in market conditions.

In addition to the announced acquisitions further potential acquisitions are also under review.

Team

To finish I would like to personally thank Tim Crommelin who in his first year as Chairman has provided strong leadership for the company and also guidance on future strategy for me in my role as Chief Executive Officer.

My biggest thanks however go to my direct team of world class executives and the entire AP Eagers team who constantly go the extra mile.

Thank you.

Martin Ward
Chief Executive Officer