

carsales.com Ltd

ABN 91-074-444-018

**Interim financial report
for the half-year ended 31 December
2008**

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Dear Shareholders

The Board is pleased to present the company's interim Financial Accounts to 31 December 2008.

The key financial highlights of the past six months are-

- Revenue up 40% on previous corresponding period (pcp) from \$31.9m to \$44.8m
- Profit (EBITDA) up 55% on pcp from \$12.6m to \$19.5m
- Net Profit (after tax) up 49% on the prior period from \$8.5m to \$12.6m

The Board has declared an interim 2009 dividend of 5.5 cents per share fully franked which represents DPS growth of 57.2% and EPS growth of 48.6% on pcp. The dividend payment will have a record date of the 13th April 2009 and a payment date of 24th April 2009.

In line with our commitment to shareholders to keep them informed on our planned ASX listing, given the persistent unfavourable market conditions and the valuation impact that these conditions are having on not just our listed peers but the entire market, the Board is maintaining a wait and see position. Thus, given our strong cash generation and to maintain some shareholder liquidity, we have once again distributed all of our current earnings in this just declared dividend.

I don't think that anyone would suggest that the past six months has been anything less than challenging on several different levels, all of which to some degree have impacted our recent performance.

At a macroeconomic level the first quarter of this financial year was tougher than we had expected: with the Reserve Bank of Australia's (RBA) cash rate being maintained at 7.25%: fuel prices at unprecedented levels of above \$1.60 per litre: and the ASX All Ordinaries dropping from above 5,000 points, created some tougher conditions in our Automotive business. However, we also observed that in the second quarter as interest rates eased to 4.25% (and now 3.25% in February), fuel prices declined with reduced demand for oil to around \$1.20 per litre and the fiscal stimulus provided to households late in the last quarter all provided a better ecosystem for overall trading conditions.

At an Automotive Industry level the GE and GMAC announcements to withdraw their auto dealer floor plan financing operations in an environment where credit was being tightened globally was a troubling revelation. It has been pleasing to see that the impact of these announcements has been well contained and it has certainly not had a material impact on our operations.

The Online Advertising Industry, unlike the Automotive Industry, has previously not been tested in recessionary like market conditions. It is therefore very pleasing to present such a strong financial performance to date and is a reflection of the strength and resilience of our business model and the capability of our Management and Staff.

Over the past six months the company has carefully focused on lifting profitability through cost restraint, which is observable in the EBITDA margin growth to 43.5% up 10% on pcp and the ongoing innovation through product development and infrastructure upgrades as outlined in the Managing Directors review.

Working capital management and maintaining the healthy balance sheet that we have has also been a key focus and we recently re-negotiated and extended our debt facility with ANZ for a further three year period.

On behalf of the Board I would like to personally thank all of our staff, customers, suppliers and supporters of our business and we look forward to working together with each and every one of you as we all deal with the challenges of the next twelve months.



Sincerely
Wal Pisciotta
Chairman
Hawthorn, Victoria, 6 March 2009

Dear Shareholders,

Here we are more than half way through financial year 2009. It's already been a very uncommon year with the significant impact of two large financiers pulling out of the automotive industry in Australia, as well as the global financial difficulties causing a drop in new car purchase activity. That said, your business is well positioned as a strong market leader and as new car enquiry has reduced – although not significantly – we have seen used car enquiry grow.

With car companies needing to “move metal”, it's practically impossible not to see or hear great deals being offered on new cars. Whilst we are cautiously optimistic about how this will play out over coming months, indications are that as the #1 destination for buyers and sellers of cars, we are a logical choice for the car companies' marketing budgets. Online continues to be the most cost effective, accountable AND successful means of communicating with in-market consumers- and today, cost effectiveness is more critical than ever!. This is being reflected in the macro sense by the decrease in traditional media spend while online revenues continue to grow.

