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AUTO TRADER GROUP PLC -
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 25 SEPTEMBER 2016

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces half year results for the six months ended 25 September 2016.

Financial highlights

- Revenue up 11% to £153.9 million (H1 2016[1]: £138.2 million)
- Underlying operating profit[2] up 23% to £102.3 million (H1 2016: £83.0 million)
- Operating profit up 21% to £100.6 million (H1 2016: £82.9 million)
- Underlying operating profit margin up 6% pts to 66% (H1 2016: 60%)
- Basic EPS up 28% to 7.65p per share (H1 2016: 5.98p)
- Operating cash flow[3] up 17% to £100.8 million (H1 2016: £86.0 million)
- Net external debt[5] down £33.1 million to £359.5 million (March 2016: £392.6 million), representing a reduction in leverage[6] to 1.8x (March 2016: 2.2x)
- Interim dividend declared of 1.7p per share to be paid in January 2017 (H1 2016: 0.5p per share)
- Rolling programme of share buy-backs commenced and set to continue for the rest of the year, with 12.8 million shares purchased during the first half at a total cost of £48.9 million (including expenses)
- Change from 52-week to annual accounting period will add five trading days to the current financial year

Operational highlights

- Cross-platform visits increased by 36% to 58.5 million (H1 2016: 43.0 million) with consumer audience four times larger than that of the nearest competitor[7,9]
- Advert Views[8,9] per month increased by 4% to 250 million (H1 2016: 240 million)
- Number of retailer forecourts[9] advertising on the Auto Trader marketplace down 1% at 13,374 (H1 2016: 13,503)
- Average Revenue Per Retailer Forecourt[9] (ARPR) per month up £179 (or 13%) to £1,526 when compared to the same period last year (H1 2016: £1,347)
- Launched new products for both consumers and retailers, including consumer reviews of retailers and video adverts
- Gained FCA authorisation enabling our retailers to display their finance solutions on their Auto Trader adverts

Trevor Mather, Chief Executive of Auto Trader Group plc, said:
"Auto Trader, the UK's leading digital automotive marketplace has delivered a strong first half performance. We have felt no discernible change in the competitive environment and no noticeable impact from Brexit to date.

"We remain focused on creating a simpler and more efficient marketplace, as well as enhancing the experience we deliver to consumers. Trust and transparency are key purchase drivers in today's consumer buying journey. Auto Trader's recent Market Report found that only 7% of consumers trust car retailers. We have therefore continued to improve our consumer experience by launching products and services such as dealer reviews and vehicle check that promote greater trustworthiness in retailers, as well as providing real time valuations that help to improve transparency in the car buying process.

"Despite the current wider economic uncertainty, the Board is confident of delivering its growth expectations for the second half of the year."

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About Auto Trader
Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 60 million monthly cross platform visits each month, with circa 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing more than 430,000 cars each day). Over 80% of UK automotive retailers advertise on autotrader.co.uk.

For more information, please visit http://about-us.autotrader.co.uk

Summary Financial Performance

	Units	H1 2017	H1 2016[1]	Change
Income Statement				
Trade	£m	128.6	115.2	12%
Consumer services	£m	17.1	16.1	6%
Display advertising	£m	8.2	6.9	19%
Revenue	**£m**	**153.9**	**138.2**	**11%**
Underlying operating profit[2]	£m	102.3	83.0	23%
Underlying operating profit margin	%	66%	60%	6%pt
Operating profit	£m	100.6	82.9	21%
Earnings per share				
Basic earnings per share	pence	7.65	5.98	28%
Cash flow				
Operating cash flow[3]	£m	100.8	86.0	17%
Operating cash conversion[4]	%	95%	97%	(2%pt)
		September 2016	**March 2016**	
Net external debt[5] at period end	£m	359.5	392.6	(8%)
Leverage[6]	times	1.8x	2.2x	(0.4x)

Key Performance Indicators		**H1 2017**	**H1 2016[1]**	**Change**
Cross platform visits[7,9]	million per month	58.5	43.0	36%
Advert Views[8,9]	million per month	250	240	4%
Number of Retailer forecourts[9]	number	13,374	13,503	(1.0%)
Average Revenue Per Retailer forecourt[9]	£ per month	1,526	1,347	£179
Number of full-time equivalent employees and contractors[9] (FTEs)		830	863	(4%)

1. The comparative 'H1 2016' references the six-month period ended 27 September 2015 unless otherwise stated.
2. Operating profit before share-based payments and associated national insurance (NI), and exceptional items.
3. Cash generated from operations less capital expenditure.

4. Operating cash flow as a percentage of Adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments, associated NI and exceptional items).
5. Net external debt is gross external indebtedness, less cash.
6. Leverage is Net external debt as a multiple of Adjusted underlying EBITDA.
7. Audience measured by cross platform visits to the marketplace by comScore.
8. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace.
9. Average number during the six-month period.

Cautionary statement

This announcement of half year results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Auto Trader Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this half year results announcement. As a result you are cautioned not to place reliance on such forward looking statements. Except as is required by the Listing Rules, Disclosure Guidance and Transparency Rules and applicable laws, no undertaking is given to update the forward looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

Half year statement

Summary of operating performance

The Group has delivered a strong set of first half results. Revenue grew by 11% to £153.9 million (H1 2016: £138.2 million) and was underpinned by the timing of retailer rate reviews, which were early in the period. The underlying cost base fell 7% following lower spend across all four of the main cost areas (i.e. people costs, marketing, overheads and depreciation and amortisation), as the Group achieved greater efficiency and leverage from its lean and agile working ethos. The combination of these factors has resulted in Underlying operating profit growth of 23% to £102.3 million (H1 2016: £83.0 million). The Group has achieved strong operational leverage increasing the Underlying operating profit margin by 6% points to 66%.

Our strategy and operating priorities

Our strategy is to continue to be the UK and Ireland's leading digital automotive marketplace, and to help improve the processes of buying and selling vehicles for consumers and retailers alike. We have the largest and most engaged audience as measured by cross-platform visits (four times larger than that of our nearest competitor) and our marketplace attracts on average 58.5 million visits per month, up 36% on the same period last year. Only 10% of our traffic comes from paid search, with 70% from direct search and the balance from ranking highly in natural search. We continue to boost engagement with initiatives such as part-exchange guide, dealer reviews and the launch of video on full page adverts. These initiatives have also helped us to increase the value we deliver to our customers, as we have driven an additional 59 million advert views in the six months to September 2016 compared to the same period last year – with advert views being closely correlated to vehicle sales. This was complemented by an increase in the level of cars advertised, which rose to an average of 439,000 in the six months to September 2016. Having the largest stock of vehicles coupled with the largest, most engaged audience reinforces our network effect and market position. The combination of these value drivers together with the timing of our pricing initiatives over the last year has allowed us to increase the Average Revenue Per Retailer (ARPR) by £179 (13%) to £1,526 (H1 2016: £1,347). Average forecourts advertising on the marketplace were down 1% to 13,374 (13,503 in the same period last year), reflecting a reduction in smaller retailers of cars and those advertising vehicles other than cars on our site.

