28 May 2004

A. P. EAGERS LIMITED
CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING HELD ON FRIDAY 28 MAY 2004

Ladies and Gentlemen,

I am pleased to report that your Company has been able to maintain its record of strong earnings growth with net profit before tax for the year ended 31 December 2003 coming in at $15.154 million, up 23.4% on 2002. Another record profit for the Group.

Turnover last year was $841.5 million, up $92 million, or 12.3% on 2002 with growth coming predominantly from the new car area through a combination of factors including affordability and a substantially increased model range. Our Managing Director Ken Macdonald will cover these factors in more detail in his report as well as discussing the many issues that have, or will influence trading.

Your Directors have recommended a final fully franked dividend of 18 cents per share taking the annual dividend to 33 cents per share, up from 31 cents per share in 2002. This represents a 61.2% payout of after tax earnings.

When considering the annual dividend payment Directors are mindful of a number of factors including future capital requirements and the necessity to adequately reward shareholders. There is no set percentage payout but directors generally consider a payout ratio of between 60 and 65% to be reasonable given the Group's need for development and growth funds. Directors are also conscious of the level of franking credits available in the Group and they will be utilised through the payment of annual dividends and to frank any special dividend that may be declared from time to time should circumstances permit. Shareholders need to recognise that future dividend payments will be declared only after due consideration of future cash flows as I have just mentioned and not made merely to utilise available franking credits. The Company is in a strong growth phase with the level of growth dictating future cash requirements.

I think this is also an opportunity to mention that the payment of a final dividend is dependent on the dividend being declared by shareholders in general meeting. This is a requirement of the Company's Constitution.

The timing of this Annual General Meeting was purposely delayed until this date to enable the inclusion of the resolutions relating to the acquisition of the City Automotive Group business. Bear in mind that effectively a full month's notice of meeting must be given. With the need to obtain an Independent Expert's Report and for the independent directors to properly consider the proposal prior to recommending it to shareholders, the extended period between approval of the accounts and the holding of the AGM was necessary. The alternative was to delay the acquisition and call an extraordinary General Meeting which is expensive and not our preferred option.

The proposed acquisition of City Automotive Group, on which we will vote this morning, is a key plank in our strategy to grow the Company and I will discuss this acquisition in some depth shortly.

As you can see from the consolidated statement of financial position, 2003 was by all accounts a hectic year. Not only were there many milestones achieved by our trading operations, there were also significant increases in the Group's property portfolio, shareholders equity and, importantly for shareholders, a substantial increase in the Company's share price.

How did these changes come about? Well firstly there was the conversion of 2 million options in January 2003 and dividend reinvestments in May and September which collectively raised $10.6 million.

Secondly, land and buildings were revalued in December 2003 with an overall upward adjustment of $33.1 million. At the same time we created a provision for deferred tax liability of $7.4 million which arose out of the differential between the carrying amount of the consolidated entity's assets and their tax base. We considered it prudent to make this adjustment now, which we were able to do through the early adoption of Australian Accounting Standard AASB 1020, rather than wait until the introduction of International Accounting Standards in 2005 which mandate the creation of such provisions. So we have been conservative in our approach to the financial statements.

The balance of the increase in net equity relates to the movement in the retained earnings account. Accounting standards no longer permit the creation of a provision for dividends not declared in the accounting period.

Whilst the revaluation of land and buildings has substantially improved the Company's net worth, the corollary is a reduction in return on equity which fell 2% to 8.1% despite the increased profitability. Therefore, one of our main tasks over the next few years is to improve this ratio by expanding the Company's operational base.

On the subject of land and buildings we are often asked whether we are in the Real Estate come property development business or in the motor trading business and if we are in the latter why do we not sell the properties and lease them back.

First and foremost we are Motor Vehicle Dealers with all our profits being generated from these activities. We do not hold ourselves out to be property developers nor do we have any pretensions to be property developers, however, the nature of our business and to some extent the requirements of Franchisors, dictate the need for a high level of property exposure either through ownership or lease.

