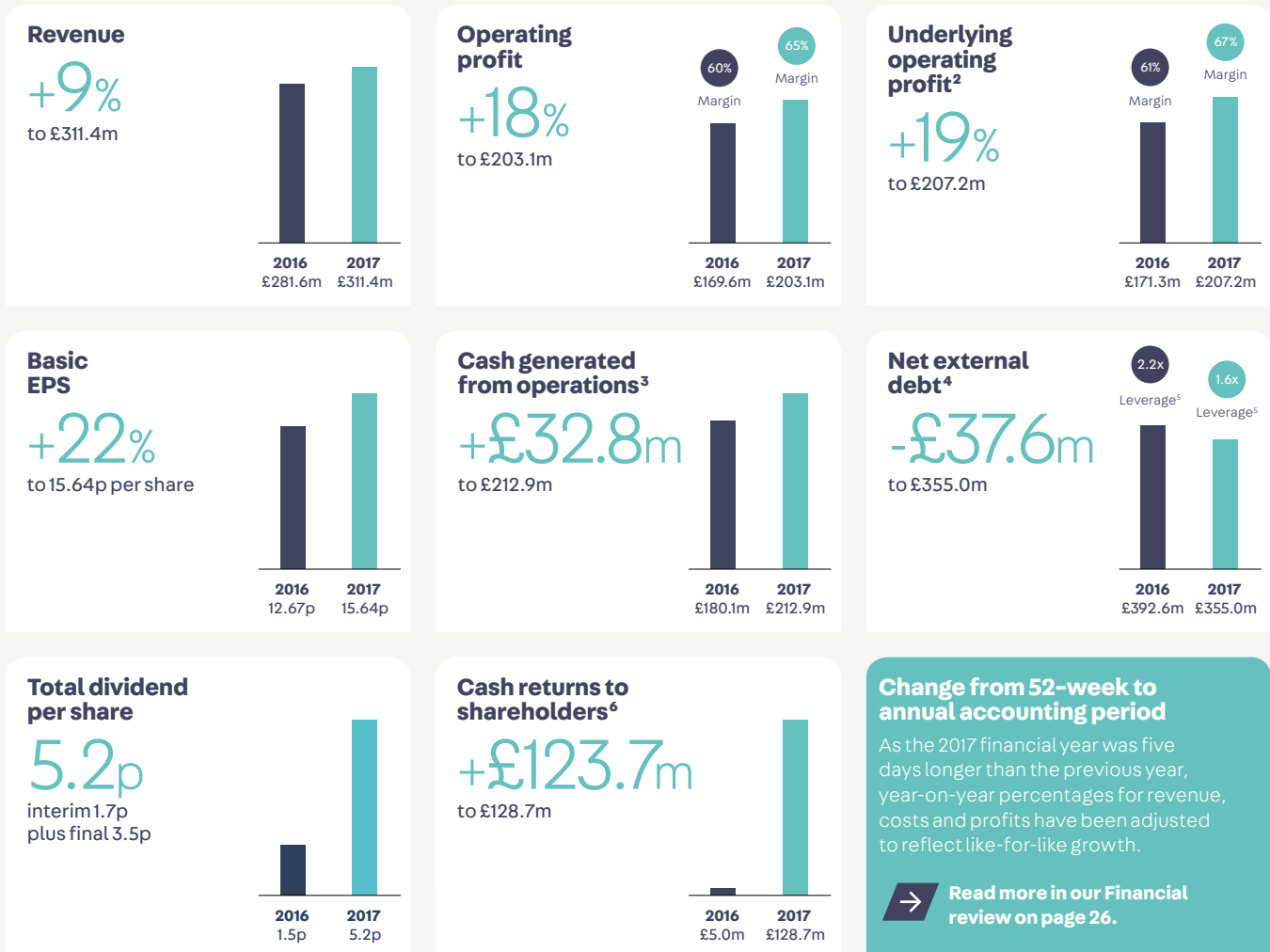


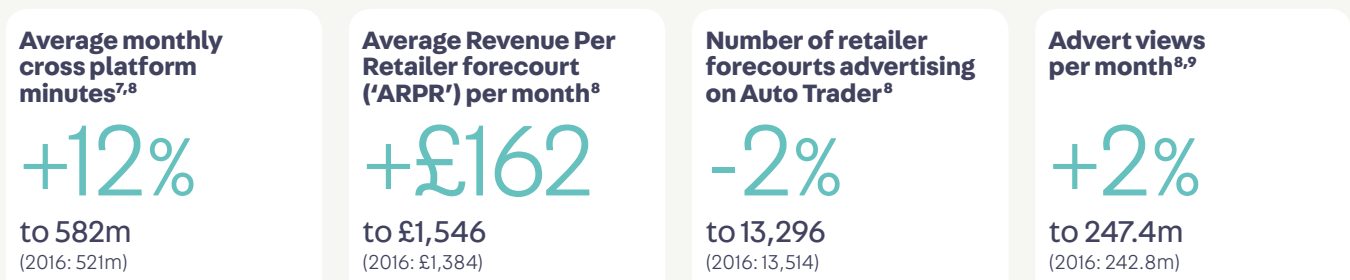
Business at a glance

We have achieved another strong year of growth across all three of our revenue streams. Our audience has grown – with increases in cross platform visits, minutes spent on our marketplace and full page advert views – and we have delivered on our capital return policy.

Financial highlights



Operational highlights



1 '2017' references the 369 day period ended 31 March 2017 and the comparative '2016' references the 52 week period ended 27 March 2016 unless otherwise stated.

2 Operating profit before share-based payments and associated national insurance ('NI') and exceptional items.

3 Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.

4 Net external debt is gross external indebtedness, less cash and cash equivalents.


5 Leverage is Net external debt as a multiple of Adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI and exceptional items).

6 Cash returns to shareholders comprise dividends paid and the cost of share buybacks (excluding transaction costs).

7 Cross platform minutes measured by comScore.

8 Average number during the year.

9 Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.

	Our business model	page 10
	Chief Executive Officer's statement	page 12
	Financial review	page 26

Our revenue streams

Trade

Revenue from retailers and home traders advertising their vehicles and utilising Auto Trader's products.

Revenue performance

+9%
to £262.1 million
 (2016: £236.4 million)

Percentage of revenue



Consumer services

Revenue from private sellers who can place an advert on the marketplace for a fee and from our partners who provide services to consumers.

