

## Results for announcement to the market

### Half-year ended 31 December 2017

(Previous corresponding period: Half-year ended 31 December 2016)

	A\$'000
Revenue from ordinary activities	Up 12% to 200,111
Profit from ordinary activities after tax attributable to members	Up 27% to 60,159
Net profit for the period attributable to members	Up 27% to 60,159

Dividends/distribution	Amount per security	Franked amount per security
2017 Interim dividend paid	18.7 cents	18.7 cents
2017 Final dividend paid	21.5 cents	21.5 cents
2018 Interim dividend declared	20.5 cents	20.5 cents

#### 2018 Interim dividend dates

Record date for determining entitlements to the interim dividends	23 <sup>rd</sup> March 2018
Latest date for dividend reinvestment plan participation	26 <sup>th</sup> March 2018
Dividend payable	19 <sup>th</sup> April 2018

	31 December 2017	30 June 2017
Net tangible assets backing per ordinary share	26.51 cents	31.93 cents

#### Other information required by Listing Rule 4.3A

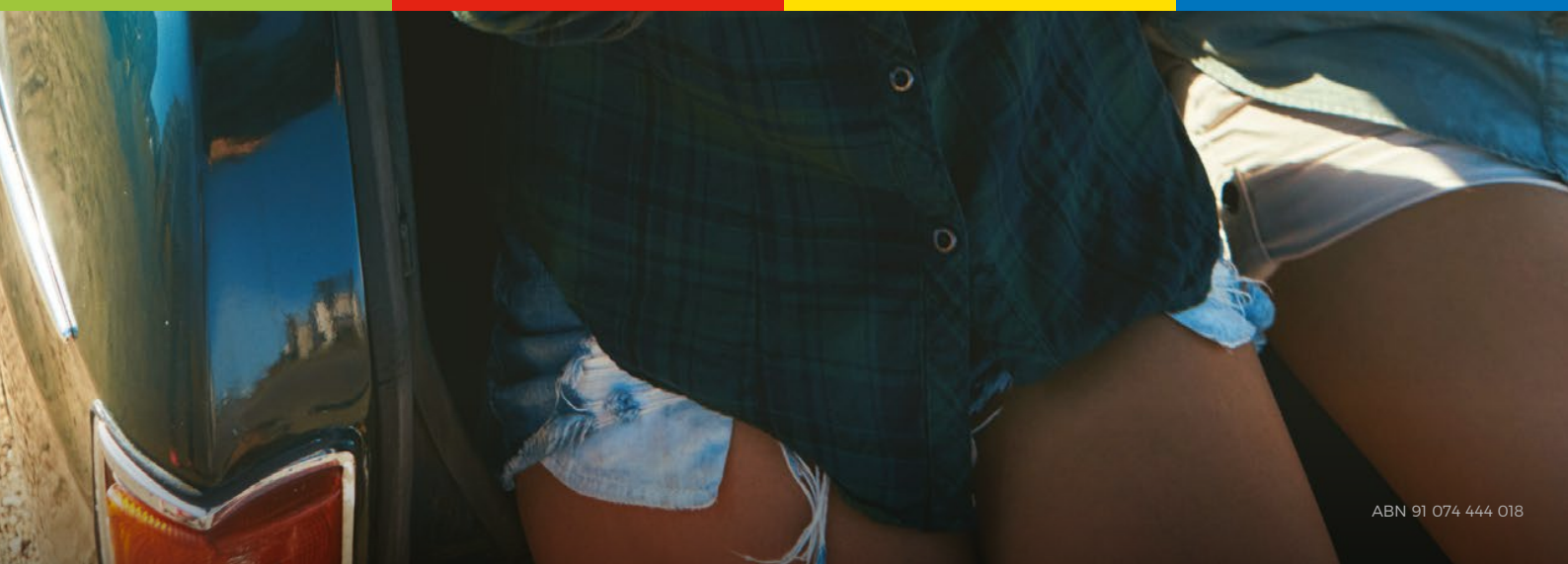
Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 31 December 2017 Financial Report.

