

HALF-YEAR

REPORT

31 DECEMBER 2016

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Lodged with the ASX under Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2016 annual report.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by carsales.com Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of carsales.com Ltd during the half-year ended 31 December 2016 and up to the date of this report:

Jeffrey Browne

(Non Executive Chair)

Greg Roebuck

(Managing Director and CEO)

Richard Collins

(Non Executive Deputy Chair)

Wal Pisciotta OAM

(Non Executive Director)

Kim Anderson

(Non Executive Director)

Pat O'Sullivan

(Non Executive Director)

Edwina Gilbert

(Non Executive Director)

Steve Kloss

(Alternate Non Executive Director)

Review of operations

The Group has again delivered a strong performance driven by solid domestic and promising international growth.

The Group reported total operating revenue of \$178.6 million (2015: \$167.3 million) up 7% compared to the same period in FY16 and up 14% excluding the Finance and Related Services segment, with growth rates accelerating across the core business segments. This result was largely driven by:

- Domestic business continuing to perform solidly with dealer revenue – up 10% year on year to \$64.6 million
- Strong private seller revenue performance – up 26% year on year to \$30.7 million
- Display revenue showing solid growth – up 9% year on year to \$34.5 million
- South Korean business delivering strong local currency revenue growth – up 26% year on year

The Finance and Related Services result was impacted by previously flagged volume capacity reductions at a major lender with underlying core finance broking revenue down 13% compared to the prior comparative period (pcp). Progress underway with action plans to address cost reduction programme implemented late in H1.

Operating expenses grew ahead of revenue to \$103.8 million, reflecting faster growth of lower margin adjacencies (such as tyres and inspections) and investment in these businesses to support future scalable growth.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$83.2 million which represents an increase of 2% on pcp. Excluding the Finance and Related Services Segment EBITDA was up 9% on pcp.

Adjusted net profit after tax after non-controlling interests (Adjusted NPAT*) was up 5% on pcp.

Outlook

We continue to closely monitor our performance and market conditions. The second half has commenced well with January once again proving to be an attractive month for car buyers in the domestic business. Domestic adjacencies continue to build scale and breadth with a number of significant opportunities. Assuming these conditions continue to be stable, we anticipate FY17 revenue, EBITDA and NPAT growth will remain solid in the domestic core business. Our Finance and Related Services business has made good progress addressing the capacity constraint issues experienced in the first half and the focus in the second half is to position the business for future growth.

Internationally, Korea is expected to see continued solid local currency revenue and earnings growth. The economy in Brazil remains challenging and changes are underway to improve Webmotors' (our investment in Brazil) performance.

We expect our integration of core carsales IP into our Chilean and Mexican businesses to continue. This, coupled with our acquisition of DeMotores, is expected to provide a solid uplift in their revenue and earnings in the coming half.

Subsequent events

On 19 January 2017 the Company announced that Mr Greg Roebuck, the Company's Managing Director (MD) and Chief Executive Officer (CEO) will retire from his position and the Board has appointed Mr Cameron McIntyre, currently carsales' Chief Operating Officer, as the next MD and CEO effective 17 March 2017.

On 31 January 2017, the Company announced it had entered into an agreement to acquire the DeMotores online automotive classified websites in Argentina, Colombia and Chile.

Aside from the above, no matters or circumstances have occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Dividends – carsales.com Ltd

On 7 February 2017, the directors declared a dividend of 18.7 cents fully franked. The dividend will be paid on 20 April 2017.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

This report is made in accordance with a resolution of Directors.



Greg Roebuck
Managing Director and CEO

Melbourne
7 February 2017

* Adjusted NPAT is post non-controlling interests and excludes one-off gains and losses on associate dilution and fair value remeasurement, one-off tax gains and acquired intangible amortisation.

AUDITOR'S INDEPENDENCE DECLARATION




Auditor's Independence Declaration

As lead auditor for the review of carsales.com Ltd for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of carsales.com Ltd and the entities it controlled during the period.


Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
7 February 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Revenue from continuing operations			
Sale of goods and services		178,558	167,336
Revenue from continuing operations		178,558	167,336
Expenses			
Cost of sale		(16,088)	(15,608)
Sales and marketing expenses		(52,826)	(47,118)
Service development and maintenance		(13,332)	(12,037)
Operations and administration		(13,076)	(11,119)
Earnings before interest, taxes, depreciation and amortisation		83,236	81,454
Depreciation and amortisation expense		(4,581)	(4,099)
Finance income		214	269
Finance costs		(3,942)	(4,486)
Share of profit/(loss) from associates accounted for using the equity method	5(a)	3,650	2,749
(Loss)/gain on associates fair value adjustment and investment dilution	5(c)	(6,877)	955
Profit before income tax		71,700	76,842
Income tax expense		(22,973)	(22,780)
Profit from continuing operations		48,727	54,062
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,354)	(14,299)
Share of remeasurement of net defined benefit liability of associates		138	-
Changes in the fair value of available-for-sale financial assets		(751)	-
Total comprehensive income for the period		46,760	39,763
Profit is attributable to:			
Owners of carsales.com Ltd		47,204	51,338
Non-controlling interests		1,523	2,724
		48,727	54,062
Total comprehensive income for the half-year is attributable to:			
Owners of carsales.com Ltd		45,455	37,241
Non-controlling interests		1,305	2,522
		46,760	39,763
Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:		Cents	Cents
Basic earnings per share		19.6	21.4
Diluted earnings per share		19.5	21.3

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		44,059	28,709
Trade and other receivables		42,202	44,722
Inventories		695	1,112
Total current assets		86,956	74,543
Non-current assets			
Investments accounted for using the equity method	5(a)	232,923	266,976
Available-for-sale financial assets	5(b)	12,521	-
Property, plant and equipment		7,438	6,608
Deferred tax assets		5,691	6,078
Intangible assets		193,598	191,569
Total non-current assets		452,171	471,231
Total assets		539,127	545,774
LIABILITIES			
Current liabilities			
Payables		31,679	36,184
Borrowings		1,989	1,784
Current tax liabilities		5,970	6,633
Provisions		6,416	6,310
Deferred revenue		6,056	6,601
Total current liabilities		52,110	57,512
Non-current liabilities			
Borrowings		220,202	225,126
Deferred tax liabilities		2,783	1,729
Provisions		1,311	1,037
Total non-current liabilities		224,296	227,892
Total liabilities		276,406	285,404
Net assets		262,721	260,370
EQUITY			
Contributed equity	4	101,778	99,026
Reserves		22,689	22,862
Retained earnings		134,478	134,302
Non-controlling interests		3,776	4,180
Total equity		262,721	260,370

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Attributable to owners of carsales.com Ltd			Non- controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2016		99,026	22,862	134,302	4,180	260,370
Profit for the half-year to 31 December 2016		-	-	47,204	1,523	48,727
Exchange differences on translation of foreign operations		-	(1,136)	-	(218)	(1,354)
Changes in the fair value of available-for-sale financial assets		-	(751)	-	-	(751)
Remeasurement of net defined benefit liability of associates		-	138	-	-	138
Total comprehensive income for the period		-	(1,749)	47,204	1,305	46,760

Transactions with owners in their capacity as owners:

Contributions of equity upon exercise of employee share options		293	-	-	-	293
Increase in share-based payment reserve inclusive of tax		-	1,576	-	-	1,576
Dividends paid to members of the parent	6	2,459	-	(47,028)	-	(44,569)
Dividends paid to non-controlling interest		-	-	-	(1,709)	(1,709)
Balance at 31 December 2016		101,778	22,689	134,478	3,776	262,721