Revenue performance

+4%
to £31.8 million
 (2016: £30.3 million)

Percentage of revenue



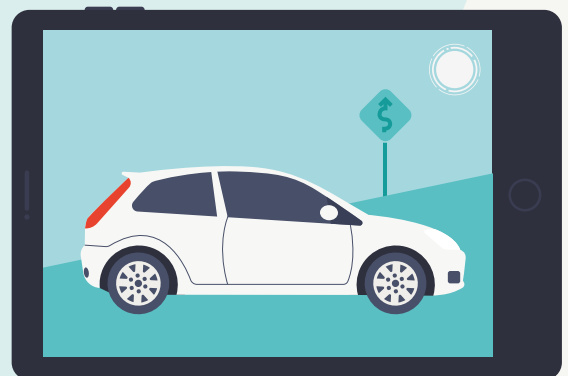
Display advertising

Revenue from manufacturers and their advertising agencies who advertise their brand or services on the marketplace.

Revenue performance

+16%
to £17.5m
 (2016: £14.9m)

Percentage of revenue



The automotive market today

The UK automotive marketplace continues to grow. Used car volumes are benefitting from previous new car growth, which is expected to decline modestly from the record highs reached in 2017.

2.7m

new cars registered in the 12 months to March 2017¹

2.6%

increase in new car registrations in the 12 months to March 2017¹

8.2m

used cars sold in the 12 months to March 2017¹

11%

growth in finance agreements for used cars in the 12 months to March 2017²

UK automotive market and macroeconomic conditions

New and used car sales volumes

The number of vehicles in the UK continues to grow, fuelled by increases in both new car registrations and the average scrappage age. The number of new cars registered in the 12 months to March 2017 increased for a fifth consecutive year to 2.7 million units (growth of 2.6%) according to the Society of Motor Manufacturers and Traders ('SMMT')¹. Sales to fleet customers were particularly strong, up 6.3% year-on-year, whilst the number of new cars registered to retail individuals was broadly flat after four consecutive years of growth, despite the dip in consumer confidence following the Brexit result.

2017 started strongly with a record rise in new car registrations in the first quarter. This was in part due to a very strong March as consumers looked to buy ahead of an increase in vehicle excise duty effective 1 April 2017.

Low rate finance and new car desirability are key drivers to the growth the market is experiencing at this time. The continuation

of attractive finance propositions has underpinned levels of new and used car transactions. 86% of private new car sales were purchased using dealership finance, and the total value of finance agreements for used cars grew 11% in the 12 months to March 2017². High levels of finance uptake have contributed to a reduction in the average length of car ownership to 3.2 years from 3.6 years since 2011, as new cars are introduced into the used car market at the end of finance agreements.

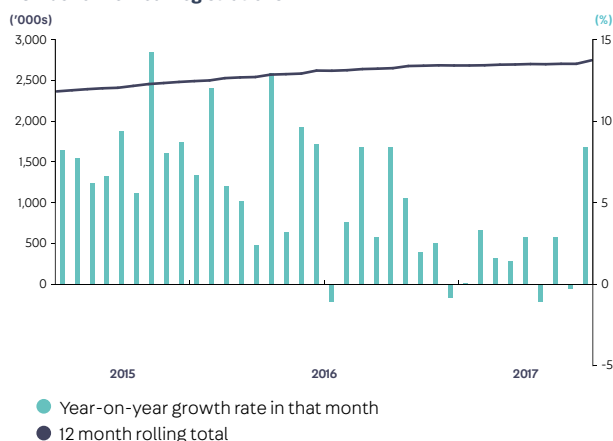
Despite the exceptionally high performing first quarter of the year, and the continuation of low interest rates, the industry expects that new car transactions will begin to plateau or decline in 2017, and new car registrations were down by 0.6% year-on-year for the five months to May 2017¹. We expect the strong new car market performance in recent years will continue to have a positive impact on used car transactions, building on the 8.2 million used cars sold in the 12 months to March 2017, which increased by 4.9% over the same period last year.

UK economy and EU Referendum considerations

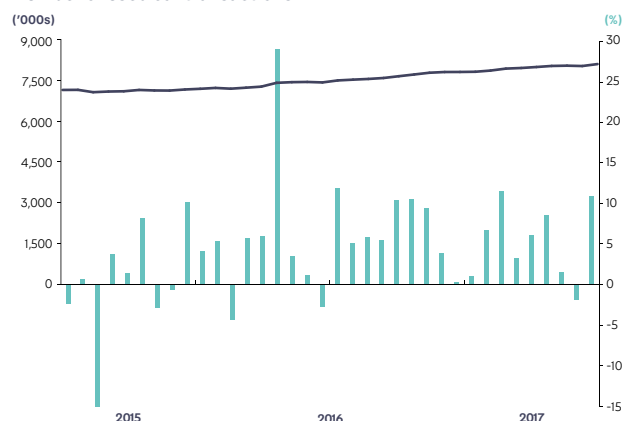
Since Britain voted to leave the European Union, consumer spending and service sector growth have remained steady, helping the UK economy to grow by 0.7% in Q3 and Q4 of 2016. GDP grew by 2.0% in 2016 and similar levels are predicted for 2017. However, inflation has climbed steadily in the past two years, reaching 2.7% in April 2017 and estimated to rise further with the fall in the pound raising the prices of imported goods and raw materials. Interest rates remain low, with the Bank of England cutting its base rate from 0.5% to 0.25%; this continued low level of interest rates has provided consumers with attractive car finance deals and supported the strong new car market.

Whilst we have seen fairly limited impact to date from the result of the European Referendum, the UK's decision to leave the EU does continue to cloud future growth expectations as it is not clear whether Britain will follow a hard or soft Brexit strategy. Turn to page 33 for more details about the impact of the EU Referendum on Auto Trader.

Number of new car registrations



Number of used car transactions



1 SMMT trends data, March 2017 and May 2017.

2 Fleet and Leasing Association ('FLA') data for 12 months to March 2017.

The role of digital platforms in the car buying journey

The importance of trust in today's marketplace

Consumers now approach car buying in the same way as most other purchases. This means a growing dependence on online tools and services that offer more transparency in the retail process. Transparency creates trust which is important because it drives consumer confidence and influences buying decisions.

In the car buying journey, transparency on price alleviates the need to 'haggle', as car buyers are well informed on whether the advertised price is fair and reflects the market. This is instilled further by our price 'indicators' which inform car buyers as to how the advertised price compares to the market price.

Dealer reviews

Reviews by other car buyers also play an increasingly influential role, influencing over one third of car purchase decisions³. Similar to other retail sectors, reviews left by other consumers offer buyers more transparency over the whole process.

Transparent valuations

In addition to clear and transparent information on price, car buyers also demand transparency on other aspects of the buying and selling process. Car buyers may want to know the value of their car if considering its sale, either through part-exchange or a private transaction. Having clear information on the likely financial returns for different selling methods gives sellers more options and also makes processes easier and helps to make decisions quicker.

We anticipate that the growing reliance on online tools by car buyers will increase engagement with Auto Trader's consumer products and its marketplace in general. Auto Trader's valuations tool is used 422,000 times by consumers each month and our Part-Exchange Guide is used 117,000 times per month.