Our half year results were very pleasing with revenue up around 40 percent and earnings before interest tax and depreciation up around 55% on the prior corresponding period. All areas of the business continue to contribute to our results, but there are many opportunities across the business to maintain our record of strong growth. We've been conscious of our fixed costs growth and have taken numerous steps to ensure a long term economic downturn is manageable.

We've recently launched a number of new sites including www.greencarsales.com.au and www.discountnewbikes.com.au. These sites bring the total to over 23 well performing, retail facing websites as part of our network – including 10 of the top 20 most visited automotive sites as measured by Nielsen Netratings (market intelligence January 09).

Our services business – DataMotive – continues to grow and will shortly launch a new manufacturer's used vehicle service, to add to the numerous new and used vehicle services currently provided to most of Australia's leading car companies. The integration of Automotive Data Services (The Redbook) business into the broader carsales business is progressing well with many synergies being realised. The offshore businesses acquired as part of the Redbook purchase are performing better than ever and our ongoing investment in them should see their results continue to improve.

We have recently commenced bringing the majority of our “corporate” revenue in-house. Historically, advertisers on our two main sites – carsales.com.au and carpoint.com.au would utilise a third party provider to book and manage the advertising. With significant growth in our corporate revenue over recent years and our need to be as close to our customers as possible, we have ramped up our investment in our corporate unit – MediaMotive. I will update you further in our full year report on the progress of this significant change.

Our new “combined” search is rolling out across our carsales site – and eventually all of our sites – and is already showing an excellent result for your business. By placing the emphasis on the car people are looking for versus the focus on the category of the car, we have seen substantial lifts in all areas – in particular in dealer enquiry. Please take the time to check it out at www.carsales.com.au.

Thank you once again from myself and the entire team at carsales.com Ltd for your continued support.

Yours sincerely



Greg Roebuck
Managing Director and CEO
Hawthorn, Victoria, 6 March 2009

Directors' report

Your directors present their report on the consolidated entity consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

Directors

The following persons were directors of carsales.com Ltd during the half year ended 31 December 2008 and up to the date of this report:

Wal Pisciotta
Greg Roebuck
Ric Collins
Ian Law
Pat O'Sullivan
Adrian MacKenzie
Jeffrey Browne

Review of operations

During the half year to 31 December 2008 the Group generated gross revenues of \$44,775,934 (2007: \$31,994,690). Group profits before tax for the period were \$18,216,817 (2007: \$12,045,272) and Group profit after tax was \$12,617,012 (2007: \$8,467,311). Please refer to the Chairman's letter to shareholders and the Managing Director's review of operations for further information about the operations of the Group.

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 4.

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



Greg Roebuck
Director

Hawthorn, Victoria
6 March 2009

PricewaterhouseCoopers
ABN 52 780 433 757

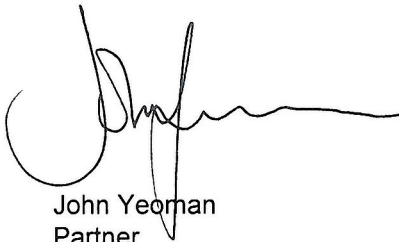
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Auditor's Independence Declaration

As lead auditor for the review of carsales.com Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
6 March 2009

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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 2008 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*.

carsales.com Ltd
Consolidated income statement
For the half-year ended 31 December 2008

	Half-year ended	
	31 December	31 December
	2008	2007
Notes	\$	\$
Revenue from continuing operations	44,775,934	31,944,690
Other income	2,883	-
Sales and marketing expenses	(16,444,770)	(11,756,059)
Operations and administration	(4,589,709)	(5,118,345)
Service development & maintenance	(4,038,502)	(2,177,575)
Depreciation and amortisation expense	(823,654)	(299,385)
Finance costs	(665,365)	(548,054)
Profit before income tax	18,216,817	12,045,272
Income tax expense	(5,599,805)	(3,577,961)
Profit from continuing operations	12,617,012	8,467,311
Profit attributable to members of carsales.com Ltd	12,617,012	8,467,311
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	5.5	3.7
Diluted earnings per share	5.4	3.7