The majority of dealership acquisitions involve the purchase of real estate as an integral part of the business sale. Beyond that we look to acquire vacant land, or property that can be developed as a motor vehicle dealership in order to attract and maintain additional franchised operations into the Group. If we have the option to lease a property we will consider it, and in fact we do lease some of our dealership sites, but the ability to redevelop or upgrade a leased site to meet our franchise agreement obligations is often fraught with difficulty and can be very costly as was the case with the Metro Ford and Porsche centre developments.

Why don't we sell and lease back our properties? Quite simply it is not economic for us to do that as the differential between the yield cost on leasing the properties as a single tenant versus the current cost of capital would seriously erode earnings. Furthermore we lose the potential for capital gain such as we have just experienced and run the risk of losing some manufacturers confidence. It is also far easier to borrow with property as collateral than to borrow on cash flow. Further, under a sale and lease back scenario, the Group would forever face an increasing occupancy cost as leases would involve underpinning minimum rental increases which may have no regard for market.

We have had a number of independent reviews conducted over the years on this subject concluding that it is not a viable proposition.

Finally on this subject there are many shareholders who are in this stock on the strength of the Company's property portfolio and who have expressed concern about sale and lease back proposals.

Let me now talk about the acquisition of the City Automotive Group business and associated land and buildings from WFM Motors Pty Ltd on which we will shortly ask you to vote.

Under normal circumstances this is an acquisition that your Board would have undertaken as a matter of course to further grow the business and increase shareholder wealth. It is being put to shareholders on two counts.

Firstly it is an acquisition from a related party, WFM Motors Pty Ltd and secondly involves the issue of shares to that related party as part payment of the acquisition price. You will see this in the last four resolutions contained in the Notice of Meeting.

The necessity for seeking a special resolution for the approval to issue shares to a related party is a requirement of the Company's Constitution not of the Australian Stock Exchange Listing Rules which only require an ordinary resolution.

We deem it necessary to put four resolutions to you today in respect of this acquisition so as to properly cover the separate requirements of the Corporations Act 2001, the Australian Stock Exchange Listing Rules and the Company's Constitution. A single resolution would have been overly complex and probably difficult to understand.

As you can see the Independent Expert has concluded that the transaction is fair and reasonable to A.P. Eagers non-associated shareholders.

It has been fully considered by the independent Directors, Ken Macdonald, Tony Love and myself who unreservedly recommend it to shareholders for approval. It not only provides access to three additional franchises but provides the Group with an opportunity to align itself with the growth prospects of these three franchises in the Brisbane Metropolitan area, particularly Subaru and Peugeot.

Peugeot is a sole franchise in Brisbane and, in our opinion, offers real growth prospects to the Group, whilst Subaru, like ourselves, are in a strong growth phase.

As most of you will know, Mitsubishi Motors are experiencing some difficulties at the moment and recently announced that they will close their engine manufacturing plant in Adelaide.

This should not materially affect retail dealer operations in terms of the supply of product but may have some downside in terms of customer sentiment.

Mitsubishi Motors difficulties were fully considered by the independent Directors when negotiating the transaction price.

The City Mitsubishi franchise is part and parcel of the business being acquired and occupies a section of the real estate on which the three franchises operate and is not separable.

The purchase of the land and building together with the adjacent property we already own provides the Group with a tremendous opportunity to capitalise on its future development. It will provide a 220 metre frontage to Breakfast Creek Road in Newstead on a parcel of land measuring 20,500m^2 , or 5 acres, in a renowned motor vehicle precinct which has seen significant growth over the past few years and is indeed still growing apace.

We ask for your full support of this acquisition which will enable us to continue the growth seen in the Company over the past few years.

Ken Macdonald will speak about how we plan to keep abreast of Brisbane's rapidly expanding CBD by making sure we have facilities in appropriate growth population areas.