In order for us to achieve our core strategic goal, we focus on the following six operating priorities:

- increase consumer audience, advert views and use of our valuations tools;
- promote trust and fairness in the marketplace;
- grow ARPR in a balanced, sustainable way by creating value for our customers;
- extend the penetration of products outside of our core classified proposition;
- enhance our relevance and value to manufacturers; and
- operate a simpler, leaner and more data-orientated business.

UK automotive marketplace

Uncertainty around the long-term impact of the EU referendum result has yet to noticeably impact the new and used car markets. Consumer confidence remains strong and our own research for September's Auto Trader Market Report revealed that, for 89% of consumers we surveyed, the EU referendum result would have no negative impact on their car buying intentions for the next six months.

According to the Society of Motor Manufacturers and Traders (SMMT), both the new and used car markets remain strong. New car registrations in the key plate-change month of September were up by 1.6% year-on-year, with October registrations also growing by a similar rate. For the 2016 calendar year, the SMMT is forecasting total new car registrations to increase by 1.7% to a record 2.7m units, before a modest drop to 2.5m units the following year. Used car sales for the first half of 2016 broke records, marking the first time half year sales had risen over four million to 4.18 million vehicles.

From a retailer perspective, we have seen continued consolidation, especially within the franchise sector, as the larger groups continue to strengthen their forecourt portfolios. At the other end of the market we are seeing a small erosion in our very smallest customers. Digital adoption is still the single biggest long-term factor driving change in the market and we believe that those retailers who do not adopt more digitally progressive strategies will be edged out of the market. Our Retailer Insight team is therefore focused on delivering digital best practice advice through a series of free bespoke masterclasses, webinars and industry events, reaching over 100 retailers every week.

Data driven products

Data is at the heart of our business and underpins everything that we do. Leveraging the power of our data is critical for us to develop innovative products and solutions that provide consumers with a brilliant and smooth experience and add value to retailers and manufacturers so they can reach those consumers in an effective and efficient manner. Circa 2,100 retailers (1,600 in the same period last year), advertising c.100,000 cars on Auto Trader, currently use our data-driven Managing products (i-Control or Retail Check). These products allow retailers to utilise data that is relevant to them to help them buy the most desirable stock, at the right price so they can optimise stock turn and therefore profit.

Building trust through transparency

Trust and transparency are key purchase drivers in today's consumer buying journey. Our recent Market Report[1] revealed that trust is extremely low in the sector, with only 7% of consumers saying that they trust car retailers. It is widely recognised that the industry has been slow to evolve compared to other retail sectors. We are therefore focused on developing products that will enhance the consumers' experience as well as building trust in retailers through transparency.

The transparent pricing of cars was identified as an important factor in the car buying process by 76% of car buyers in the same report[1]. We help retailers and consumers to ensure that prices on the marketplace are transparent and competitive with our data-powered valuations. We are focused on continuously improving the accuracy of our valuations so they become the industry-leading service for both consumers and retailers. Therefore, over the last six months we have invested in the sophistication of our algorithm to incorporate the unique specification of cars, as well as expanding our third party data partners. Both consumer and trade usage of our valuations have increased period on period, by 31% and 39% respectively.

Earlier this year we launched dealer reviews, and currently have 2,200 retailers featuring over 210,000 reviews. This growth has been aided by the integration of third party review platforms such as JudgeService and Reviews.co.uk. We also now offer a free basic vehicle check on all car adverts enabling consumers to quickly check details such as whether the car has ever been stolen or scrapped. Consumers can then choose to conduct a full vehicle check with Experian, our third party provider.

1. Auto Trader Market Report, September 2016

FCA authorisation

We recently gained FCA authorisation which has enabled us to show the monthly borrowing cost of a specific vehicle based on a retailer's preferred lender. This is a valuable proposition for retailers as finance is a key revenue stream for them. Our Dealer Finance product (currently in trial phase) allows our retailer customers to add their own finance packages onto their full page adverts and enables consumers to customise the finance quote to their situation and needs. It is another step in our journey, alongside our part-exchange tool, to make the process of buying and selling cars a more seamless and easier experience.

Relevance to manufacturers

We continue to focus on enhancing our relevance and value to manufacturers. Our own research[2] tells us that nearly a third (31%) of car buyers are open to buying a new or used car. With so many undecided buyers we identified an opportunity to extend our discovery search to include brand new cars. These new cars are unregistered cars that might not physically exist - what we call 'virtual stock' - comprising circa 15,000 make and model derivatives. To accommodate this, we have changed the results returned in the 'New' car filter, so only the 'virtual stock' will be returned. The change was designed to allow manufacturers to put their stock in front of potential car buyers earlier in the search journey, as well as helping new car buyers evaluate new models.

To support the new stock and search journeys, we have upgraded all our 'new car' make and model pages with a new design layout. These pages also now feature the new search functionality which allows car buyers to contact a local retailer to order that specific car.

We have boosted our team with key senior appointments who have extensive, senior level experience at manufacturers. We believe they will help the Group to extend our reach with manufacturers and help the wider team to deliver sustained revenue growth.

2. Annual Car Buying Report 2016

Culture and people

Our people are the Group's most valuable resource and the success of the Group is to the credit of all its employees. This helps drive one of our strategic goals to build a digital culture that is values-driven, customer focused and data-oriented. As part of the Group's digital culture, incorporating an agile and lean working ethos, we continue to seek ways to operate more efficiently. Our full-time employee (FTE) headcount during the period to September 2016 averaged 830 FTEs, 33 lower than the comparative period.

The Group is not only committed to training and developing its current workforce but also its future workforce. Currently, there is a widespread skills shortage of technology talent, so we are addressing this issue by partnering with other organisations, educational institutions and technology groups to actively promote technology roles to the next generation. In September we launched an Auto Trader apprenticeship scheme in conjunction with Manchester Digital, the independent trade association for digital business in the North West of England. We have welcomed our first intake of apprentices into our business for a two-year period, during which time they will learn technical development skills, attend boot camps and masterclasses, as well as benefit from office based learning with their Auto Trader squad boosting communication and collaboration skills.