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

carsales.com Ltd
Consolidated balance sheet
As at 31 December 2008

	31 December 2008	30 June 2008
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	7,169,429	7,794,492
Trade and other receivables	<u>11,335,930</u>	<u>11,736,543</u>
Total current assets	<u>18,505,359</u>	<u>19,531,035</u>
Non-current assets		
Property, plant and equipment	4,355,040	3,744,229
Deferred tax assets	941,785	912,361
Intangible assets	<u>78,083,422</u>	<u>78,238,428</u>
Total non-current assets	<u>83,380,247</u>	<u>82,895,018</u>
Total assets	<u>101,885,606</u>	<u>102,426,053</u>
LIABILITIES		
Current liabilities		
Trade and other payables	6,565,827	8,508,121
Interest bearing liabilities	18,400,717	18,449,565
Current tax liabilities	2,546,186	3,617,331
Provisions	1,092,949	968,790
Other current liabilities	<u>2,472,289</u>	<u>2,354,149</u>
Total current liabilities	<u>31,077,968</u>	<u>33,897,956</u>
Non-current liabilities		
Provisions	<u>861,730</u>	<u>774,519</u>
Total non-current liabilities	<u>861,730</u>	<u>774,519</u>
Total liabilities	<u>31,939,698</u>	<u>34,672,475</u>
Net assets	<u>69,945,908</u>	<u>67,753,578</u>
EQUITY		
Contributed equity	61,855,438	61,774,686
Reserves	1,698,407	1,281,732
Retained profits	<u>6,392,063</u>	<u>4,697,160</u>
Capital and reserves attributable to equity holder of carsales.com Ltd	<u>69,945,908</u>	<u>67,753,578</u>
Total equity	<u>69,945,908</u>	<u>67,753,578</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

carsales.com Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2008

	31 December 2008	31 December 2007
Notes	\$	\$
Total equity at the beginning of the half-year	<u>67,753,578</u>	<u>63,621,014</u>
Profit for the half-year	<u>12,617,012</u>	<u>8,467,311</u>
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid	4 (10,922,109)	(13,772,948)
Contributions of equity upon exercise of employee share options	80,750	1,229,367
Increase in share-based payment reserve	318,000	201,158
Increase in foreign currency translation reserve	<u>98,677</u>	<u>-</u>
	<u>(10,424,682)</u>	<u>(12,342,423)</u>
Total equity at the end of the half-year	<u>69,945,908</u>	<u>59,745,902</u>

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

carsales.com Ltd
Consolidated cash flow statement
For the half-year ended 31 December 2008

	Half-year ended	
	31 December	31 December
	2008	2007
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	49,748,499	34,514,044
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(31,078,795)</u>	<u>(18,584,951)</u>
	18,669,704	15,929,093
Interest income	237,768	301,035
Interest paid	(714,213)	(526,632)
Proceeds from disposal of financial assets at fair value through profit or loss	6,817	-
Income taxes paid	<u>(6,700,374)</u>	<u>(1,489,332)</u>
Net cash (outflow) inflow from operating activities	<u>11,499,702</u>	<u>14,214,164</u>
Cash flows from investing activities		
Payments for intangible assets	-	(30,195)
Payments for purchase of subsidiary, net of cash acquired	-	(11,970,245)
Payments for property, plant and equipment	<u>(1,283,406)</u>	<u>(580,414)</u>
Net cash (outflow) inflow from investing activities	<u>(1,283,406)</u>	<u>(12,580,854)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	80,750	1,229,617
Proceeds from borrowings	1,000,000	15,288,485
Repayment of borrowings	(1,000,000)	(2,025,452)
Dividends paid to company's shareholders	4 <u>(10,922,109)</u>	<u>(13,772,948)</u>
Net cash inflow (outflow) from financing activities	<u>(10,841,359)</u>	<u>719,702</u>
Net increase (decrease) in cash and cash equivalents	(625,063)	2,353,012
Cash and cash equivalents at the beginning of the half-year	<u>7,794,492</u>	<u>5,691,162</u>
Cash and cash equivalents at end of the half-year	<u>7,169,429</u>	<u>8,044,174</u>

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

1 Basis of preparation of half year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2008 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.