In so far as current trading is concerned, the unaudited net profit before tax for the four months ended 30 April 2004 was $5.261 million, up 12.8% on 2003. Turnover was $285.8 million, up 8.8% on 2003.

Net profit before tax as a percentage of turnover was 1.84%, a marginal improvement on last year's percentage of 1.78 but achieved after very slow January trading and a holiday interrupted April. However, Directors are again confident of an improved full year result and an increased return to shareholders.

Obviously the strong improvement we have seen in our bottom line results and Balance Sheet strength are reflective of the efforts of our Executive team and our proficient and dedicated staff and I extend my thanks to them for their efforts during 2003.

To give you a more detailed overview of our trading results and operations, I now call on our Managing Director Mr Ken Macdonald.

B W Macdonald
Chairman

28 May 2004

A. P. EAGERS LIMITED
MANAGING DIRECTOR'S ADDRESS TO THE
ANNUAL GENERAL MEETING
HELD ON FRIDAY 28 MAY 2004

Thank you Ben and good morning ladies and gentlemen.

2003 saw total national new vehicle sales soar to a record volume of 909,811 units, an increase of 10.4% over the previous year.

Incredibly, eleven of the twelve months during 2003 were record months with only March failing to beat its previous best.

Toyota achieved the number one position with a total volume of 186,370 units and 20.5% market share the best unit sales performance ever recorded by any marque in Australia.

Holden finished in second position with a market share of 19.3%, down from 21.6% in 2002, while Ford, in third position, improved its share from 13.2% to 13.9% and eagerly awaits the release of its new Territory range of soft off road wagons to propel its market share further in 2004.

During the year the Group faced many challenges in its planned strategy towards growth, not the least of which was the relocation of the complete Metro Ford Dealership from Spring Hill to its new home in Fortitude Valley, next door to where we are sitting. In addition the Metro Ford and Southside Ford Parts distribution operations were merged to form the Metro Ford Parts Distribution Centre and relocated into a new and highly efficient warehouse at Eagle Farm.

I mentioned in my address at last year's Annual Meeting that the Metro Ford results would be affected by these major initiatives and I will comment on this later in my report.

Despite costs associated with these initiatives and other "one off" costs that impacted on our trading results the Group was still able to achieve a 23.4% increase in net profit before tax to $15.2 Million compared to the previous year.

Total Dealership operating contribution increased 19.2% to a record $19.5 Million on total Group new vehicle sales of 18,766 units, up from 16,520 new vehicles in 2002.

The Group's strategy is to continue to expand its Dealership operating contribution through margin improvement, organic expansion of its existing business units and further Dealership acquisitions.

The net profit to turnover ratio improved from 1.6% in 2002 to 1.8% last year and management focus continues to be directed towards lifting this to 2%.

I would like to now review the performance of our Dealerships in 2003.

Eagers Holden performed solidly in a market that saw Holden's volume slip 1.7% nationally as it faced stiffer competition from both Toyota and Ford. Neither the Newstead or Windsor Dealerships achieved budget and while Newstead suffered an 8% fall in profit, Windsor improved its result from a loss position in 2002 to a modest profit in 2003.

As anticipated, Metro/Torque Ford's results were lower with net profit down almost 60% compared to 2002 having been severely affected by disruption to trading and associated one-off costs. Despite this, many positives were evident including the successful amalgamation of our two Ford Parts Centres and the challenge of implementing Ford's new Branded at Retail concepts into the new Metro Ford Dealership.

On the other hand Southside Ford produced a record result increasing net profit by 28%.

Toyota continues to be the Group's most profitable franchise with both dealerships continuing to produce strong results. Torque/Strathpine Toyota recorded a 36% profit increase while Southside Toyota produced a record profit, up 19% on the previous year.

The Mazda franchise continues to perform strongly and the Brand achieved its best ever retail year in Australia with a 36% full year growth and a market share of 5.8%. Eagers Mazda/Kia similarly produced an outstanding result turning a loss into a strong profit in a turn around of $1.048Million. Kia which also increased its market share strongly in 2003, also contributed positively to this result.