Current trading and outlook

The Board is confident of delivering its growth expectations for the second half of the year. This is on the basis that the majority of revenues are recurring in nature and most of the significant growth events for the year were successfully delivered in the first half.

Full year results

The Group's results for the year ending 31 March 2017 will be announced on 8 June 2017.

Financial performance

Revenue

Revenue grew to £153.9m (H1 2016: £138.2m), up 11% on the previous year, underpinned by retailer revenue growth and continued strong momentum in display advertising revenue.

	H1 2017 £m	H1 2016 £m	Change
Retailer	122.5	109.1	12%
Home Trader	6.1	5.7	7%
Other	-	0.4	n/a
Trade	128.6	115.2	12%
Consumer services	17.1	16.1	6%
Display advertising	8.2	6.9	19%
Total	**153.9**	**138.2**	**11%**

Trade revenue increased by 12% to £128.6m (H1 2016: £115.2m) with a £13.4m increase in retailer revenue, the vast majority of which was achieved through growth in ARPR which rose by £179 (H1 2016: £110) to £1,526 (H1 2016: £1,347).

The average number of retailer forecourts per month was marginally lower than last year at 13,374 (H1 2016: 13,503) with the decline coming mainly from retailers of vehicles other than cars. Whilst the number of independent car retailers advertising did decline marginally, the average number of car listings on autotrader.co.uk during the period was 3% higher at 439,000. This reflects in part the market backdrop of smaller retailers exiting the market whilst leaving the remaining businesses to advertise larger inventories of stock online.

All four of our growth levers: stock, price, cross-sell and upsell contributed to the £179 or 13% increase in ARPR. Like-for-like prices were increased for all customer segments early in the current period adding to the impact of pricing actions from the second half of the previous year. These added £86 to ARPR (H1 2016: £30).

Increased revenue from stock contributed £59 (H1 2016: £43) to ARPR reflecting the higher number of vehicles listed on our sites. This was a function of continued favourable market conditions and a number of initiatives. A stock offer at the end of the 2016 financial year helped the current period start strongly from a listings perspective and the focus on removing past allowances and discounts between paid for and listed units continued. Retailers are also recognising the importance of advertising all of their stock on our site, as consumers are increasingly making their purchasing decision during the online research phase, rather than at a physical forecourt.

Upsell of Selling pillar products added £28 to ARPR (H1 2016: £22) as penetration of our key prominence product exceeded 60% of retailers. The mix effect of losing smaller retailers with fewer products was also a contributor to upsell growth.

Retailing solutions revenue (encompassing the Buying, Marketing and Managing Pillars) rose to £12.2m (H1 2016: £11.8m) with growth in Managing revenue offsetting slight declines across the other pillars within retailing solutions. Activity around and focus on pricing events in the period restricted opportunities to cross-sell retailing solution products, such that only £6 of ARPR growth (H1 2016: £15) was derived from cross-sell in the period.

The number of retailer forecourts using products within the Managing Pillar increased to c.2,100 representing 16% of the base (H1 2016: 12%). From a listings perspective this means that retailers are now using our data to buy the right cars, price to the market and maximise stock turn on c.25% of the trade cars listed on autotrader.co.uk.

Home Trader revenue growth of 7% related fairly equally to yield and volume, the former from the flow through of higher yielding packages and offerings in the second half of 2016, and the latter from general market growth. Other revenue was nil (H1 2016: £0.4m) following the closure in June 2015 of the 2nd Byte business line.

Consumer revenue rose 6% in the period to £17.1m (H1 2016: £16.1m). After a subdued performance in the first half of 2016, revenue from private listings performed well in the period, continuing the trend established in the second half of 2016 with growth of 6% split evenly between volume and yield improvements. From a motoring services perspective, increased audience and response to our partners enabled us to increase revenues by 7%.

Growth in display advertising revenue continued at the pace established in the previous two years, rising by 19% to £8.2m (H1 2016: £6.9m). However, given the campaign-led nature of this revenue stream, this growth was briefly impacted by the wider market uncertainty created by the EU referendum. During this period, we saw a number of manufacturers and agencies defer spend, but post-summer activity then returned to pre-Brexit levels.

Underlying operating profit

Underlying operating profit in the first half increased by 23% to £102.3m (H1 2016: £83.0m) through a combination of higher revenue and lower costs.

The Directors consider Underlying operating profit to be the most appropriate indicator of the underlying performance of the business, providing better comparability to peer companies. As shown in the table below, non-underlying items are reported separately in the Income Statement to allow better interpretation of the underlying performance of the business. These include exceptional items and IFRS2 charges in respect of share-based payments (and associated national insurance). In the previous year the Board implemented its first Sharesave (SAYE) and a Performance based Share Plan (PSP) and has made further awards under the PSP during the current year. As the share-based payment charge is likely to continue to increase until a steady state of awards is reached, most likely in 2018, the Directors consider it appropriate to identify IFRS2 charges and the associated national insurance costs.

Adjusted underlying EBITDA is a measure which is used to calculate two of the Group's key performance indicators: cash conversion and leverage; the former is consistent with past reporting and the latter matches the definition of leverage in the Group's Senior Facilities Agreement. A reconciliation from Underlying operating profit to Adjusted underlying EBITDA can be found below:

	H1 2017 £m	H1 2016 £m	Change
Operating profit	100.6	82.9	21%
Share-based payments	2.1	1.0	110%
Exceptional items	(0.4)	(0.9)	n/a
Underlying operating profit	**102.3**	**83.0**	**23%**
Depreciation and amortisation	4.3	5.6	(23%)
Adjusted underlying EBITDA	**106.6**	**88.6**	**20%**

Underlying administrative expenses[3] decreased by £3.6m to £51.6m (H1 2016: £55.2m) as costs continue to be well controlled. People costs[4] decreased to £24.1m (H1 2016: £25.6m) following a 4% reduction in the average number of FTEs (including contractors) in the period to 830 (H1 2016: 863) as well as from lower restructuring and short-term incentive costs. Overheads fell £0.6m to £15.8m (H1 2016: £16.4m) benefiting from lower bad debt, connectivity and property costs.

Marketing costs remained broadly flat year on year at £7.4m (H1 2016: £7.6m) and fell as a percentage of revenue to 4.8% (H1 2016: 5.5%). With TV spend timed to avoid the key sporting events of the summer, full year spend will be slightly weighted towards the second half of the year.