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carsales  com Ltd

HALF-YEAR REPORT  
31 DECEMBER 2017



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Lodged with the ASX under Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2017 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 2017 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*.

\$200.1 m	revenue up 12%
\$90.6m	EBITDA up 9%
\$60.9m	adjusted NPAT* up 11%

\* Adjusted NPAT stated above is post non-controlling interests and excludes, one-off gains on associate dilution \$0.9 million (2016: \$0.3 million) and fair value re-measurement loss \$nil (2016: \$7.1 million), one-off tax gains \$nil (2016: \$0.8 million) and acquired intangible amortisation \$1.7 million (2016: \$1.7 million).



# 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 2017.

## Directors

The following persons were Directors of carsales.com Ltd during the half-year ended 31 December 2017 and up to the date of this report:

**Jeffrey Browne**

(Non-Executive Chair)

**Cameron McIntyre**

(Managing Director and CEO)

**Richard Collins**

(Non-Executive Deputy Chair)

**Wal Pisciotta OAM**

(Non-Executive Director)

**Pat O'Sullivan**

(Non-Executive Director)

**Kim Anderson**

(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 \$200.1 million (2016: \$178.6 million) up 12% compared to the same period in FY17. This result was largely driven by:

- Domestic business continuing to perform solidly with dealer revenue up 7% year on year to \$69.0 million.
- Strong private seller revenue performance up 20% year on year to \$36.8 million.
- Display revenue showed growth of 4% year on year to \$35.8 million.
- Data, Research and Services revenue up 7% year on year to \$20.6 million.
- Strong Finance and Related Services revenue growth up 23% year on year to \$32.1 million.

Operating expenses grew to \$109.5 million reflecting faster growth of lower margin adjacencies (such as tyres, inspections) and investment in these business to support future scalable growth. Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$90.6 million which represents an increase of 9% compared to the prior comparative period (pcp).

Our Brazilian business Webmotors delivered strong underlying local currency revenue and EBITDA growth up 30% and 122% respectively year on year.

Adjusted net profit after tax after non-controlling interests (adjusted NPAT\*) was up 11% on pcp to \$60.9 million.

## Outlook

The second half has commenced well with January once again proving to be an attractive month for car buyers in the domestic business. We expect our domestic adjacent businesses to continue to build scale and breadth consistent with H1 FY18 and our premium listing and depth products to continue growing well. We continue to closely monitor our performance and market conditions and assuming these remain stable we anticipate revenue, EBITDA and NPAT growth will remain solid in the domestic core business. Our Finance and Related Services business has returned to growth in H1 FY18 which we anticipate will continue into the second half.

Assuming market conditions remain stable in Brazil, we anticipate continued strong local currency revenue and earnings growth in H2 FY18 for Webmotors (our investment in Brazil). In South Korea, we are expecting solid revenue growth and moderate earnings growth in H2 for SK Encar (our investment in South Korea), with revenue and earnings impacted by the Winter Olympics and incremental investment in the business as part of the transition to 100% ownership.

Integration of core carsales IP and technology into our Chilean, Mexican and Argentinian businesses will continue. This should provide an uplift in their underlying revenue and earnings in FY18, somewhat offset by further investments into these businesses to achieve scale.

The remaining 50.1% of SK Encar was acquired on 19 January 2018, and will be fully consolidated into the carsales Group results from that date.

## Subsequent events

As set out in Note 8, on 19 January 2018, the Company announced it had completed the acquisition of the remaining 50.1% of SK ENCARSALSAES.com Ltd for consideration of \$240.8 million with new debt facilities entered into with our existing bank syndicate to fund the acquisition.

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 6 February 2018, the directors declared an interim dividend of 20.5 cents fully franked. The dividend will be paid on 19 April 2018.

## 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.

## 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.



**Cameron McIntyre**  
Managing Director and CEO

Melbourne  
6 February 2018

## AUDITOR'S INDEPENDENCE DECLARATION



### Auditor's Independence Declaration

As lead auditor for the review of carsales.com Limited for the half-year ended 31 December 2017, 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.