Financing a car

With 86% of new cars bought on finance in the 12 months to March 2017², buyers also want to know what the deposit and monthly payment is likely to be. 55% of recent car buyers said they worked out their monthly budget when researching their next car⁴.

The introduction of our dealer finance tool on our full page adverts has increased engagement with car buyers on the marketplace. With over half of car buyers thinking of the monthly payment during the research process⁴, this product has the ability to extend the car buying journey beyond research to a transactional phase.

New cars

28% of buyers are open to purchasing a new car⁵, highlighting how undecided buyers are on their next purchase. The growth of 'nearly new' or younger used cars also offers more choice, blurring the lines between new and used and leaving car buyers more open to influence. As a result, car buyers rely more heavily on online tools to help them make a purchase decision.

The launch of our new car 'virtual stock' enables consumers to see new car options alongside used cars and therefore offer more choice to car buyers.

We anticipate that the continued development of this product will help position Auto Trader as a new and used car destination, increasing engagement with our existing users and also attracting new audiences who may have not considered Auto Trader as a new car marketplace.



³ Auto Trader Research conducted for Auto Trader's Click Awards May 2016 by Acacia Avenue.

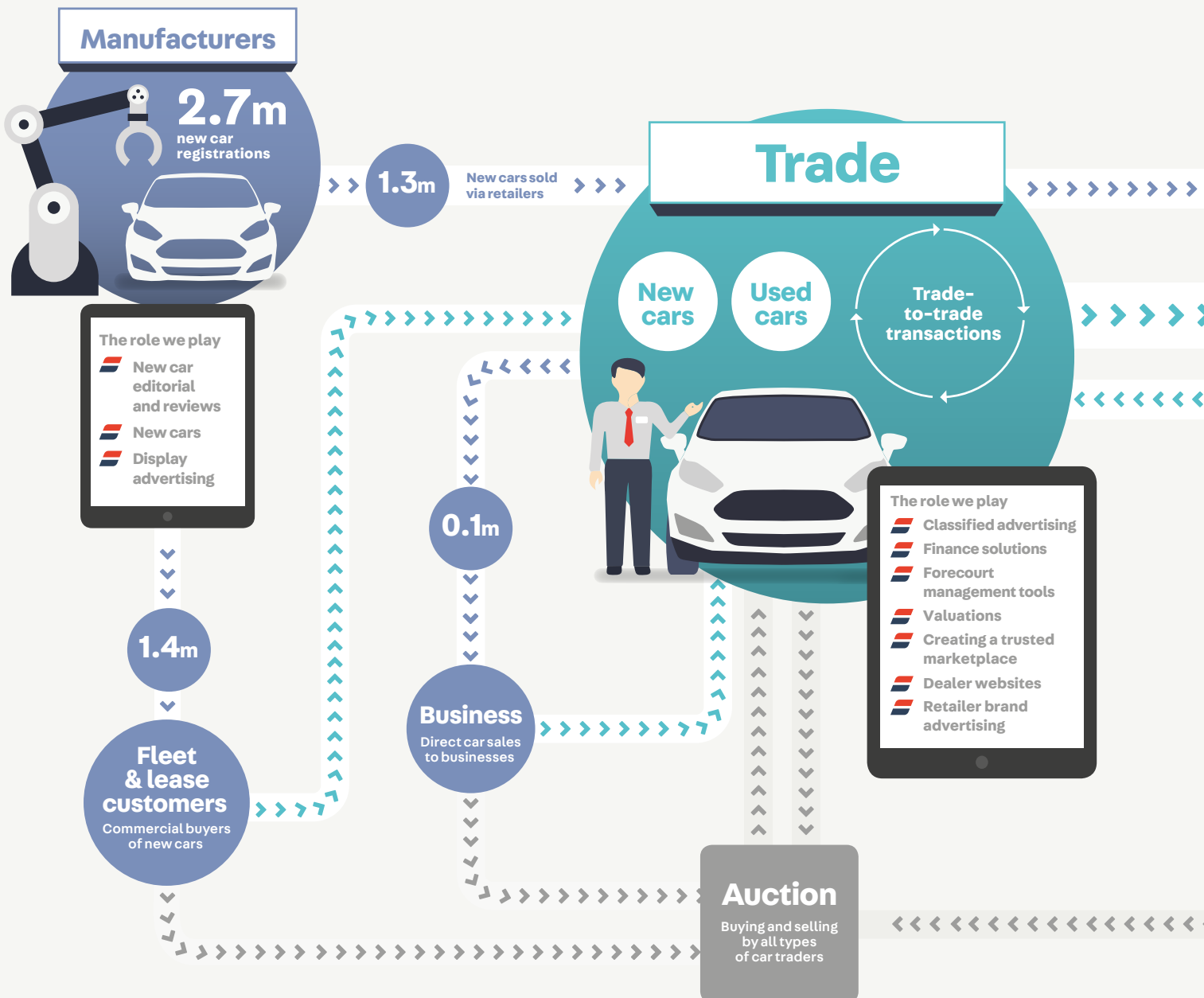
⁴ Auto Trader Market Report, March 2017.

⁵ Auto Trader Market Tracking Study 2017.

Driving efficiencies in today's complex market

The automotive market, with nearly 11 million car transactions each year, is complex and often inefficient. We believe that by improving transparency, we can help remove some of the friction that's currently felt in the car buying process, which will lead to people changing their cars more often – a win for consumers, retailers and the industry as a whole.

Through the evolution of our digital platforms and our innovative data products we continue to make the car buying process easier for **Consumers, Trade** and **Manufacturers**.