3. Administrative expenses before share-based payments and exceptional items
4. People costs comprise staff costs, third party contractor costs, redundancy and staff-related restructuring costs, and exclude share-based payments

Share-based payments

The Group has made further awards under the PSP and the Deferred Annual Bonus Plan (DABP) during the period as detailed in note 16. In accordance with IFRS2, a charge of £2.1m has been recognised (H1 2016: £1.0m) and national insurance costs are being accrued, where applicable, on the potential employee gains on share-based incentives granted.

Exceptional items

Following the completion of the office centralisation programme in 2014, the Group has run an initiative to exit a number of properties early, and to secure cash discounts where possible. During the period, the Group completed this initiative and disposed of the last remaining property. As a result, an exceptional credit of £0.4m has been recognised in the Income Statement in respect of the profit on disposal and the release of vacant property provisions that are no longer required.

Profit before tax

Profit before tax increased 28% to £95.5m (H1 2016: £74.7m) due to both the strong performance in operating profit and a £3.1m reduction in net finance costs to £5.1m (H1 2016: £8.2m).

Taxation

The effective tax rate in the period of 20% (H1 2016: 20%) is consistent with the standard UK tax rate.

Earnings per share

Basic earnings per share was 7.65 pence (H1 2016: 5.98 pence) based on a weighted average number of ordinary shares in issue of 996,369,752 (H1 2016: 1,000,000,000).

Cash flow and net external debt

Operating profit growth flowed through to a 17% improvement in operating cash flow to £100.8m (H1 2016: £86.0m), resulting in Adjusted underlying EBITDA cash conversion of 95% (H1 2016: 97%).

	H1 2017 £m	H1 2016 £m	Change
Underlying operating profit	**102.3**	**83.0**	23%
Depreciation and amortisation	4.3	5.6	(23%)
Adjusted underlying EBITDA	**106.6**	**88.6**	20%
Movement in working capital	(3.4)	2.7	n/a
Cash generated from operations before exceptional operating items	**103.2**	**91.3**	13%
Cash generated from exceptional operating items	-	(3.8)	n/a
Cash generated from operations	**103.2**	**87.5**	18%
Capital expenditure	(2.4)	(1.5)	(60%)
Operating cash flow	**100.8**	**86.0**	17%
Operating cash conversion	95%	97%	

Movements in working capital resulted in an outflow of £3.4m in comparison to an inflow of £2.7m in the prior year when a number of large payments were made after the period end. The Group continues to invest in its core IT infrastructure and whilst capital expenditure increased to £2.4m in period (H1 2016: £1.5m), much of the rise was due to phasing rather than a change in spend trajectory.

Net external debt at £359.5m (H1 2016: £457.4m) fell £33.1m in the period since March 2016 and included term loan repayments totalling £25.0m (H1 2016: £80.5m). Leverage as at September 2016 of 1.8x (H1 2016: 2.7x) fell by 0.4x over the same period and the Group continues to benefit from paying the lowest margin under its facility agreement of LIBOR plus 150bps.

Total finance costs for the period were £5.1m (H1 2016: £8.2m) and included £0.9m of amortised debt issue costs (H1 2016: £0.9m).

Capital allocation and dividend

The Board has declared an interim dividend of 1.7 pence per share in line with the Group's dividend policy. The interim dividend will be paid on 27 January 2017 to members on the register on 6 January 2017.

As anticipated in the 2016 annual report, the Board has commenced its programme of using the majority of surplus cash, after taking account of dividends, to fund a rolling programme of share buy-backs and in the period repurchased a total of 12.8m shares at an average price of 380p per share for a total consideration of £48.6m before transaction costs of £0.3m.

Change in accounting period end date

Whilst the Group's accounting reference date is 31 March, due to the publishing heritage of the business, results have historically been reported on a 52 week (i.e. 364 days) basis with the accounting period ending on the closest Sunday to 31 March.

The Board has made the decision to change the period end date to be 31 March every year, starting in the current financial year, so that it better aligns to our customers' needs, and to the products and services the business is, and will, be offering in the future.

As a consequence of this change, the 2017 financial year will be 5 days longer than the previous year and whilst there is no impact on the first half results presented here, the second half of the year will be longer and hence revenues, costs and earnings will be greater due to the extra trading days.

Appointment of Auditors
At the Annual General Meeting on 22 September 2016, shareholders approved the appointment of KPMG LLP as the Company's new external auditors.

Going concern
On the basis of the current financial projections and facilities available, the Directors have concluded that it is appropriate to prepare the condensed interim financial statements on a going concern basis.

Responsibility statement of the directors in respect of the half-yearly financial report
We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU

- the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

Trevor Mather	**Sean Glithero**
Chief Executive	**Finance Director**
10 November 2016	**10 November 2016**

Condensed Consolidated interim income statement

For the six months ended 25 September 2016

	Note	**6 months to September 2016**	6 months to September 2015	Year to March 2016
		£m	£m	£m
Revenue	2	**153.9**	138.2	281.6
Administrative expenses		**(53.3)**	(55.3)	(112.0)
Operating profit before share-based payments, associated national insurance and exceptional items		**102.3**	83.0	171.3
Share-based payments and associated NI	16	**(2.1)**	(1.0)	(2.5)
Exceptional items	3	**0.4**	0.9	0.8
Operating profit	2	**100.6**	82.9	169.6
Finance costs	4	**(5.1)**	(8.2)	(14.6)
Profit before taxation		**95.5**	74.7	155.0
Taxation	5	**(19.3)**	(14.9)	(28.3)
Profit for the period attributable to equity holders of the parent		**76.2**	59.8	126.7

Earnings per share:				
Basic EPS (pence)	6	**7.65**	5.98	12.67
Diluted EPS (pence)	6	**7.63**	5.98	12.65

Condensed Consolidated interim statement of comprehensive income

For the six months ended 25 September 2016

	Note	**6 months to September 2016**	6 months to September 2015	Year to March 2016
		£m	£m	£m
Profit for the period		**76.2**	59.8	126.7
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences		**0.6**	–	0.5
Total items that may be subsequently reclassified to profit or loss (net of tax)		**0.6**	–	0.5
Items that will not be reclassified to profit or loss:				
Actuarial loss recognised on pension assets	11	**(1.3)**	–	–
Total items that will not be reclassified to profit or loss (net of tax)		**(1.3)**	–	-
Other comprehensive income for the period, net of tax		**(0.7)**	–	0.5
Total comprehensive income for the period attributable to equity holders of the parent		**75.5**	59.8	127.2