	Notes	Attributable to owners of carsales.com Ltd			Non- controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2015		91,905	21,471	113,829	2,308	229,513
Profit for the half-year to 31 December 2015		-	-	51,338	2,724	54,062
Exchange differences on translation of foreign operations		-	(14,097)	-	(202)	(14,299)
Total comprehensive income for the period		-	(14,097)	51,338	2,522	39,763

Transactions with owners in their capacity as owners:

Contributions of equity upon exercise of employee share options		1,518	-	-	-	1,518
Increase in share-based payment reserve inclusive of tax		-	1,824	-	-	1,824
Dividends paid to members of the parent	6	2,898	-	(45,898)	-	(43,000)
Dividends paid to non-controlling interest		-	-	-	(2,700)	(2,700)
Non-controlling interest on acquisition of subsidiaries		-	-	-	3,207	3,207
Balance at 31 December 2015		96,321	9,198	119,269	5,337	230,125

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Half-year ended	
		31 December 2016	31 December 2015
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (including GST)		197,613	180,721
Payments to suppliers and employees (including GST)		(120,938)	(108,271)
Income taxes paid		(23,484)	(22,111)
Net cash inflow from operating activities		53,191	50,339
Cash flows from investing activities			
Investment in subsidiaries, net of cash acquired		-	(9,030)
Investment in associates		(1,323)	(3,797)
Payments for property, plant and equipment		(1,830)	(1,258)
Payments for intangible assets		(290)	(503)
Interest received		214	269
Proceeds from sale of business		1,402	-
Dividends received from associates		4,987	-
Capital reduction in associates		13,511	-
Net cash inflow/(outflow) from investing activities		16,671	(14,319)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		293	1,518
Proceeds from borrowings		43,497	38,497
Repayment of borrowings		(48,138)	(21,070)
Dividends paid to non-controlling interests		(1,709)	(2,700)
Dividends paid to company shareholders	6	(44,569)	(43,000)
Interest paid		(3,886)	(4,234)
Net cash (outflow) from financing activities		(54,512)	(30,989)
Net increase in cash and cash equivalents		15,350	5,031
Cash and cash equivalents at the beginning of the financial year		28,709	26,823
Cash and cash equivalents at end of the half-year		44,059	31,854

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. Summary of significant accounting policies

1(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for year ended 30 June 2016 and any public announcements made by carsales.com Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except as set out in b) below.

The financial statements have been prepared on a going concern basis.

1(b) New accounting standards and interpretations

The Group has applied the following standards which have had no impact in the current reporting period commencing 1 July 2016:

- Clarification of acceptable methods of depreciation and amortisation (AASB 2014-4) (effective 1 January 2016)

The following standards will be applicable in future reporting periods and the Group will adopt the standards upon the operative date. The Group is assessing the impact of these standards however they are not expected to have significant impact:

- AASB 9 Financial Instruments (effective 1 January 2018)
- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

The following standards are not applicable to carsales.com Ltd and therefore there is no impact on the Group:

- Superannuation Entities (AASB 1056) (effective 1 January 2016)
- Accounting for acquisitions of interests in joint operations (AASB 2014-3) (effective 1 January 2016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 CONTINUED

2. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

Management has determined the operating segments based on the reports reviewed by the Key Management Personnel that are used to make strategic decisions.

2(a) Description of segments

The Group principally operates in four business segments: namely Online Advertising Services; Data, Research and Services; International; and Finance and Related Services.

Online Advertising Services

carsales.com Ltd Online Advertising Services can be broken into two key product sets being classified advertising and display advertising services.

Classified advertising allows customers (including dealers and consumers) to advertise automotive and non-automotive goods and services for sale across the carsales Network. Classified advertising typically allows a customer to advertise their red Brand X, model Y car with 20,000km for \$10,000 on a carsales website. This segment includes services such as subscriptions, lead fees and priority placement services across automotive and non-automotive websites.