Consumers

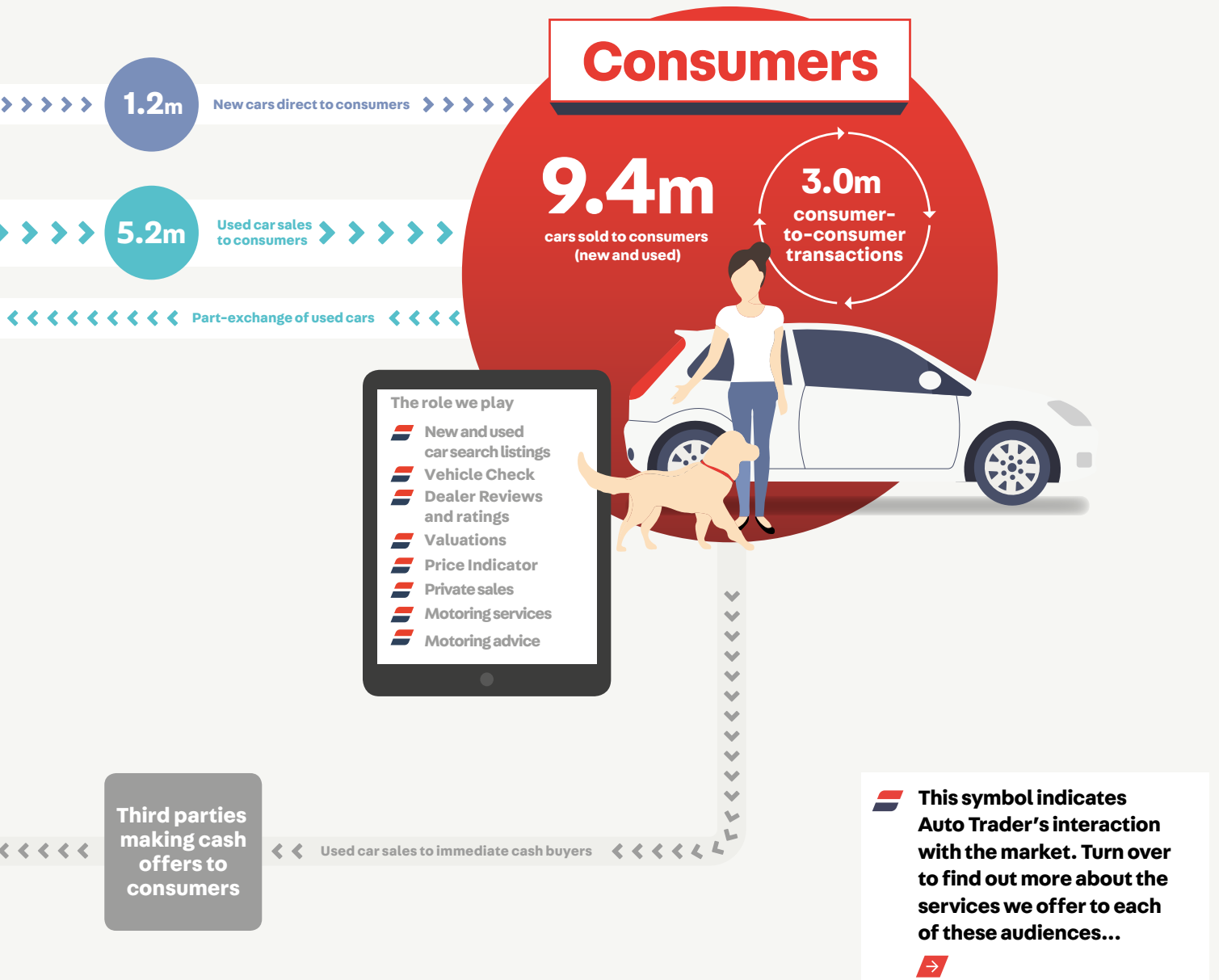
Owners of the 34 million cars in the UK involved in the purchase and sale of both new and used cars through the ecosystem.

Trade

Retailers involved in the sale of new and used cars to consumers. They are also typically involved in part-exchanging cars as well as sourcing and disposing of them, usually at auction.

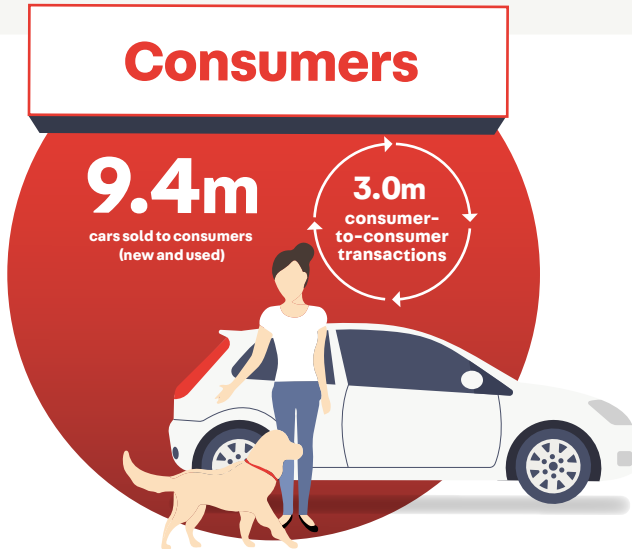
Manufacturers

New cars are delivered into the market from manufacturers into fleet and lease (direct to businesses) and sold to consumers via a franchise network.



How we make the market simpler and more efficient

Consumers

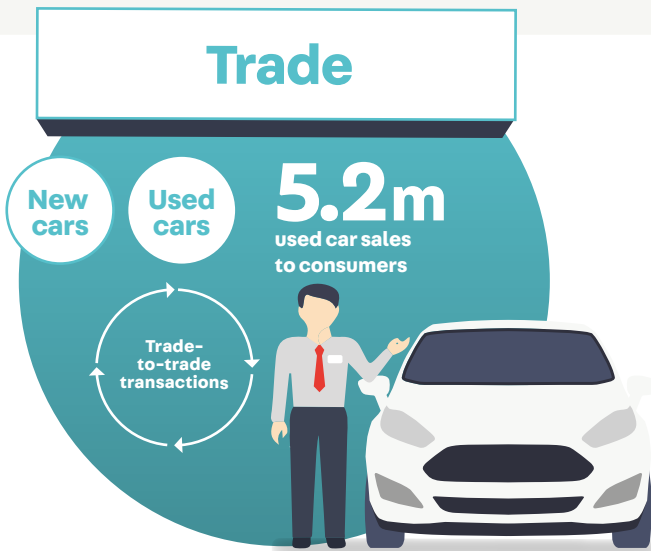


Consumers buy from trade retailers or buy and sell to each other using an automotive platform such as Auto Trader, or through other means.

“Reviews are very helpful, very insightful; something I always look at to get a good understanding of what I’m buying. I know how important online reputation is and how much it lends towards the credibility of a business.”

Car buyer January 2017

Trade

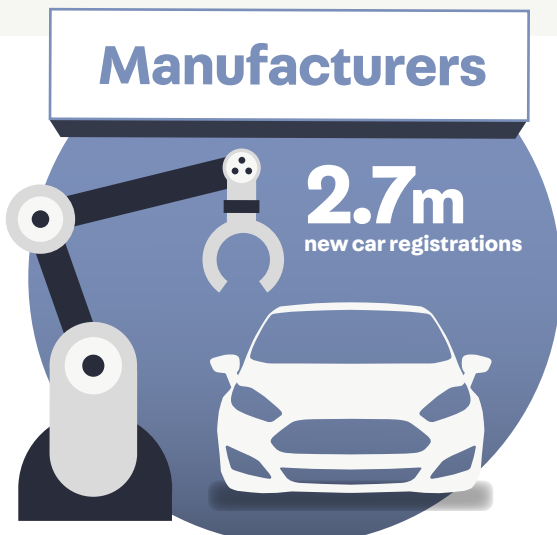


Trade retailers buy new cars directly from manufacturers, and used cars from auction houses, other retailers or directly from the consumer.