Southside Honda/Land Rover also produced a strong performance which saw its profit increase 8.5% compared to 2002. In addition, Southside Honda was awarded the National Honda Dealer of the Year for 2003, the second year in succession it has won this award.

Austral Honda / Land Rover / VW and MG Rover produced a consistent profit, marginally ahead of the previous year.

The luxury segment of the market achieved growth of 13.6% over the previous year and this enabled our Volvo / Jaguar / Porsche Dealership to improve its profit by 1076% over the previous year reflecting the success of the Porsche Cayenne 4WD and the improved performance of our Jaguar acquisition. This was despite the fact that the Premier Automotive Group marques of Volvo, Jaguar and Land Rover all lost volume nationally in 2003.

Outlook for 2004

After 4 months total national new vehicle sales are already 9.2% ahead of last year and in a position to better last year's record sales result. In fact some analysts have suggested that a 1,000,000 + volume may be possible this year. Generally however, most industry analysts are forecasting a volume of approximately 940,000 units, still a significant expansion in the total market.

As the Chairman reported in his address, Group unaudited net profit before tax for the 4 months to April 2004 increased 12.8% to $5.261 Million compared to $4.665 Million in 2003.

This result has been achieved on turnover of $285.8 Million up 8.8% on the previous year and positions the Group well to exceed last year's record profit result.

Perhaps the only hitch that the industry faces in the short term is the introduction in January 2005 of lower tariffs on passenger vehicle imports into Australia. There may well be some buyer resistance in the last quarter in anticipation of price reductions resulting from the lower tariff.

The Australian economy continues to perform well and with interest rates remaining at their current low levels the motor industry is expected to continue to benefit from these positive fundamentals.

Opportunities and Strategies 2004 - 2005

The following Dealership facility developments are now fully completed and operational:-

- Metro Ford's new Dealership facilities at Fortitude Valley and its Parts Distribution warehouse at Eagle Farm.
- The Porsche Dealership Centre at Newstead.
- The Volkswagen upgraded showrooms and service centre at Newstead.

Other major Dealership facility developments planned or underway include:-

- Southside Toyota's new Dealership facilities at Upper Mt Gravatt where plans are currently in Council. This is on 9,000m^2 of land owned by the Group on Logan Road adjacent to Garden City. There will remain approximately 13,500m^2 of land that has been identified as surplus and a formal contract, subject to Council approving a subdivision application, is expected to be signed with a major developer shortly. The property is expected to realise approximately $9.6Million, well in excess of the original cost for the entire holding.
- The Group is expected to enter into a contract to acquire approximately 19,000m^2 of land in the rapidly expanding area of Mango Hill on Brisbane's outer North Eastern corridor. The land is part of the North Lakes Town Centre master plan and approval has been given by both Ford and Toyota to develop Dealership facilities on the site and relocate both franchises from their existing Redcliffe locations.

  The Redcliffe site currently used by Torque Toyota will be upgraded and will then house the third Honda franchise that the Group has been awarded while the Torque Ford site also at Redcliffe will be earmarked for sale.
- Works on new Dealership facilities for Strathpine Toyota at Brendale on property owned by the Group, are expected to commence in the coming weeks and when completed will allow the franchise to be relocated from its present position on Gympie Road, Strathpine. It is then likely that the Strathpine property will be sold.
- The acquisition of the City Automotive Group brings three additional franchises into the Group as well as strategically located real estate that adjoins the Group's recently acquired property previously owned by the Reliance Worldwide Manufacturing Group at Newstead.

The Group will shortly be in a position to advance discussions with not only our existing franchisors but also other premium marques that may be seeking a premier location for their Brands in the CBD precinct of Brisbane.

Additionally the Group has had preliminary discussions with several major developers who have expressed interest in progressing joint venture development plans for the site. The development of this property is expected to provide the Group with an attractive profit opportunity as well as providing further growth opportunities in our core motor Dealership franchise businesses.

K W Macdonald
Managing Director