Display advertising typically involves corporate customers such as automotive manufacturers/importers, finance and insurance companies etc, placing advertisements on a carsales Network website. These advertisements typically display the product or service offerings of the corporate advertiser such as a special offer on new utes by manufacturer X, or save 10% on insurance this month only etc, as banner advertisements or other sponsored links.

Online Advertising Services includes carsales' investment in tyresales.com.au which is an online tyre advertisement website that allows consumers to transact and purchase tyres.

Data, Research and Services

The carsales.com Ltd divisions of RedBook, LiveMarket, Datamotive and Datamotive Business Intelligence provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies and finance and insurance companies offering products including software, analysis, research and reporting, valuation services, website development and hosting as well as photography services. This segment also includes display and consumer advertising related to these divisions.

International

carsales.com Ltd has operations in overseas countries through both subsidiaries and equity accounted associate investments as set out below:

Automotive Data Services:

- Auto Information Limited (New Zealand) – 100%
- Red Book Automotive Services (M) Sdn Bhd (Malaysia) – 100%
- Red Book Automotive Data Services (Beijing) Limited (China) – 100%
- Automotive Data Services (Thailand) Company Limited – 100%

Online Automotive Classifieds:

- Webmotors S.A. (operation in Brazil) – 30%
- iCar Asia Limited (operations in Indonesia, Malaysia and Thailand) – 15.6%
- SK ENCARSALLES.COM Ltd (operation in South Korea) – 49.9%
- carsales Mexico SAPI de CV (operation in Mexico) – 65%
- Chileautos SpA (operation in Chile) – 83.3%

Finance and Related Services

Finance and Related Services includes the Stratton Finance Pty Ltd subsidiary which provides innovative vehicle finance arrangements, vehicle procurement and other related services to customers. Segment revenues arise from commissions paid by finance providers and other related service providers. It also includes the equity accounted associates RateSetter Australia Pty Ltd and PromisePay Pte Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 CONTINUED

2(b) Primary reporting format – business segments

Half-year ended 31 December 2016	Online Advertising Services \$'000	Data, Research and Services \$'000	International \$'000	Finance and Related Services \$'000	Total \$'000
Segment revenue					
Segment revenue (Note 2(c)(i))	129,789	19,219	3,486	26,064	178,558
Total segment revenue	129,789	19,219	3,486	26,064	178,558
Gross profit	119,079	19,154	3,486	20,751	162,470
EBITDA (Note 2(c)(ii))	67,087	11,128	508	4,513	83,236
Depreciation and amortisation					(4,581)
Net interest paid					(3,728)
Share of profit/(loss) from associates			4,332	(682)	3,650
Gain on associate dilution				268	268
Associate fair value revaluation loss			(7,145)		(7,145)
Profit before income tax					71,700
Income tax expense					(22,973)
Non-controlling interests					(1,523)
Profit for the half-year					47,204

Segment assets (Note 2(c)(iii))

Segment assets	101,310	18,141	238,244	76,225	433,920
Deferred tax assets					5,691
Available-for-sale financial assets					12,521
Unallocated assets					86,995
Total assets					539,127

Half-year ended 31 December 2015	Online Advertising Services \$'000	Data, Research and Services \$'000	International \$'000	Finance and Related Services \$'000	Total \$'000
Segment revenue					
Segment revenue (Note 2(c)(i))	114,753	17,415	1,740	33,428	167,336
Total segment revenue	114,753	17,415	1,740	33,428	167,336
Gross profit	108,124	17,361	1,740	24,503	151,728
EBITDA (Note 2(c)(ii))	61,722	10,198	620	8,914	81,454
Depreciation and amortisation					(4,099)
Net interest paid					(4,217)
Share of profit/(loss) from associates			3,331	(582)	2,749
Gain on associate dilution			955		955
Profit before income tax					76,842
Income tax expense					(22,780)
Non-controlling interests					(2,724)
Profit for the half-year					51,338

Segment assets (Note 2(c)(iii))

Segment assets	106,082	15,191	250,570	63,023	434,866
Deferred tax assets					756
Unallocated assets					70,942
Total assets					506,564

2(c) Notes to, and forming part of, the segment information

(i) Segment revenue and gross profit

Segment revenue is derived from sales to external customers as set out in the table above. The nature of the segment revenue is as described in Note 2(a) above. Gross profit is revenue less costs of sale.