“Part-Exchange Guide allows customers to get a valuation from an independent, trusted source, prior to contacting us. It manages the customer’s expectations and puts us and the customer on the same page.”

Shelbourne Motors October 2016

Manufacturers






New cars are delivered into the market into fleet and lease (direct to businesses) and sold to consumers via a franchise.




“The content partnership with Auto Trader provided a trusted and credible platform on which to highlight all the ways in which the Tipo gives you more for less on any car journey.”



Fiat Brand Communications Manager
January 2017





The role we play




-  **New and used car search listings**
Consumers can search from around 450,000 used cars and 6,000 new cars on the marketplace each month, using a standard make/model search or via discovery search if they aren't sure of the exact vehicle they want.
-  **Vehicle Check**
A free standard five point vehicle check so consumers can quickly assess the provenance of a vehicle.
-  **Dealer Reviews and ratings**
Over 5,000 retailers feature in over 325,000 reviews, helping consumers make an informed and trusted decision about who they want to buy from.

-  **Valuations**
We provide free vehicle valuations offering both a private sale price as well as a part-exchange price.
-  **Price Indicator**
Powered by our valuations, these good, great or low price indicators give consumers full price transparency so they can understand the price they are paying compared to the market value.
-  **Private sales**
Consumers can list their vehicles for sale directly to other consumers.



-  **Motoring services**
We offer consumers a variety of services to help them make an informed decision about the car they are looking to buy, these include: vehicle check, finance, and insurance.
-  **Motoring advice**
We feature over 48,000 expert and owner reviews, as well as regularly updated editorial and advice articles to help both confident and unconfident car buyers in their car buying journey.

The role we play


-  **Classified advertising**
Our core classified platform reaches the UK's largest automotive audience. Our product packages enable retailers to compete effectively on the marketplace. Our 'starter' retailer package now includes products such as 100 images, Live Chat, Dealer Reviews, and the Part-Exchange Guide. We offer progressively higher levels giving retailers the opportunity to pay for greater prominence and stand out in a search.
-  **Finance solutions**
After gaining FCA authorisation, we can now enable retailers to display their own finance calculator as standard on their full page adverts on Auto Trader.


-  **Forecourt management tools**
Powered by both our own and third-party data, we offer data intelligence solutions (i-Control and Retail Check) enabling retailers to buy the right stock, at the right price.
-  **Valuations**
An improvement in the underlying data that powers our valuations has allowed us to launch spec-adjusted valuations which power price indicators consumers see on the marketplace. Our valuations also power our part-exchange tool.
-  **Creating a trusted marketplace**
We invest in technology and a team that is focused on creating a safe and


secure marketplace. We remove misleading adverts and also operate two-factor verification on our platforms to protect our customers.

-  **Dealer websites**
We provide mobile-optimised websites for our retailers which feature many of our core tools, i.e. Part-Exchange Guide, finance calculator and Dealer Reviews.
-  **Retailer brand advertising**
We offer retailers a range of display advertising packages so they can promote their business as well as individual vehicles.

The role we play

-  **New car editorial and reviews**
Make/model pages for all new cars improve the buying journey, and the extra content enhances Auto Trader's position in the new car market.

-  **New cars**
We extended our discovery search to include over 6,000 brand new car make/model variants. These new cars are unregistered and do not physically exist, and are called 'virtual stock'. The change was designed to allow manufacturers to advertise their stock in front of buyers earlier in the car buying journey.

-  **Display advertising**
Our platforms enable manufacturers to promote their brands to the largest and most engaged automotive classified audience.

Leveraging the scale of our network to generate value

Inputs

Auto Trader is the UK's largest digital automotive marketplace. Our trusted brand has been built over the last 40 years through advancements in our technology and products, coupled with a highly skilled digital workforce.

Our people

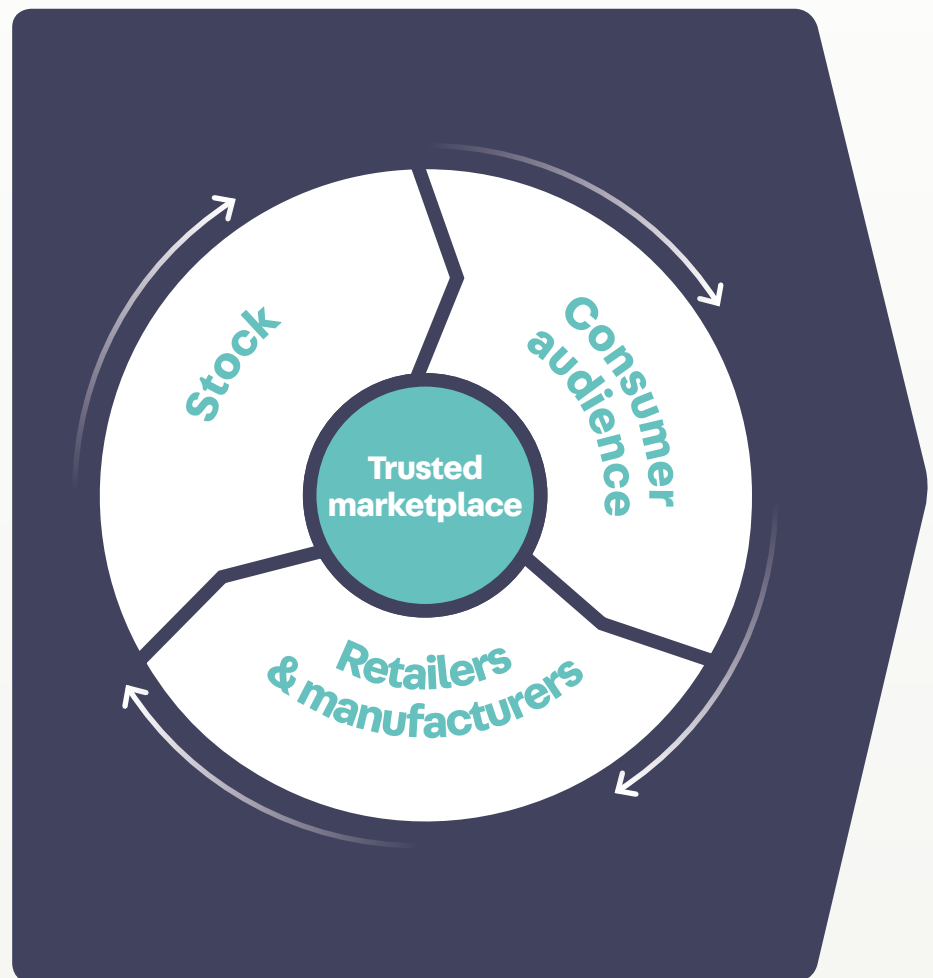
Technology

Data

Brand strength

What we do

We have built a network of highly engaged consumers searching around 450,000 used cars and 6,000 new car make/model variants from a diverse retailer base. This is the network effect model – a self-perpetuating cycle with each element further fuelling the next.





