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## **ASX ANNOUNCEMENT**

**30 June 2006**

### **AHG SIGNS HEADS OF AGREEMENT TO ACQUIRE MCGRATH LANDER GROUP**

Automotive Holdings Group Limited (ASX: AHE) today announced it had entered into a Heads of Agreement to acquire the McGrath Lander Group, one of the largest automotive retailers in NSW.

AHG has proposed to pay a purchase price of up to \$69 million to acquire the McGrath Lander Group, which has annual turnover of more than \$650 million. The purchase price is subject to final structuring of the proposed acquisition.

The acquisition – which is also subject to satisfactory due diligence and is conditional upon the approval of relevant motor vehicle manufacturers – will be earnings accretive in year 1.

The deal will be funded through a combination of equity, debt and cashflow.

The McGrath Lander Group operates 15 motor vehicle dealerships in the Sydney metropolitan area. The group holds franchises with 10 motor vehicle manufacturers, encompassing 7 of the top 10 selling brands in Australia.

The acquisition will consolidate AHG's position as Australia's largest automotive retailer and represents the largest growth initiative since the company listed on the ASX in November 2005.

AHG's CEO Bronte Howson said the proposed acquisition is consistent with the stated growth strategy of acquiring businesses that are complementary to AHG's existing operations, are earnings accretive and will create long term value for shareholders.

"McGrath Lander is an outstanding business that has delivered success through professional management over a sustained period," said Mr Howson.

"Over a long period we have demonstrated our ability to identify, acquire, integrate and manage profitably new businesses and McGrath Lander will give us a beachhead for more activity in NSW and throughout the eastern states."

"In particular, McGrath Lander will provide us with critical mass to support the acquisition and ongoing operations of single dealerships that fit the AHG model."

Mr Howson said that AHG has been presented with a number of acquisition opportunities since listing and continues to assess these opportunities on an on-going basis.

The proposed McGrath Lander acquisition follows AHG's establishment of the Prestige Hino truck dealership at Dandenong in Victoria which is trading profitably after 6 months of operation. Since listing, AHG has also committed to a major expansion of its Logistics Division with a 24,000 pallet cold storage facility at Homebush in Sydney.

Founded in 1938 by Bert McGrath, McGrath Motor Group is a market leader in the population centres of Liverpool, Blacktown and Sutherland.

"McGrath Lander has a very similar history, culture and track record to AHG," said Mr Howson.

"We each have strong traditions of growing successful dealerships, with a strong emphasis on professionalism and excellent customer service."

McGrath Lander management will continue to have direct operational responsibility for the business under AHG ownership.

AHG expects settlement to take place in the September quarter.

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#### **About AHG**

Automotive Holdings Group Limited is a diversified automotive retailing and logistics group with operations in every Australian mainland state.

The Company is Western Australia's largest automotive retailer and recently moved into the Victorian market through the opening of a Hino truck dealership, one of the largest in the country.

AHG also operates logistics businesses throughout Australia through subsidiaries Rand Transport (refrigerated transport and storage), KTM Sportmotorcycles (motorcycle importation & distribution) and AMCAP (motor parts and industrial supplies distribution).

AHG recently announced revised profit guidance for FY06 of at least \$19.5m.

#### **For more information please contact:**

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