A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker  
Partner  
PricewaterhouseCoopers

Melbourne  
6 February 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		Half-year ended	
		31 December 2017	31 December 2016
	Notes	\$'000	\$'000
<b>Revenue from continuing operations</b>			
Sale of goods and services		200,111	178,558
<b>Revenue from continuing operations</b>		<b>200,111</b>	<b>178,558</b>
<b>Expenses</b>			
Costs of sale		(20,374)	(16,088)
Sales and marketing expenses		(53,617)	(47,435)
Service development and maintenance		(14,943)	(14,578)
Operations and administration		(20,563)	(17,221)
<b>Earnings before interest, taxes, depreciation and amortisation</b>		<b>90,614</b>	<b>83,236</b>
Depreciation and amortisation expense		(5,579)	(4,581)
Finance income		118	214
Finance costs		(3,162)	(3,942)
Share of net profit from associates accounted for using the equity method	6(a)	3,508	3,650
Gain/(loss) on associates fair value adjustment and investment dilution	6(c)	1,251	(6,877)
<b>Profit before income tax</b>		<b>86,750</b>	<b>71,700</b>
Income tax expense		(24,547)	(22,973)
<b>Profit from continuing operations</b>		<b>62,203</b>	<b>48,727</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		5,785	(1,354)
Share of remeasurement of net defined benefit liability of associates		89	138
Changes in the fair value of available-for-sale financial assets		(3,262)	(751)
<b>Total comprehensive income for the period</b>		<b>64,815</b>	<b>46,760</b>
<b>Profit is attributable to:</b>			
Owners of carsales.com Ltd		60,159	47,204
Non-controlling interests		2,044	1,523
		<b>62,203</b>	<b>48,727</b>
<b>Total comprehensive income for the half-year is attributable to:</b>			
Owners of carsales.com Ltd		62,984	45,455
Non-controlling interests		1,831	1,305
		<b>64,815</b>	<b>46,760</b>
<b>Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		24.9	19.6
Diluted earnings per share		24.8	19.5

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 2017

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		32,420	39,795
Trade and other receivables		55,116	48,404
Inventories		1,272	833
<b>Total current assets</b>		<b>88,808</b>	<b>89,032</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	6(a)	235,421	224,472
Available-for-sale financial assets	6(b)	10,039	13,301
Property, plant and equipment		7,265	7,289
Deferred tax assets		6,203	5,144
Intangible assets		206,866	199,954
<b>Total non-current assets</b>		<b>465,794</b>	<b>450,160</b>
<b>Total assets</b>		<b>554,602</b>	<b>539,192</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		38,665	42,002
Borrowings		1,749	1,755
Other financial liabilities		13,425	-
Current tax liabilities		6,929	9,982
Provisions		6,988	6,040
Deferred revenue		6,791	6,713
<b>Total current liabilities</b>		<b>74,547</b>	<b>66,492</b>
<b>Non-current liabilities</b>			
Borrowings		204,838	191,299
Deferred tax liabilities		2,811	2,923
Provisions		1,248	1,318
<b>Total non-current liabilities</b>		<b>208,897</b>	<b>195,540</b>
<b>Total liabilities</b>		<b>283,444</b>	<b>262,032</b>
<b>Net assets</b>		<b>271,158</b>	<b>277,160</b>
<b>EQUITY</b>			
Contributed equity	5(a)	113,301	105,861
Reserves	5(b)	(7,758)	14,149
Retained earnings		159,731	151,607
Non-controlling interests		5,884	5,543
<b>Total equity</b>		<b>271,158</b>	<b>277,160</b>