Our strategy

page 13

Delivering on our priorities

page 16

What this means

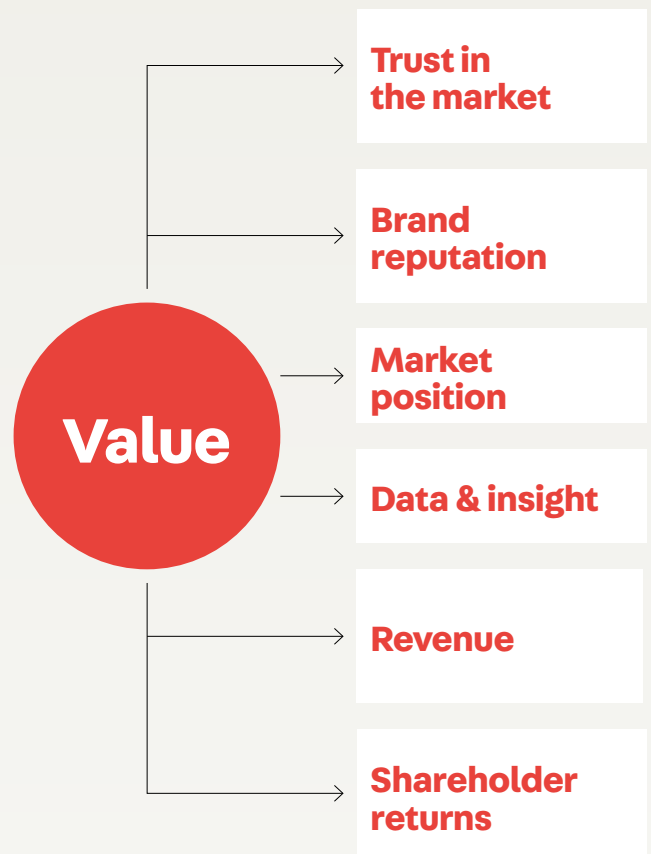
We are the most effective platform for consumers, retailers and manufacturers.

This results in more users, greater spend and even more data which ultimately generates incremental value.



Outputs

As a result, we continue to improve our market position and generate greater shareholder value.



Trust and transparency are key purchase drivers in today's consumer buying journey

We have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers and manufacturers alike."

Trevor Mather
Chief Executive Officer

Auto Trader has built on the momentum generated in its first year as a listed company to deliver a good financial and operational performance. We have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers and manufacturers alike. This in turn continues to increase the value we deliver, making the car buying journey a simpler, more enjoyable and trusted process.

Summary of operating performance

We have continued to deliver increased value for our retailer customers. Our audience has grown, with increases in cross platform visits, minutes spent on our marketplace and full page advert views, consolidating the position we hold of having the largest and most engaged audience, as consumers increasingly interact with content such as retailer reviews, vehicle videos and new car editorial.

The bigger audience was accompanied by greater levels of stock. Although the number of retailer forecourts was slightly down, this was predominantly in smaller and non-car related market segments. The reinforcing nature of our network effect, when coupled with our pricing initiative for the year, saw us grow Average Revenue Per Retailer ('ARPR') by £162 to £1,546 (2016: £1,384).

As a result, we have continued to grow revenue across all of our revenue streams (Trade, Consumer services and Display advertising), with growth of 9% in total. This growth, combined with further cost reductions as we continue to focus on operating a simpler, leaner and more data-oriented business, resulted in an increase in Underlying operating profit of 19% to £207.2m. Operating profit was up 18% to £203.1m, representing another good year for the business.

¹ As the 2017 financial year was five days longer than the previous year, year-on-year percentages for revenue, costs and profits have been adjusted to reflect like-for-like growth. Read more in our Financial review on page 26.



Our business model

page 10

Key performance indicators

page 22

Our strategy

We remain focused on delivering our strategy to be the UK and Ireland’s leading digital automotive marketplace and help improve the processes of buying and selling vehicles for consumers, retailers and manufacturers alike. Our priorities are regularly reviewed, and in 2017 we focused on six operating priorities which we felt would help us to achieve our strategic goals, and I am particularly proud of the progress the Group has made against these priorities.

See page 16 to learn more about how we are delivering on our priorities.



To be the UK and Ireland’s leading digital automotive marketplace

We will simplify our business and integrate our assets

We will continuously improve and be brilliant at everything that is at our core

We will build a digital culture that is values-driven, customer focused and data-oriented

Operating priorities

1

Increase consumer audience, advert views and use of our valuation tools

The network effect model calls for the largest and most engaged audience in order to drive the most advert views and ultimately sales of retailers’ stock. Offering useful services that help consumers to buy and sell easily, like the valuation tool, is essential to keep our marketplace relevant.

2

Promote trust and fairness in the marketplace

A trusted, fair and effective marketplace is core to the value we deliver to consumers, retailers and manufacturers, who expect us as operator and custodian of the marketplace to ensure all participants benefit.

3

Grow ARPR in a balanced, sustainable way by creating value for our customers

ARPR is our primary driver of revenue growth so the more balanced we can be (across price rises, stock listing growth, product upsell and cross-sell), the more sustainable our revenue will be in the long term.

4

Extend the penetration of products outside of our core classified proposition

Leveraging our core business to meet the wider needs of retailers, helping them to remove inefficiencies and become more profitable, whilst providing Auto Trader with a material source of future revenue growth and a closer relationship with its customers.

5

Enhance our relevance and value to manufacturers

One third of new car buyers state that Auto Trader would be one of their first destinations when looking to buy a brand new car² therefore there is a huge opportunity to promote the relevance and value of our marketplace with manufacturers and new car buyers alike.

6

Operate a simpler, leaner and more data-oriented business

Making our processes and procedures more intuitive and streamlined whilst harnessing the data from our marketplace will benefit both our customers and employees. Creating a high-performing, continuously developing business will unlock opportunities and provide a truly digital experience for all.

2 Auto Trader Brand Tracking research (January – February 2017), conducted by Acacia Avenue, March 2017.

Progress made against our operating priorities

1 Increase consumer audience, advert views and use of our valuations tools

During the year, our audience has continued to grow: cross platform visits³ have increased to 55.4 million per month (2016: 47.9 million); minutes spent on our marketplace³ have grown by 12% to a total of 582 million minutes on average per month (2016: 521 million), and full page advert views increased to 247.4 million per month (2016: 242.8 million per month).

We continue to embed our valuations with the trade and consumers alike, with a focus on becoming the benchmark for the industry, and have delivered record numbers of valuations this year. The number of valuations conducted by consumers rose by 25% to a total of 17.1 million (2016: 13.7 million), being particularly buoyed by the introduction of our Part-Exchange Guide product.