Condensed Consolidated interim balance sheet

As at 25 September 2016

	Notes	**September 2016 £m**	September 2015 £m	March 2016 £m
Assets				
Non-current assets				
Intangible assets	8	**321.8**	326.2	323.4
Property, plant and equipment		**7.6**	7.7	7.4
Deferred taxation assets		**4.9**	4.8	4.3
		334.3	338.7	335.1
Current assets				
Trade and other receivables	9	**52.5**	51.4	51.7
Cash and cash equivalents		**18.5**	12.1	10.4
		71.0	63.5	62.1
Assets classified as held for sale		**–**	0.3	0.3
		71.0	63.8	62.4
Total assets		**405.3**	402.5	397.5
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	15	**9.9**	10.0	10.0
Retained earnings		**998.7**	907.6	970.9
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)	(1,060.8)
ESOT Reserve	15	**(1.5)**	(1.6)	(1.5)
Capital Redemption Reserve	15	**0.1**	–	–
Other reserves		**30.5**	29.4	29.9
Total equity		**(23.1)**	(115.4)	(51.5)
Liabilities				
Non-current liabilities				
Borrowings	12	**371.5**	461.1	395.6
Deferred taxation liabilities		**0.3**	0.5	0.3
Retirement benefit obligations	11	**1.5**	–	–
Provisions for other liabilities and charges		**1.1**	0.4	1.1
		374.4	462.0	397.0
Current liabilities				
Trade and other payables	10	**33.8**	37.2	36.6
Current income tax liabilities		**19.9**	17.8	14.9
Provisions for other liabilities and charges		**0.3**	0.9	0.5
		54.0	55.9	52.0
Total liabilities		**428.4**	517.9	449.0
Total equity and liabilities		**405.3**	402.5	397.5

Condensed Consolidated interim statement of changes in shareholders' equity

For the six months ended 25 September 2016

	Share Capital £m	Share premium account £m	Retained Earnings £m	ESOT Reserve £m	Capital reorg reserve £m	Capital Redemption Reserve £m	Other reserves £m	Total equity £m
Balance at March 2015	**1,500.0**	**144.4**	**(789.1)**	**–**	**(1,060.8)**	–	**29.4**	**(176.1)**
Total comprehensive income net of tax	–	–	59.8	–	–	–	–	59.8
Transactions with owners:								
Share-based payments	–	–	0.9	–	–	–	–	0.9
Ordinary share capital issued	1.6	–	(1.6)	–	–	–	–	–
Purchase of shares by ESOT	–	–	1.6	(1.6)	–	–	–	–
Capital reduction	(1,491.6)	(144.4)	1,636.0	–	–	–	–	–
Balance at September 2015	**10.0**	**–**	**907.6**	**(1.6)**	**(1,060.8)**	–	**29.4**	**(115.4)**
Total comprehensive income, net of tax	–	–	66.9	–	–	–	0.5	67.4
Transactions with owners:								
Share-based payments	–	–	1.4	–	–	–	–	1.4
Deferred tax on share-based payments	–	–	0.1	–	–	–	–	0.1
Interim Dividend	–	–	(5.0)	–	–	–	–	(5.0)
Transfer of shares from ESOT	–	–	(0.1)	0.1	–	–	–	–
Balance at March 2016	**10.0**	–	**970.9**	**(1.5)**	**(1,060.8)**	–	**29.9**	**(51.5)**
Total comprehensive income, net of tax	–	–	74.9	–	–	–	0.6	75.5
Transactions with owners:								
Share-based payments (note 16)	–	–	1.9	–	–	–	–	1.9
Deferred tax on share-based payments	–	–	(0.1)	–	–	–	–	(0.1)
Repurchase of own shares for Treasury	–	–	(15.5)	–	–	–	–	(15.5)
Cancellation of shares	(0.1)		(33.4)	–	–	0.1	–	(33.4)
Balance at September 2016	**9.9**	**–**	**998.7**	**(1.5)**	**(1,060.8)**	**0.1**	**30.5**	**(23.1)**

Condensed Consolidated interim statement of cash flows

For the six months ended 25 September 2016

	Note	**September 2016**	September 2015	March 2016
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations before exceptional operating items		**103.2**	91.3	184.4
Cash flows from exceptional operating items		**–**	(3.8)	(4.3)
Cash generated from operations	14	**103.2**	87.5	180.1
Taxation paid		**(14.6)**	–	(16.0)
Net cash generated from operating activities		**88.6**	87.5	164.1
Cash flows from investing activities				
Purchases of intangible assets – financial systems		**(0.4)**	(0.3)	(0.5)
Purchases of intangible assets – other		**(0.3)**	(0.2)	(0.3)
Purchases of property, plant and equipment		**(1.7)**	(1.0)	(2.3)
Proceeds from sale of property, plant and equipment		**–**	0.1	0.1
Interest received		**–**	–	0.1
Net cash used in investing activities		**(2.4)**	(1.4)	(2.9)
Cash flows from financing activities				
Dividends paid by to the Company's shareholders		**–**	–	(5.0)
Repayment of Syndicated Term Loan		**(25.0)**	(80.5)	(147.0)
Payment of IPO costs		**–**	(8.3)	(8.3)
Payment of interest on borrowings and hedging instruments		**(4.2)**	(7.3)	(12.6)
Purchase of own shares for cancellation		**(33.2)**	–	–
Purchase of own shares for share incentive plans		**(15.4)**	–	–
Payment of fees on repurchase of own shares		**(0.3)**	–	–
Net cash used in financing activities		**(78.1)**	(96.1)	(172.9)
Net increase/(decrease) in cash and cash equivalents		**8.1**	(10.0)	(11.7)
Cash and cash equivalents at beginning of year		**10.4**	22.1	22.1
Cash and cash equivalents at end of period		**18.5**	12.1	10.4

Notes to the condensed interim financial statements

1 General information

Auto Trader Group plc (the Company) is a company incorporated in the United Kingdom and its registered office is 4th floor, 1 Tony Wilson Place, Manchester, M15 4FN.

These condensed consolidated interim financial statements have been prepared as at, and for the 26 week financial period ('six months') ended 25 September 2016. The comparative financial information presented has been prepared as at, and for the 26 week financial period ('six months') ended, 27 September 2015.