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 2017

	Attributable to owners of carsales.com Ltd					
	Notes	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2017		105,861	14,149	151,607	5,543	277,160
Profit for the half-year to 31 December 2017		-	-	60,159	2,044	62,203
Exchange differences on translation of foreign operations		-	5,998	-	(213)	5,785
Changes in the fair value of available-for-sale financial assets		-	(3,262)	-	-	(3,262)
Remeasurement of net defined benefit liability of associates		-	89	-	-	89
Total comprehensive income for the period		-	2,825	60,159	1,831	64,815
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options		1,358	-	-	-	1,358
Increase in share-based payment reserve inclusive of tax		-	1,556	-	-	1,556
Dividends paid to members of the parent	7	6,082	-	(52,035)	-	(45,953)
Dividends paid to non-controlling interest		-	-	-	(1,334)	(1,334)
Non-controlling interest on acquisition of subsidiary		-	-	-	1,098	1,098
Transactions with non-controlling interests		-	(26,288)	-	(1,254)	(27,542)
Balance at 31 December 2017		113,301	(7,758)	159,731	5,884	271,158

	Attributable to owners of carsales.com Ltd				
	Contributed equity	Other reserves	Retained earnings	Non-controlling interests	Total equity
Notes	\$'000	\$'000	\$'000	\$'000	\$'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

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 2017

	Half-year ended	
	31 December 2017	31 December 2016
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (including GST)	212,943	197,613
Payments to suppliers and employees (including GST)	(139,178)	(122,184)
Income taxes paid	(27,614)	(23,484)
<b>Net cash inflow from operating activities</b>	<b>46,151</b>	<b>51,945</b>
<b>Cash flows from investing activities</b>		
Investment in subsidiaries, net of cash acquired	(15,228)	-
Investment in associates	-	(1,323)
Payments for property, plant and equipment	(949)	(1,830)
Payments for intangible assets	(2,263)	(290)
Interest received	118	214
Proceeds from sale of business	-	1,402
Dividends received from associates	-	4,987
Capital reduction in associates	-	13,511
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(18,322)</b>	<b>16,671</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	1,358	293
Proceeds from borrowings	47,000	43,497
Repayment of borrowings	(33,490)	(48,138)
Dividends paid to non-controlling interests	(1,334)	(1,709)
Dividends paid to company shareholders	7 (45,953)	(44,569)
Interest paid	(2,967)	(3,886)
<b>Net cash (outflow) from financing activities</b>	<b>(35,386)</b>	<b>(54,512)</b>
Effects of exchange rates on cash and cash equivalents	182	1,246*
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,375)</b>	<b>15,350</b>
Cash and cash equivalents at the beginning of the financial year	39,795	28,709
<b>Cash and cash equivalents at end of the half-year</b>	<b>32,420</b>	<b>44,059</b>

\*Prior year cash flow was reclassified to present the effect of foreign exchange rate changes on the cash and cash equivalents balances.

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 2017

## 1. Key reporting highlights and judgements

### 1(a) Key reporting highlights

- The Group recorded record revenue and EBITDA – Note 3.
- Interim dividend declared – Note 7.
- Acquisition of the remaining 50.1% of SK ENCARSAL.COM Ltd (SK Encar) – Note 8.

### 1(b) Key estimates and judgements

During the FY17 year Stratton Finance (part of the Finance and Related Services segment) experienced a revenue and profitability decline as a result of significant volume capacity reduction at a major lender. The approved budgets used in the preparation of the value-in-use goodwill impairment testing model at 30 June 2017 showed a recovery in revenue and profitability based on increasing volumes of finance written by Stratton and other cash flow generative action plans put in place by management.

Management has reviewed the performance of Stratton against the forecasts included in the impairment model prepared at 30 June 2017. This review did not identify any impairment as at 31 December 2017.

Management does not believe that a reasonably possible change in the key assumptions in the value-in-use model would lead to impairment in the carrying value of the Finance and Related Services CGU, however the performance of the business continues to be kept under review.

## 2. Summary of significant accounting policies

### 2(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2017 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 2017 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.

### 2(b) New accounting standards and interpretations

There are no new standards applicable to the Group since June 2017 reporting.