2 Promote trust and fairness in the marketplace

Over the past 40 years, Auto Trader has become synonymous with buying and selling cars. This heritage has allowed us to build a trusted position which we have leveraged to become an advocate of transparency, delivering free consumer valuations, Part-Exchange Guide, Vehicle Checks, Dealer Reviews, and most recently, Price Indicator, which benefits the users of our entire marketplace.

3 Grow ARPR in a balanced, sustainable way by creating value for our customers

Through delivering increased value to our customers, we were able to successfully execute our annual pricing event in the first quarter of the financial year. The added value of more consumers and more engagement has been complemented by an increase in physical stock on site, with the average number of cars growing to c.450,000 (2016: c.437,000) underpinned by good used car transaction numbers in the year. We have seen marginally lower forecourts in the year, down 2% to 13,296 (2016: 13,514), with fewer non-car and small independent forecourts, offset partly by growth in franchise forecourts. Together with the gains made on our product lever both within and outside of our core classified packages, this enabled us to grow ARPR by £162 to £1,546.

2%

growth in advert views

£1,546

ARPR per month, up £162 (2016: £1,384)



4 Extend the penetration of products outside of our core classified proposition

We have improved the number of managing forecourts to c.2,500 (2016: c.1,900) and moved more customers up the selling package staircase. However, as expected, retailing solutions revenue declined as a result of discontinued revenue from pay-per-click ('PPC') and search engine optimisation ('SEO') products, as well as the re-platforming of our buying portal and website templates.

5 Enhance our relevance and value to manufacturers

We have continued to grow our relevance to manufacturers, reflected in higher Display advertising revenue in the year, with growth of 16% (2016: 23%) in spite of uncertainty in the lead up to the EU Referendum. We continue to believe there is a significant opportunity in display as we foresee further shift by manufacturers from traditional marketing channels to digital channels, in line with the trends seen in other retail sectors. Our priority is to become known to consumers, manufacturers and agencies as a destination for new cars, and we have taken a significant step towards this in 2017 with the addition of over 6,000 brand new cars to our marketplace, which we call 'virtual stock'.

6 Operate a simpler, leaner and more data-oriented business

Over the year, we have operated in a lean and agile way and seen continued benefits from the consolidation into two offices. Despite continued investment in new products, developers and front-line sales people, we expect to maintain our current headcount, and become increasingly more data-oriented, reaching ever higher levels of performance.

Driving a more transparent and trusted marketplace

Consumers spend around 11 hours⁴ researching their next car online, visiting on average 2.2 dealerships⁵ before they make their purchase. They buy cars now as they do any other consumer goods, demanding transparency, ease and trust in the seller. If sellers, in our case automotive retailers, don't offer a transparent, easy and trustworthy experience, a consumer may go elsewhere.

With this in mind, and to encourage retailers to operate in a more transparent and trusted manner, we took the decision to restructure our packages so that they now include products that will allow them to compete more effectively on the marketplace. Our new 'starter' package includes products such as: Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat – all tools that we see as a basic requirement for a retailer to compete effectively in today's digital marketplace. We have five levels in total, which progressively increase up to 'Advanced' and 'Premium', giving retailers the opportunity to pay more for greater prominence and stand out when consumers search for cars on a desktop. Greater prominence and appearing higher in the search results increases a retailer's ability to sell a car, faster, therefore increasing profit.

Creating price transparency

Our most recent launch, Price Indicator, directly addresses how retailers can provide a greater level of transparency in their pricing to consumers, as it labels their stock with a 'good price', 'great price' or 'priced low' indicator. These indicators are powered by our valuations algorithm which has been developed to incorporate features such as live market movements, specifications and optional extras. The market is constantly changing – there are over 12,000 price changes every day on Auto Trader and nearly 20,000 cars are added or removed – so rather than prescribe a definitive price position, we advise retailers to price to the market so they are more likely to see an indicator on their advert.

3 Monthly visits and monthly minutes as measured by comScore.

4 Auto Trader Car Buyer Report, conducted by GfK, May 2016.

5 Auto Trader Market Tracking Study 2017.



Our business model

page 10

Key performance indicators

page 22

Promoting finance solutions for our retailers

Since gaining FCA authorisation, which enables us to show the monthly borrowing cost of a specific vehicle based on a retailer's preferred lender, over 1,300 retailers are benefitting from our finance product, initially on a free of charge basis. Finance is a key revenue stream for our customers, with over 86% of new cars sold on finance and growth of 11% in the total value of finance agreements for used cars in the year⁶, so this is a valuable proposition for retailers. It is also an added benefit for consumers as they will be able to work out how to finance a specific car with the vehicle retailer rather than seeking finance elsewhere.

Stocking and pricing to the market

In addition to driving trust and transparency in the marketplace, we advocate the power of using data to stock and price vehicles correctly. At year end, approximately 2,500 retailer forecourts (2016: c.1,900), listing 34% of trade stock, were using our data intelligence 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 – helping them do business more efficiently.

Generating value for manufacturers

When looking to buy a new car, Auto Trader is spontaneously front of mind for almost a quarter of consumers. Coupled with an increase of over 6,000 brand new 'virtual stock' cars onto our marketplace, this has increased sales leads and amplified the value we now offer to manufacturers and their networks. We have also continued to build key relationships with manufacturers and their media agencies and we are working with them to leverage our data and insight to target buyers at the right time in their car buying journey.

Acquisition of Motor Trade Delivery

In April 2017, we acquired Motor Trade Delivery Limited ('MTD'), an online real-time marketplace for the trade delivery of vehicles across the UK, and welcomed its nine employees to the Group. This acquisition is an extension of our overall strategy of using digital technology to improve efficiencies for our retailer customers.

Culture and people

As part of the Group's digital culture, incorporating an agile and lean working ethos, we have continued to find ways of operating more efficiently whilst ensuring that teams are truly data-oriented. We therefore took the decision to assign every team their own dedicated data analyst, embedding data practices fully across the organisation.

The Group's most valuable resource is our employees, and the success of the Group is to their credit. And it's having a truly diverse employee base that allows for a more rounded, creative and innovative organisation. We respect and appreciate diversity and have made a conscious effort to educate and challenge attitudes. Every one of our employees has participated in a one-day workshop focusing on creating common understanding of the concepts as well as exploring their unconscious biases. We have created networks for women, those with families as well as common interest groups, to ensure employees feel supported by a network of like-minded individuals. It is our ambition to become one of the most diverse and inclusive employers in the UK.

12,000

price changes every day on Auto Trader

20,000

cars are added or removed daily

2,500

retailer forecourts currently use our data-driven Managing products, i-Control or Retail Check (2016: 1,900)

Outlook for 2018

After a number of years of near uninterrupted growth, the industry expects new car registrations to plateau or decline in calendar 2017, but anticipates greater used car transaction volumes as past observations suggest that the recent strong growth in new car sales will continue to stimulate demand for used cars.