The condensed consolidated interim financial information presented as at, and for the six months ended, 25 September 2016 comprise the Company and its subsidiaries (together referred to as the Group). The consolidated financial statements of the Group as at, and for the 52 week year ended, 27 March 2016 are available on request from the Company's registered office and via the Company's website.

These condensed consolidated interim financial statements, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 week year ended 27 March 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS - IC).

The comparative figures for the financial 52 week period ended 27 March 2016 are not the company's statutory accounts for that financial period. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006

Going concern

The Group has continued to generate significant cash and had cash balances of £18.5 million as at 25 September 2016 (March 2016: £10.4 million). After making enquiries the Board of Directors has a reasonable expectation the Group and the Company have adequate resources and banking facilities to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

Significant accounting policies

The accounting policies are consistent with the financial statements for the year ending 27 March 2016. The same accounting policies are anticipated to be applied for the year ending 31 March 2017.

Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss.

There are no new standards or amendments to standards that are mandatory for the first time in the financial year beginning 28 March 2016 that have an impact on the Group financial statements.

2 Segmental information

IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only. This reflects the nature of the business, where the major cost is to support the IT platforms upon which all of the Group's customers are serviced. These costs are borne centrally and are not attributable to any specific customer type or revenue stream. There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the condensed consolidated income statement.

Management has determined that there is one operating and reporting segment, based on reports reviewed by the Operational Leadership Team ('OLT') who is the Chief Operating Decision Maker ('CODM'). The OLT is made up of the two Executive Directors and key management and is responsible for the strategic decision making of the Group.

Revenue
To assist in the analysis of the Group's revenue generating trends, the OLT reviews revenue from three customer types as detailed below:

- Trade: revenue from retailer customers and revenue from other products and services provided to retailers and home traders to support their online activities;

- Consumer services: revenue from individuals for vehicle advertisements on the Group's websites. This category also includes revenue derived from third-party services directed at consumers relating to their motoring needs, such as insurance and loan finance; and

- Display advertising: revenue from customers and advertising agencies for placing display advertising on the Group's websites.

The reporting information provided to the OLT, which presents revenue by customer type, has been voluntarily disclosed below:

	September 2016 £m	September 2015 £m	March 2016 £m
Trade	**128.6**	115.2	236.4
Consumer services	**17.1**	16.1	30.3
Display advertising	**8.2**	6.9	14.9
Total revenue	**153.9**	138.2	281.6

Underlying operating profit
Operating costs, comprising administrative expenses, are managed on a group basis. Management measures the overall performance of the Group by reference to the non-GAAP measure which is operating profit before share-based payments and associated national insurance and exceptional items.

Adjusted underlying EBITDA was previously used to reflect the underlying performance of the business. Whilst the Directors now consider the Underlying Operating Profit to be the predominant indicator of the Group's performance, Adjusted underlying EBITDA does continue to be used to calculate two of the Group's key performance indicators: cash conversion and leverage; the former in order to be consistent with past reporting and the latter to match the definition of leverage in the Group's Senior Facilities Agreement.

	Note	**September 2016 £m**	September 2015 £m	March 2016 £m
Operating profit		**100.6**	82.9	169.6
Share-based payments		**2.1**	1.0	2.5
Exceptional items	3	**(0.4)**	(0.9)	(0.8)
Underlying operating profit		**102.3**	83.0	171.3
Depreciation		**1.5**	1.4	2.8
Amortisation	8	**2.8**	4.2	7.8
Adjusted underlying EBITDA		**106.6**	88.6	181.9

A reconciliation of the total segment operating profit to the profit before tax is provided as follows:

	Note	**September 2016 £m**	September 2015 £m	March 2016 £m
Total segmental operating profit		**100.6**	82.9	169.6
Finance costs – net	4	**(5.1)**	(8.2)	(14.6)
Profit before tax		**95.5**	74.7	155.0

Management reviews the balance sheet information for the one operating segment. The segment's assets and liabilities are presented in a manner consistent with that of the financial information.

3 Exceptional items

Exceptional items include credits outside our usual scope of business in relation to the reversal of provisions previously made for redundancy, property and other costs associated with the relocation of offices in the UK together with any profit on disposal arising from the sale of freehold properties. For the period a total credit of £0.4 million (September 2015: £0.9 million, March 2016: £0.8 million) was recorded in respect of profit on a property disposal, together with provisions no longer required.

4 Finance costs

	September 2016 £m	September 2015 £m	March 2016 £m
On bank loans and overdrafts	**4.2**	7.3	12.7
Amortised debt issue costs	**0.9**	0.9	1.9
Total finance costs	**5.1**	8.2	14.6

5 Taxation

	September 2016 £m	September 2015 £m	March 2016 £m
Total taxation charge	**19.3**	14.9	28.3

Income tax expense is recognised based on management's best estimate of the effective annual tax rate expected for the full financial year. The estimated annual tax rate used for the six months to September 2016 was 20.2% (September 2015: 20.0%, March 2016: 20.0%).

6 Earnings per share

	Weighted average number of ordinary shares	**Total Earnings £m**	**Pence per share**
Six months ended September 2016			
Basic EPS	**996,369,752**	**76.2**	**7.65**
Diluted EPS	**998,592,162**	**76.2**	**7.63**
Six months ended September 2015			
Basic EPS	1,000,000,000	59.8	5.98
Diluted EPS	1,000,597,768	59.8	5.98
Year ended March 2016			
Basic EPS	1,000,002,803	126.7	12.67
Diluted EPS	1,001,394,111	126.7	12.65

The difference between the basic and diluted weighted average number of shares represents the dilutive impact of the outstanding share options. The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

	6 months ended September 2016 Number of shares
Issued ordinary shares at 27 March 2016	**1,001,051,699**
Less weighted effect of shares held by the ESOT	**(988,187)**
Less weighted effect of shares repurchased to hold in treasury	**(2,112,757)**
Less weighted effect of shares repurchased and cancelled	**(1,581,003)**
Weighted average number of shares for basic EPS	**996,369,752**
Dilutive impact of share options outstanding	**2,222,410**
Weighted average number of shares for diluted EPS	**998,592,162**

The average market value for the Group's shares for the purposes of calculating the dilutive effect of share based incentives was based on quoted market prices for the period during which the share based incentives were outstanding.

7 Dividends

Following the period end, a final dividend of 1.0p per share (September 2015: nil) for the year ended 27 March 2016 totaling £9.9 million (September 2015: £Nil) was paid on 30 September 2016 to shareholders on the register at the close of business on 2 September 2016. No provision has been made for this dividend as it was not approved by shareholders until post the period end on 29 September 2016.