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 aside from as specifically set out below:

- AASB 9 Financial Instruments (effective 1 January 2018)
- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)  
The Group will be reporting revenue based on the new standard in the December 2018 half-year report. The Group has assessed the new standard on the 31 December 2017 consolidated statement of comprehensive income and the impact is not material.
- IFRS 16 Leases (effective 1 January 2019)  
The Group will be reporting leases based on the new standard in the December 2019 half-year report. The Group has assessed the new standard impact and it is expected to be not material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 CONTINUED

### 3. 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 CEO.

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

#### 3(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 Z, 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, 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 subsidiaries, equity accounted associate investments and available-for-sale financial assets as at 31 December 2017 as set out below:

Online Automotive Classifieds:

- Webmotors S.A. (operations in Brazil) – 30%
- SK ENCARSAL.COM Ltd (operations in South Korea) – 49.9%
- carsales Mexico SAPI de CV (operations in Mexico) – 100%
- Chileautos SpA (operations in Chile) – 83.3%
- Demotores Chile SpA (operations in Chile) – 100%
- Demotores S.A. (operations in Argentina) – 100%
- Demotores Colombia S.A.S. (operations in Colombia) – 100%
- iCar Asia Limited (operations in Indonesia, Malaysia and Thailand) – 13.3%

Automotive Data Services:

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

### Finance and Related Services

Finance and Related Services includes the Stratton Finance Pty Ltd subsidiary that 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.

### 3(b) Primary reporting format – business segments

	Online Advertising Services \$'000	Data, Research and Services \$'000	International \$'000	Finance and Related Services \$'000	Total \$'000
<b>Half-year ended 31 December 2017</b>					
<b>Segment revenue</b>					
Segment revenue (Note 3(c)(i))	141,584	20,609	5,812	32,106	200,111
<b>Total segment revenue</b>	<b>141,584</b>	<b>20,609</b>	<b>5,812</b>	<b>32,106</b>	<b>200,111</b>
<b>Gross profit</b>	<b>128,719</b>	<b>20,376</b>	<b>5,812</b>	<b>24,830</b>	<b>179,737</b>
<b>EBITDA (Note 3(c)(ii))</b>	<b>73,868</b>	<b>11,806</b>	<b>(113)</b>	<b>5,053</b>	<b>90,614</b>
Depreciation and amortisation					(5,579)
Net finance costs					(3,044)
Share of profit/(loss) from associates			4,608	(1,100)	3,508
Gain on associate dilution				1,251	1,251
Profit before income tax					86,750
Income tax expense					(24,547)
Non-controlling interests					(2,044)
<b>Profit for the half-year</b>					<b>60,159</b>
<b>Segment assets (Note 3(c)(iii))</b>					
Segment assets	116,243	18,682	248,183	78,474	461,582
Deferred tax assets					6,203
Available-for-sale financial assets					10,039
Unallocated assets					76,778
<b>Total assets</b>					<b>554,602</b>
<b>Half-year ended 31 December 2016</b>					
<b>Segment revenue</b>					
Segment revenue (Note 3(c)(i))	129,789	19,219	3,486	26,064	178,558
<b>Total segment revenue</b>	<b>129,789</b>	<b>19,219</b>	<b>3,486</b>	<b>26,064</b>	<b>178,558</b>
<b>Gross profit</b>	<b>119,079</b>	<b>19,154</b>	<b>3,486</b>	<b>20,751</b>	<b>162,470</b>
<b>EBITDA (Note 3(c)(ii))</b>	<b>67,087</b>	<b>11,128</b>	<b>508</b>	<b>4,513</b>	<b>83,236</b>
Depreciation and amortisation					(4,581)
Net finance costs					(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)
<b>Profit for the half-year</b>					<b>47,204</b>
<b>Segment assets (Note 3(c)(iii))</b>					
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
<b>Total assets</b>					<b>539,127</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 CONTINUED

### 3(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 3(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 goodwill, trade receivables and investments accounted for using equity method. 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.

## 4. Borrowings

The Group's principal funding is a \$265 million syndicated revolving loan facility. This loan facility consists of two commitments of \$175 million (Facility B) and \$90 million (Facility C) which become due in August 2019 and February 2020 respectively. The loan facility is provided by a syndicate comprising National Australia Bank, Australia and New Zealand Bank and HSBC. Borrowings under the loan facility bear interest at a floating rate of BBSY Bid plus a margin, with margin determined by reference to the leverage ratio of the Gearing Group.