(ii) Segment EBITDA

The consolidated entity's chief operating decision maker assesses the performance of the segments based on a measure of EBITDA. Interest revenue and expense, depreciation and amortisation are not reported to the chief operating decision maker by segment. These items are assessed at a consolidated entity level.

(iii) Segment assets

Segment assets include investments accounted for using the equity method, goodwill and trade receivables. Unallocated assets include property, plant and equipment, intangibles and other assets utilised across multiple segments. All unallocated assets are assessed by the chief operating decision maker at a consolidated entity level.

(iv) Liabilities

Liabilities are not reported to the chief operating decision maker by segment. All liabilities are assessed at a consolidated entity level.

3. Borrowings

The Group's principal funding is a \$325 million syndicated debt facility. This facility reduces to \$265 million from February 2017. On 15 December 2016, the Group agreed with its lenders to extend the maturity of Tranche B (\$175 million) by 18 months until August 2019. Tranche C (\$90 million) expires in February 2020.

4. Contributed equity

Movement in ordinary shares during the period	Number of shares	\$'000
Balance at 1 July 2015	240,081,596	91,905
Exercise of options and performance rights under the carsales.com Ltd Option Plan	566,490	2,173
Dividend Reinvestment Plan	475,212	4,948
Balance at 30 June 2016	241,123,298	99,026
Balance at 1 July 2016	241,123,298	99,026
Exercise of options and performance rights under the carsales.com Ltd Option Plan	83,828	293
Dividend Reinvestment Plan	206,250	2,459
Balance at 31 December 2016	241,413,376	101,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 CONTINUED

5. Investments

5(a) Investments accounted for using the equity method

Name of entity	Ownership interest		Carrying amount		Share of profit	
	31 December	30 June	31 December	30 June	31 December	31 December
	2016	2016	2016	2016	2016	2015
	%	%	\$'000	\$'000	\$'000	\$'000
Webmotors S.A.	30.0	30.0	68,627	83,381	1,714	1,908
iCar Asia Limited	-	20.2	-	21,658	(1,241)	(1,172)
SK ENCARSALES.COM Ltd	49.9	49.9	147,450	145,710	3,858	2,595
RateSetter Australia Pty Ltd	20.5	20.0	10,115	9,237	(423)	(582)
PromisePay Pte Ltd	10.1	10.1	6,731	6,990	(258)	-
Total equity accounted investments			232,923	266,976	3,650	2,749

In light of the continued decline of the economy in Brazil, management has reviewed the carrying value of the equity accounted investment in Webmotors. This review did not identify any impairment as at 31 December 2016, but further significant economic decline in Brazil could lead to a reduction in the carrying value of the investment in the future.

5(b) Available-for-sale financial assets

Name of entity	Ownership interests	Carrying amount	
		31 December	30 June
		2016	2016
	%	\$'000	\$'000
iCar Asia Limited	15.6	12,521	-
Total available-for-sale financial assets		12,521	-

5(c) Fair value adjustment and investment dilution

	31 December	31 December
	2016	2015
	\$'000	\$'000
Associate dilution	268	955
Fair value adjustment on transfer to available-for-sale financial assets	(7,145)	-
Total fair value adjustment and investment dilution	(6,877)	955

Recognition and measurement

Associate dilution

As a result of a change in the Company's holding of investments in associates, there is a gain on associate dilution of \$268,000 (2015: \$955,000).

