12 May 2011

Company Announcement Office
ASX Limited

AHG TO EXPAND ITS LOGISTICS DIVISION

Highlights:-

- **Acquisition of Coventry's automotive parts distribution business in Western Australia for $29 million plus working capital**
- **Acquisition of Harris Refrigerated Transport for an enterprise value of $32 million**
- **Highly complementary businesses to AHG's existing logistics operations, AMCAP and Rand Transport**
- **Targeting material synergy benefits from the acquisitions**
- **To be funded by a fully underwritten equity placement of $82.9 million**
- **Acquisitions expected to be EPS accretive in FY2013**

Automotive Holdings Group Limited (ASX: AHE) is pleased to announce that it has reached agreement to acquire Coventry's automotive parts distribution business in Western Australia and Harris Refrigerated Transport, expanding its automotive parts distribution and refrigerated transport operations.

Coventry acquisition

Coventry's automotive parts distribution division distributes genuine and non genuine automotive parts and accessories to the automotive, mining and industrial sectors in Western Australia. It has 26 branches across Perth and country Western Australia, employs approximately 430 people and has sales revenue of approximately $130 million per annum.

The purchase consideration is approximately $29 million in cash and is comprised of $26 million for stock and the balance for other assets and employee provisions. An additional $8 million investment is required to fund a sustainable working capital position.

Settlement of the transaction is scheduled in the first quarter of FY2012.

AHG has entered into a sale and purchase agreement with the vendor of Coventry's automotive parts distribution business, with completion of the transaction subject to a number of conditions precedent, including AHG being reasonably satisfied by 18 May 2011 that there are no matters disclosed in certain information provided at signing which represent a materially adverse change to the anticipated financial condition of the business. The sale and purchase agreement contains warranties and indemnities which are typical in a transaction of this nature.

AHG's Managing Director, Bronte Howson, said this is a strategic acquisition of a highly complementary business to AHG's leading automotive parts and accessories distribution business, AMCAP.

"Coventry's automotive parts distribution divisions services a wide range of mining and automotive customers through a network of regional branches which provide proximity to WA mining operations. This acquisition will give AMCAP the ability to expand its customer base and also supply a broader range of products to its existing customers."

"An approximate $6 million reduction in the operating cost base is targeted to be achieved from FY2013 as AHG rationalises duplication of distribution centres and delivery routes and achieves logistics and distribution efficiencies and back office and administration savings.

Approximately $3 million in one off costs will be incurred over FY2012 and FY2013 to achieve these cost savings."

"Following a re-branding exercise likely to be completed in 12-18 months, the business will trade as 'Covs'. AMCAP will continue to trade in its own right", said Mr Howson.

Harris Refrigerated Transport acquisition

Harris Refrigerated Transport is a national refrigerated freight service based in Adelaide connecting with Perth, Melbourne, Sydney and Brisbane. Established in 1976, it employs 290 people across 6 locations and has sales revenue of approximately $80 million.

The purchase consideration is approximately $32 million, comprising a cash payment to the vendors of $17.4 million and an assumption of certain hire purchase and chattel mortgage facilities of $14.6 million.

Settlement of the transaction is scheduled in June 2011.

AHG has entered into a sale and purchase agreement with the vendor of the Harris Refrigerated Transport business with completion of the transaction subject to a number of conditions precedent, including the grant of certain regulatory licensing approvals. The sale and purchase agreement contains customary warranties and indemnities for a transaction of this nature.

Mr Howson said the acquisition of Harris Refrigerated enhances AHG's Rand Transport, Australia's leading national refrigerated transport, cold storage and distribution services provider, by offering increased service capabilities for existing customers and a complementary geographic footprint and customer base.

"Harris' expertise in road transport will complement Rand's existing rail capacity and allow it to transport fresh produce in addition to frozen and chilled product."

"An approximate $3 million reduction in the operating cost base is targeted to be achieved by FY2013 as AHG rationalises premises and duplicated functions, achieves scale benefits and gains a complementary geographic footprint from transport opportunities".

"Approximately $2 million in one-off costs will be incurred over FY2012 and FY2013 to achieve these cost savings."

Further information in relation to the acquisitions

The acquisitions are expected to be earnings per share accretive in FY2013.

Mr Howson said the acquisition of Coventry's automotive business and Harris Refrigerated Transport is an outstanding opportunity for AHG to acquire businesses with operations with operations that will integrate into AHG quickly and provide material synergy benefits.

"AHG has developed comprehensive integration plans and assembled two strong teams of experienced staff with the appropriate external expertise to manage and drive the potential synergies."

In addition to the acquisitions referred to above, AHG is in preliminary negotiations with a number of automotive groups within Australia. However, at this stage, there is no assurance that a transaction will be entered into in relation to any of these automotive groups.

Capital Raising to fund the acquisitions

Both acquisitions and the associated transaction costs will be funded from the proceeds of an $82.9 million underwritten institutional share placement to institutional and sophisticated investors.

The institutional placement will be made at $2.44 per share, representing a 7.1% discount to the prior day VWAP, and result in the issue of approximately 34 million new ordinary shares (representing 15% of AHG's existing issued share capital). The new ordinary shares will rank equally with existing ordinary shares. The balance of the proceeds of the institutional placement will be used by AHG to fund further automotive dealership acquisition opportunities if and when they arise and for general corporate purposes.

Settlement of the placement is expected to occur on 18 May 2011 with quotation of the new shares expected on 19 May 2011. AHG will not be seeking shareholder approval for the issue of new shares under the institutional placement. The institutional placement is fully underwritten by UBS AG, Australia branch.

The placement agreement is subject to customary conditions precedent and termination events, including a termination event triggered by a material adverse issue (eg. termination) arising in relation to either acquisition (referred to above).

Share Purchase Plan

A share purchase plan ('SPP') will also be launched to allow eligible shareholders the opportunity to subscribe for new shares in AHG up to the maximum value of A$15,000 per eligible shareholder at the same price as the institutional placement. The record date for the SPP will be 5.00 p.m. (Perth time) on 11 May 2011. AHG reserves its right to scale back applications under the SPP if total demand exceeds $15 million. Details of the SPP will be provided to eligible shareholders in due course.

ASX Presentation

A presentation has been lodged with the ASX which explains in more detail the proposed acquisitions, the placement and the current trading position of the Company.

-ends-

For more information please contact:

Corporate:
Sue Symmons
Company Secretary
Mobile: 0409 949 373
Email: ssymmons@ahg.com.au