## 5. Contributed equity and reserves

### 5(a) Movement in ordinary shares during the period

	Number of shares	Total \$'000
<b>Balance at 1 July 2016</b>	241,123,298	99,026
Exercise of options and performance rights under the carsales.com Ltd Option Plan	106,566	467
Dividend Reinvestment Plan	555,428	6,368
<b>Balance at 30 June 2017</b>	<b>241,785,292</b>	<b>105,861</b>
 Balance at 1 July 2017	 241,785,292	 105,861
Exercise of options and performance rights under the carsales.com Ltd Option Plan	262,853	1,358
Dividend Reinvestment Plan	468,702	6,082
<b>Balance at 31 December 2017</b>	<b>242,516,847</b>	<b>113,301</b>

### 5(b) Other reserves

#### Transactions with non-controlling interests

On 1 August 2017 carsales.com Ltd acquired the remaining 50.0% stake of Automotive Exchange Pty Ltd for a consideration of \$11.0 million giving carsales 100% control and ownership of Automotive Exchange Pty Ltd.

On 21 August 2017 carsales.com Ltd acquired an additional 25.0% stake of tyresales Pty Ltd for a consideration of \$1.5 million giving carsales 75% control and ownership of tyresales Pty Ltd.

On 14 December 2017 carsales.com Ltd acquired the remaining 35% stake of carsales Mexico SAPI de CV ('SoloAutos') for a consideration of \$1.7 million giving carsales 100% control and ownership of SoloAutos.

Other financial liabilities of \$13.4 million have been recorded directly through other reserves reflecting an estimate of the future amounts payable to settle deferred consideration and put option liabilities over non-controlling interests in acquired subsidiaries.

## 6. Investments

### 6(a) Investments accounted for using the equity method

Name of entity	Ownership interest		Carrying amount		Share of profit	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017	31 December 2017	31 December 2016
	%	%	\$'000	\$'000	\$'000	\$'000
Webmotors S.A.	30.0	30.0	63,853	63,678	1,645	1,714
iCar Asia Limited	-	-	-	-	-	(1,241)
SK ENCARSALES.COM Ltd	49.9	49.9	155,383	144,759	2,963	3,858
RateSetter Australia Pty Ltd	18.6	20.5	10,214	9,520	(557)	(423)
PromisePay Pte Ltd*	10.1	10.1	5,971	6,515	(543)	(258)
<b>Total equity accounted investments</b>			<b>235,421</b>	<b>224,472</b>	<b>3,508</b>	<b>3,650</b>

\* On 9 January 2018, carsales' Non-Executive Director stepped down from the Board of PromisePay. Therefore the investment in PromisePay will be accounted for as an available-for-sale financial asset from that date forward.

### Webmotors carrying value

Over the first half of this financial year the Brazilian economy has shown signs of recovery which has manifested itself in a return to GDP growth, lower interest rates and an increase in sales of new cars. Management has reviewed the performance of the Webmotors business against the carrying value of the equity accounted investment in Webmotors and the forecasts included in the impairment model prepared at 30 June 2017. This review did not identify any impairment as at 31 December 2017.

However, the valuation outcome of the model continues to be sensitive to the underlying performance of the Brazilian economy which manifests itself in the model in two key areas:

1. The timing and rate of the recovery of the Brazilian economy has a significant impact on the operating cash flow growth that Webmotors is able to generate; and
2. The current macro-economic environment (specifically key inputs such as market risk premium, inflation/interest rates) has a significant impact on the discount rate.

Management does not believe that a reasonably possible change in these key assumptions would lead to impairment in the carrying value of the investment in Webmotors but will continue to monitor performance as a significant economic decline in Brazil could lead to a reduction in the carrying value of the investment in the future.