Fair value adjustment on transfer to available-for-sale financial assets

The fair value adjustment arose from the change in accounting treatment from equity accounting the Group's investment in iCar Asia Ltd to an available-for-sale financial asset as a result of carsales non-executive directors stepping down from the Board of iCar Asia Ltd on 9 December 2016 and no longer having significant influence.

6. Dividends

6(a) Ordinary shares

	31 December 2016 \$'000	31 December 2015 \$'000
Final dividend		
Final fully franked cash dividend for the year ended 30 June 2016 of 19.5 cents (2015 – 17.7 cents plus a special dividend 1.4 cents) per fully paid ordinary share paid on 17 October 2016.	44,569	43,000
Final fully franked dividend for the year ended 30 June 2016 of 19.5 cents (2015 – 17.7 cents plus a special dividend 1.4 cents) – satisfied through the issuance of shares under the Dividend Reinvestment Plan.	2,459	2,898
	47,028	45,898

6(b) Dividends not recognised at the end of the reporting period

	31 December 2016 \$'000	31 December 2015 \$'000
In addition to the above dividends, since half-year end the Directors have recommended the payment of 18.7 cents per fully paid ordinary share (2015 – 17.8 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 20 April 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the end of the reporting period, is	45,144	42,868

6(c) Dividend Reinvestment Plan (DRP)

The carsales.com Ltd DRP will be maintained for the 2017 interim dividend, offering shareholders the opportunity to acquire further ordinary shares in carsales. The DRP will not be offered at a discount and the price will be calculated using the daily volume weighted average sale price of carsales.com Ltd shares sold in the ordinary course of trading on the ASX during the 5 days after, but not including, the Record Date (24 March 2017). The last date for shareholders to nominate their participation in the DRP is 5.00pm (AEST) on 27 March 2017. Shares issued under the DRP will rank equally with carsales.com Ltd existing fully paid ordinary shares. Shareholders eligible to participate in the DRP are currently limited to those whose registered address on the carsales.com Ltd share registry is in Australia and New Zealand.

Eligible shareholders who wish to participate in the DRP can make their elections online at www.computershare.com.au/easyupdate/CAR or complete the DRP form which will be sent to shareholders for completion and submission to Computershare Investor Services Pty Ltd (carsales share registry). Further information can be obtained from Computershare on 1300 850 505.

7. Events occurring after the reporting period

On 19 January 2017 the Company announced that Mr Greg Roebuck, the Company's Managing Director (MD) and Chief Executive Officer (CEO) will retire from his position and the Board has appointed Mr Cameron McIntyre, currently carsales' Chief Operating Officer, as the next MD and CEO effective 17 March 2017.

On 31 January 2017, the Company announced it had entered into an agreement to acquire the DeMotores online automotive classified websites in Argentina, Colombia and Chile.

DIRECTORS' DECLARATION

31 DECEMBER 2016

In the Directors' opinion:

- (a) the financial statements and notes set out on page 3 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Directors.



Greg Roebuck
Managing Director and CEO

Melbourne
7 February 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD



Independent auditor's review report to the members of carsales.com Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of carsales.com Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for carsales.com Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of carsales.com Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD CONTINUED



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of carsales.com Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

A. Linschoten
Anton Linschoten
Partner

Melbourne
7 February 2017

CORPORATE DIRECTORY

Directors

Jeffrey Browne

(Non Executive Chair)

Greg Roebuck

(Managing Director and CEO)

Richard Collins

(Non Executive Deputy Chair)

Wal Pisciotta OAM

(Non Executive Director)

Kim Anderson

(Non Executive Director)

Pat O'Sullivan

(Non Executive Director)

Edwina Gilbert

(Non Executive Director)

Steve Kloss

(Alternate Non Executive Director)

Company secretary

Nicole Birman

Registered office

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Share registry

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F +61 3 9473 2500

computershare.com

External auditor

PricewaterhouseCoopers

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Southbank Vic 3006

Stock exchange

carsales.com Ltd is a public

company listed with the Australian

Securities Exchange Limited

ASX: CAR