An interim dividend of 1.7p per share for the six months to September 2016 (September 2015: 0.5p) has been declared by the Directors, totaling £16.8 million (September 2015: £5.0 million) based on the number of shares eligible for the distribution as at 25 September 2016. The interim dividend is payable on 27 January 2017 to shareholders on the register at the close of business on 6 January 2017. No provision has been made for the interim dividend and there are no income tax consequences.

8 Intangible assets

	Goodwill £m	Software & website development costs £m	Financial systems £m	Other intangible assets £m	Total £m
Opening net book value at March 2015	312.4	5.4	9.4	2.8	330.0
Additions	–	0.2	0.3	–	0.5
Amortisation	–	(2.2)	(1.3)	(0.7)	(4.2)
Exchange differences	(0.1)	–	–	–	(0.1)
Closing net book value at September 2015	312.3	3.4	8.4	2.1	326.2
Opening net book value at March 2016	**312.8**	**1.7**	**7.4**	**1.5**	**323.4**
Additions	**–**	**0.3**	**0.4**	**–**	**0.7**
Amortisation	**–**	**(1.3)**	**(1.0)**	**(0.5)**	**(2.8)**
Exchange differences	**0.5**	**–**	**–**	**–**	**0.5**
Closing net book value at September 2016	**313.3**	**0.7**	**6.8**	**1.0**	**321.8**

9 Trade and other receivables

	September 2016 £m	September 2015 £m	March 2016 £m
Trade receivables (net of provision)	**23.1**	33.8	29.3
Other receivables	**0.1**	0.1	0.1
Prepayments and accrued income	**29.3**	17.5	22.3
Total trade and other receivables	**52.5**	51.4	51.7

10 Trade and other payables

	September 2016 £m	September 2015 £m	March 2016 £m
Trade payables	**4.1**	6.3	7.8
Other taxes and social security	**12.9**	14.4	10.9
Other payables	**0.6**	0.6	0.2
Accruals and deferred income	**15.7**	15.5	17.2
Accrued interest payable	**0.5**	0.4	0.5
Total trade and other payables	**33.8**	37.2	36.6

11 Retirement benefit obligations

Across the UK and Ireland the Group operates several pension schemes. All except one are defined contribution schemes. Within the UK, all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

In the period the pension contributions to the Group defined contribution scheme amounted to £0.9m (September 2015: £1.0, March 2016: £1.9m). At 25 September 2016, there are £0.5m (September 2015: £0.3m, March 2016: £0.3m) of pension contributions outstanding relating to the Group's defined contribution scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 25 September 2016 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	September 2016 £m	September 2015 £m	March 2016 £m
Present value of funded obligations	**22.0**	17.3	17.5
Fair value of plan assets	**(20.5)**	(17.8)	(18.4)
Effect of surplus cap	**–**	0.5	0.9
Net liability recognised in the balance sheet	**1.5**	–	–

The surplus of £0.5m as at September 2015 and £0.9m as at March 2016 were not recognised as assets as they were not deemed to be recoverable by the Group.

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	September 2016 £m	September 2015 £m	March 2016 £m
Interest income on net defined benefit obligation	**–**	–	–
Administration expenses paid by the scheme	**–**	–	–
Net retirement benefit income before taxation	**–**	–	–

The amounts recognised in the statement of other comprehensive income are as follows:

	September 2016 £m	September 2015 £m	March 2016 £m
Remeasurement (losses)/gains recognised in the year (before tax)	**(1.5)**	0.2	0.4
Deferred tax on loss recognised in the year	**0.2**	-	-
Effect of surplus cap	**–**	(0.2)	(0.4)
Net retirement benefit (loss)/income after taxation	**(1.3)**	–	–

Movements during the period in the Group's defined benefit schemes are set out below:

	September 2016 £m	September 2015 £m	March 2016 £m
As at March	**–**	–	–
Expense recognised in the income statement	**–**	–	–
Contributions paid to scheme	**–**	–	–
Remeasurement losses/(gains)	**1.5**	(0.2)	(0.4)
Effect of surplus cap	**–**	0.2	0.4
Deficit at period end	**1.5**	–	–

12 Borrowings

Non-current	**September 2016 £m**	September 2015 £m	March 2016 £m
Syndicated Term Loan gross of unamortised debt issue cost	**378.0**	469.5	403.0
Unamortised debt issue costs	**(6.5)**	(8.4)	(7.4)
Total borrowings	**371.5**	461.1	395.6

The Syndicated Term Loan is repayable as follows:

	September 2016 £m	September 2015 £m	March 2016 £m
Within two to five years	**378.0**	469.5	403.0
Over five years	**–**	–	–
Total	**378.0**	469.5	403.0

Interest on the Syndicated Term Loan is charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. There is no requirement to settle all or part of the debt earlier than the termination date in March 2020.

13 Financial Instruments

For the period ended 25 September 2016 the book value represents the fair value of all financial assets and liabilities. The fair value has been calculated as follows:

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits held on call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in 'current liabilities' on the balance sheet.

Trade payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

14 Cash generated from operations

	6 months to September 2016 £m	6 months to September 2015 £m	Year to March 2016 £m
Profit before taxation including discontinued operations	**95.5**	74.7	155.0
Adjustments for:			
Depreciation	**1.5**	1.4	2.8
Amortisation	**2.8**	4.2	7.8
Share-based payments charge	**2.1**	1.0	2.3
Finance costs	**5.1**	8.2	14.6
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
Trade and other receivables	**(1.0)**	(2.4)	(2.6)
Trade and other payables	**(2.6)**	5.0	5.3
Provisions	**(0.2)**	(4.6)	(5.1)
Cash generated from operations	**103.2**	87.5	180.1

15 Movements in capital and reserves

Share capital

	As at 25 September 2016		As at 27 September 2015		As at 27 March 2016	
Share capital	**Number '000**	**Amount £m**	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid						
Ordinary shares of 1p each (2015: 1p each)	**992,486**	**9.9**	1,001,052	10.0	1,001,052	10.0
Total	**992,486**	**9.9**	1,001,052	10.0	1,001,052	10.0

The total number of shares in issue at 25 September 2016 was 992,485,769 (September 2015: 1,001,051,699).

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The shares rank pari passu with the existing ordinary shares of the Company.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction created a significant amount of distributable reserves for the Company.

Share buy-back

In June 2016, the Company commenced a share buy-back programme to purchase its own ordinary shares. During the six months to September 2016, 4,211,957 shares were purchased and held in treasury (2015: Nil) and 8,565,930 shares were purchased and immediately cancelled (2015: Nil). Total shares repurchased represented 1.28% (2015: Nil) of the ordinary shares in issue (excluding shares held in treasury).