### 6(b) Available-for-sale financial assets

Name of entity	Ownership interest %		Carrying amount	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	%	%	\$'000	\$'000
iCar Asia Limited	13.3	15.6	10,039	13,301
<b>Total available-for-sale financial assets</b>			<b>10,039</b>	<b>13,301</b>

### 6(c) Fair value adjustment and investment dilution

	31 December 2017	31 December 2016
	\$'000	\$'000
Associate dilution	1,251	268
Fair value adjustment on transfer to available-for-sale financial assets	-	(7,145)
<b>Total fair value adjustment and investment dilution</b>	<b>1,251</b>	<b>(6,877)</b>

## Recognition and measurement

### Associate dilution

As a result of a change in the Company's holding of its investments in associates, there is a non-cash gain on associate dilution of \$1,251k (2016: \$268k).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 CONTINUED

### 7. Dividends

#### 7(a) Ordinary shares

	31 December 2017 \$'000	31 December 2016 \$'000
Final dividend		
Final fully franked cash dividend for the year ended 30 June 2017 of 21.5 cents (2016 – 19.5 cents) per fully paid ordinary share paid on 19 October 2017.	45,953	44,569
Final fully franked dividend for the year ended 30 June 2017 of 21.5 cents (2016 – 19.5 cents) – satisfied through the issuance of shares under the Dividend Reinvestment Plan.	6,082	2,459
	52,035	47,028

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

	31 December 2017 \$'000	31 December 2016 \$'000
In addition to the above dividends, since half-year end the Directors have recommended the payment of 20.5 cents per fully paid ordinary share (2016 – 18.7 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 April 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at the end of the reporting period, is	49,716	45,144

#### 7(c) Dividend Reinvestment Plan (DRP)

The carsales.com Ltd DRP will be maintained for the 2018 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 five days after, but not including, the Record Date (23 March 2018). The last date for shareholders to nominate their participation in the DRP is 5:00pm (AEST) on 26 March 2018. 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](http://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.

## 8. Events occurring after the reporting period

### 8(a) SK ENCARSALES.com Ltd acquisition

On 22 December 2017 carsales.com Ltd signed a purchase agreement to purchase the remaining 50.1% stake of South Korea's SK ENCARSALES.COM Ltd (SK Encar), giving carsales 100% control and ownership of South Korea's number one online auto classifieds business. The preliminary purchase consideration for the remaining 50.1% of KRW205bn (AUD \$240.8 million) was paid on 19 January 2018 and funded with new short-term debt facilities entered into with our existing bank syndicate. The estimated net assets acquired based on the 31 December 2017 balance sheet are AUD 18.9 million. An estimated \$1.5 million of additional consideration for working capital is expected to be paid in March 2018.

The fair value of assets acquired, including that assigned to acquired intangible assets, is being assessed. The acquisition accounting will be finalised within 12 months of the acquisition date.

## DIRECTORS' DECLARATION

### 31 DECEMBER 2017

In the Directors' opinion:

- (a) the financial statements and notes set out on page 5 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
  - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
- (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.

The basis of preparation confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and CEO, and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.



**Cameron McIntyre**  
Managing Director and CEO

Melbourne  
6 February 2018

# INDEPENDENT AUDITOR'S REVIEW 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 2017, 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. 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 2017 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 REVIEW 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 2017 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

*Lisa Harker*

Lisa Harker  
Partner

Melbourne  
6 February 2018

## CORPORATE DIRECTORY

### Directors

**Jeffrey Browne**

(Non-Executive Chair)

**Cameron McIntyre**

(Managing Director and CEO)

**Richard Collins**

(Non-Executive Deputy Chair)

**Wal Pisciotta OAM**

(Non-Executive Director)

**Pat O'Sullivan**

(Non-Executive Director)

**Kim Anderson**

(Non-Executive Director)

**Edwina Gilbert**

(Non-Executive Director)

**Steve Kloss**

(Alternate Non-Executive Director)

### Company secretary

**Nicole Birman**

### Registered office

Level 4, 449 Punt Road

Richmond Vic 3121

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### Share registry

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Abbotsford Vic 3067

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F +61 3 9473 2500

[computershare.com](http://computershare.com)

### External auditor

PricewaterhouseCoopers

2 Riverside Quay

Southbank Vic 3006

### Stock Exchange

[carsales.com](http://carsales.com) Ltd is a public company listed with the Australian Securities Exchange Limited

ASX: CAR