2 Segment information

(a) Description of segments

Business Segments

The Group principally operates in two business segments, namely Automotive Classified Services and Automotive Research Services. As the Automotive Research Services segment is less than 10% of the group, no specific disclosure have been made. All activities are principally conducted in the Australian Market.

3 Equity securities issued

	31 December 2008 Shares	31 December 2007 Shares	31 December 2008 \$	31 December 2007 \$
Issues of ordinary shares during the half-year				
Exercise of options issued under the carsales.com Ltd Option Plan	85,000	1,987,334	80,750	1,376,266

4 Dividends

	Half-year ended 31 December 2008 \$	31 December 2007 \$
(a) Ordinary shares		
Final fully franked cash dividend for the year ended 30 June 2008 of 4.75 cents per share paid on 28 November 2008.	10,922,109	-
Final fully franked cash dividend for the year ended 30 June 2007 of 6 cents per share paid on 20 November 2007.	-	13,772,948

5 Business combination

Current period

(a) No business combinations have occurred in the current period.

Prior period

(a) Summary of acquisition

On 31 August 2007 carsales.com Ltd acquired 100% of the issued share capital of Automotive Data Services Ltd which is principally involved in providing pricing and identification data to the automotive, insurance and finance industries for a net cash consideration of \$12,000,000.

The acquired business contributed revenues of \$1,218,611 and net profit after tax of \$148,072 to the Group for the period from 1 September 2007 to 31 December 2007. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the half year ended 31 December 2007 contributed to the group would have been \$1,820,984 and \$144,710 respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Cash paid	12,000,000
Direct costs relating to the acquisition	<u>191,993</u>
Total purchase consideration	<u>12,191,993</u>

Fair value of net identifiable assets acquired (refer to (c) below)	<u>1,015,728</u>
Goodwill (refer to (c) below and	<u>11,176,265</u>

(b) Purchase consideration

	Half-year ended	
	31 December 2008	31 December 2007
	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	12,191,993
Less: Cash acquired	-	218,355
Outflow of cash	-	<u>11,973,638</u>

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash & cash equivalents	218,355	218,355
Trade receivables	321,196	321,196
Plant and equipment	258,898	258,898
Intangible assets: Database	981,547	1,163,513
Intangible assets: Other	2,639	2,639
Other assets	99,674	99,674
Employee benefit liabilities, including superannuation	(883,754)	(883,754)
Other liabilities	(183,977)	(183,977)
Deferred tax asset	19,184	19,184
Net assets	<u>833,762</u>	<u>1,015,728</u>

6 Net current liabilities

As at 31 December 2008 the Group had net current liabilities of \$12.57 million. This net current liabilities position reflects a number of specific factors relating to recent acquisitions. The company's debt facilities with ANZ namely its \$23.5m commercial bill facility has been renegotiated in January 2009 and re-established for a further 3 years (expiry date 16 January 2012), which will change the balance sheet position to net current assets as well as ensure the company is able to continue to pay debts as and when they fall due.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 12 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 company's and consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company and group will be able to pay its debts as and when they become due and payable.

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



Greg Roebuck
Director

Hawthorn, Victoria
6 March 2009

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**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, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the carsales.com Limited Group (the consolidated entity). The consolidated entity comprises both carsales.com Limited (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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 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 2008 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent auditor's review report to the members of
carsales.com Limited (continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

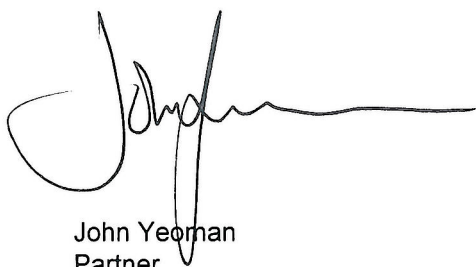
Conclusion

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
6 March 2009