The shares were acquired on the open market at a total consideration (excluding costs) of £48.6 million. The maximum and minimum prices paid were £4.21 and £3.09 per share, respectively.

Treasury Shares

Treasury shares represent the cost of acquiring shares held in treasury. In total 4,211,957 shares were purchased during the six months to September 2016 (2015: Nil) for an average price of £3.66. During the period 2,102 treasury shares were transferred pursuant to the exercise of employee share options (2015: Nil). As at 25 September 2016, 4,209,855 shares (2015: Nil) were held in treasury.

Employee Share Option Trust ('ESOT')

During the prior period the ESOT purchased 1,051,699 shares at a cost of £1.6 million to satisfy the maximum number of share awards that may vest under the Share Incentive Plan share scheme. At September 2016 the ESOT held

973,053 (£1.5 million) ordinary shares of £0.01 each in the Company (September 2015: 1,051,699, March 2016: 1,021,224) representing 0.1% (September 2015: 0.1%, March 2015: 0.1%) of the shares in issue.

Capital Redemption Reserve

The capital redemption reserve of £85,659 (2015: Nil) represents the nominal value of own shares bought back and cancelled during the period.

16 Share-based payments

Share options are granted to senior executives and other individuals throughout the organisation. The Group currently operates four share schemes: the Performance Share Plan; Deferred Annual Share Bonus Scheme; Share Incentive Plan and the Sharesave scheme. The total charge in the period relating to the four schemes was £2.1 million (2015: £1.0 million).

Performance Share Plan

The Group operates a Performance Share Plan (PSP) for main Board Executive Directors and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. The Group's performance is measured by reference to the cumulative Underlying operating profit and growth in total shareholder return relative to the FTSE 250 share index. The fair value of the award is determined using Black-Scholes and Monte Carlo option pricing models.

On 17 June 2016, the Group awarded 1,186,365 nil cost options under the PSP scheme and all such options are outstanding but not yet exercisable as at 25 September 2016. The total charge in the period, included in operating profit, in relation to these awards was £0.5 million (2015: £ Nil).

On 19 June 2015, the Group awarded 1,641,267 nil cost options under the PSP scheme. As at 25 September 2016 1,543,533 options were outstanding and not yet exercisable after 97,734 were forfeited in the period. The total charge in the period, included in operating profit, in relation to these awards was £0.8 million (2015: £0.5 million).

Share Incentive Plan

The Group operates a Share Incentive Plan (SIP) scheme that was made available to all eligible employees following admission to the London Stock Exchange in March 2015. On 20 April 2015 (the 'Award Date'), all eligible employees were awarded free shares valued at £3,600 each based on the share price at the time of Admission. A total of 1,051,699 shares were issued to be held in the ESOT for a period of three years from the Award Date (the 'Holding Period') and are subject to restrictions over their assignment, charge or disposal, and a further 45,491 nil cost options were granted in respect of employees in Ireland. Shares and options are forfeited if the employee leaves the Group for any reason outside of the scheme rules within the Holding Period.

During the six months to 25 September 2016 39,114 shares and 1,060 options were forfeited and a further 37,561 shares vested, and as at 25 September 2016, 837,931 shares and 44,431 options were outstanding. The total charge in the period, included in operating profit, in relation to these awards was £0.4 million (2015: £0.3 million).

Sharesave scheme

The Group operates a Sharesave (SAYE) scheme for all employees. Options are granted and are linked to a savings contract with a term of three years. Options are forfeited if the employee leaves the Group for any reason outside of the scheme rules during the contract term. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model according to the relevant measures of performance.

On 23 September 2015 the Group granted 1,096,112 options over ordinary shares in the company under the Sharesave scheme. The exercise price of the options of 263.76p was set at a 20% discount to the average quoted market price of the Company's shares on the dealing day before the invitation. Options will ordinarily vest on 1 December 2018 and will be exercisable for a period of 6 months from vesting date. During the six months to September 2016, 53,083 options were forfeited and 2,102 options were exercised (2015: Nil). As at 25 September 2016 1,005,040 options were outstanding and not yet exercisable The total charge included in operating profit in relation to these awards was £0.1 million (2015: £ Nil).

Deferred Annual Bonus Plan ('DABP')

The Group operates a DABP scheme which allows Board Executive Directors and other selected senior management the opportunity to earn a bonus determined as a percentage of base salary settled in nil cost deferred shares. The award of shares under the plan is contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. The right to the shares is deferred two years from the date of the award (the 'Vesting Period') and potentially forfeitable during that period should the employee leave employment. The charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years. The share-based payments charge for the year in respect of the Performance Period is £0.3m (2015: £0.2m).

Following the achievement of the 2016 internal performance targets, 248,263 nil cost options were awarded to executives and senior management on 17 June 2016 and all such options remain outstanding as at 25 September 2016.

17 Related party transactions

During the period there were no transactions, and at the period end there were no outstanding balances, relating to key management personnel and entities over which they have control or significant influence, other than remuneration including the share plan awards outlined in note 16 above.

18 Forward looking statements

This report includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date of this report.

19 Uncertainties, risks and threats

The Group has identified certain principal risks and uncertainties which could impact on our future development, performance or position, and which could, in turn have an impact on our business model, and strategy. The risk factors described below are not an exhaustive list or an explanation of all risks. Additional risks and uncertainties relating to the Group, including those that are not currently known to the Group or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition.

- Economy, market and business environment –The result of the EU referendum has created a level of uncertainty in the UK economy. Although to date there has not been any notable impact on the automotive market, if the UK car market contracts this could result in a reduction in new and used car transactions which could result in a reduction in the number of retailers or reduce retailers' desire to advertise their vehicles in the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising on the marketplace.
- Increased competition - Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.
- Brand - Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.
- New or disruptive technologies and changing consumer behaviours - Failure to innovate and develop new technologies or products, to execute product launches and improvements or to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.
- IT systems - Failure in one system as a result of malicious attack, our own failures or those of third-party suppliers, could disrupt others and could impact the availability or performance of Group platforms and could cause reputational damage with consumers and/or customers.
- Employee retention - Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce. Failure to do so could result in the loss of key talent.

Independent Review Report to Auto Trader Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 25 September 2016 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in shareholders' equity, condensed consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information 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 International Standards on Auditing (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 25 September 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mick Davies
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
10 November 2016