Retailer forecourt numbers are set to be flat to marginally down, with overall stock levels expected to continue to grow. ARPR improvement is expected to return to 2016 growth levels at or above £130 per month, with the majority of growth from the product lever. This reflects the recent bundling of products into our new selling package levels as well as upselling of the new Advanced and Premium levels. MTD will be reported as a component of Trade revenue, but outside of Retailer revenue, and therefore will not impact ARPR.

Consumer services revenue momentum is expected to remain at low single digit, whilst Display advertising growth (to be renamed Manufacturer & Agency) is expected to slow slightly from recent levels but remain double digit.

Costs, taking into account MTD and share-based payments, are expected to increase at the rate of mid single digit with headcount remaining flat and salary inflation set to rise in an increasingly competitive market. Spend on marketing as a percentage of revenue is expected to remain broadly constant, with slightly higher overheads being offset by further, albeit smaller, savings in depreciation and amortisation.

Operating profit will replace Underlying operating profit as our key performance measure from financial year 2018, with operating margins set to rise further.

The Board is confident of delivering its growth expectations in the coming year, despite wider economic uncertainty fuelled by the result of last year's EU Referendum. We believe our strong market position, and continued ability to add value to consumers, retailers and manufacturers will position us well to deliver growth.

Trevor Mather

Chief Executive Officer
8 June 2017

⁶ The Finance & Leasing Association data for the 12 months to March 2017.

Consistently delivering on our priorities

A clear focus on our six operating priorities allows us to monitor our strategic progress and deliver results, consolidating our position at the forefront of the UK automotive marketplace.

Industry challenge

76%

of car buyers claim that transparent pricing of cars is the most important thing to them¹.

1

Increase consumer audience, advert views and use of our valuations tools

We continue to operate the UK's largest digital automotive marketplace with an average of 582 million cross platform minutes and 55 million cross platform visits per month, viewing an average of 247 million full page advert views per month and conducting over 17 million valuations as consumers seek to understand the private sale or part-exchange value for their cars.

Progress during the last year:

582m

cross platform minutes each month.

2%

increase in advert views year-on-year.

17m

consumer valuations conducted on site over the year.

Video car adverts

New ways to view stock

Video adverts help reassure car buyers that they are buying a vehicle from a reputable and trusted retailer. It's another vital way retailers can deliver transparency with car buyers that builds trust.



¹ Auto Trader September 2016 Market Report.



2

Promote trust and fairness in the marketplace

As an industry that has a low perception of trust with consumers, it's essential that the industry works together to drive greater levels of transparency and therefore trust. If growth of transparency is adopted industry-wide, it will remove some of the friction that's currently felt in the car buying process and lead to people changing their cars more often.

Progress during the last year:

Forced removal of misleading adverts that deliberately misinform consumers.

We implemented an extra layer of security with two-factor verification on our dealer portal accounts.

We launched Dealer Reviews for our retailer customers, as well as forming partnerships with major review platform providers, to enable them to show a level of trust to car buyers.

We continued to harmonise retailer pricing structures and created new packages for financial year 2018. The new packages, including the 'starter' package, provide retailers with products that allow them to convey trust and transparency with consumers, i.e. 100 Images, Dealer Reviews, Live Chat, and Part-Exchange Guide.



Price Indicator

Creating price transparency

Powered by our valuations algorithm, we launched 'good', 'great' and 'low' price indicators onto the marketplace so consumers get transparency in the pricing of cars.

3

Grow ARPR in a balanced, sustainable way by creating value for our customers

We continually innovate to develop new and enhance existing products and services for consumers, retailers and manufacturers to ensure we are always delivering value. We've made significant strides in improving our valuations data, which has allowed us to provide adjusted valuations based on spec, something that the rest of the industry has struggled to achieve. We have also enhanced our Dealer Portal with new functionality that allows group reporting, enabling self-serve of a dealer group's performance dashboard, and a new look stock management dashboard, so retailers can assess levels of response and adjust their advertising and pricing accordingly.

Progress during the last year:

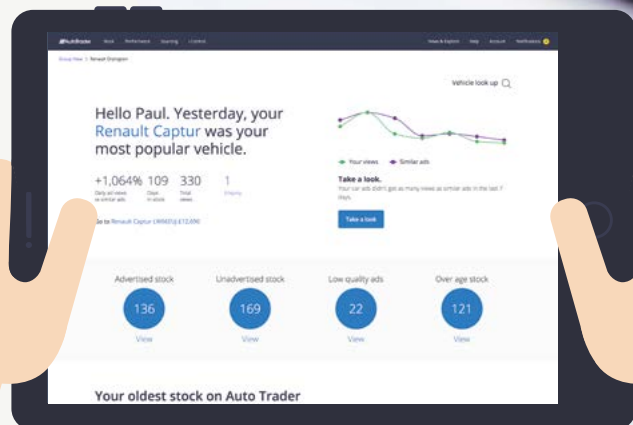
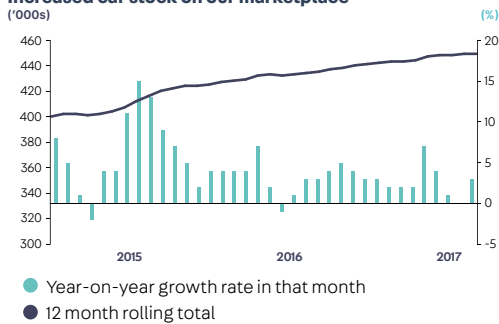
Physical car stock on site has increased year-on-year by 3%.

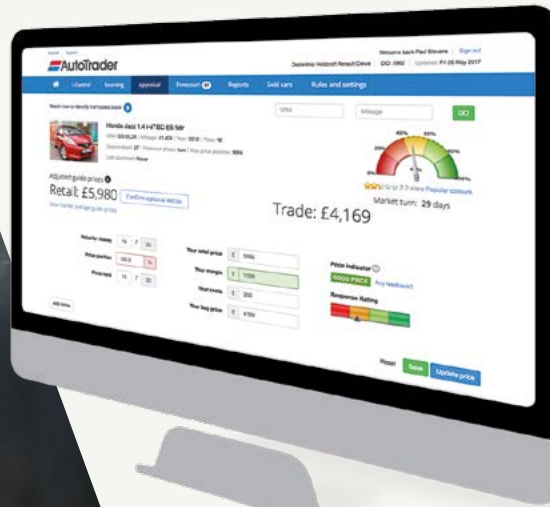
Portal is now utilised by around 87% of our retailer customers.

We've increased prices to reflect the value we deliver to our customers, adding more products as standard into our packages.

We migrated all of our customers onto a new monthly billing system, Singleview, helping us to improve our customer service as well as our effectiveness to cross sell products.

Increased car stock on our marketplace





i-Control

We have continued to develop the functionality of our data intelligence solutions, i-Control and Retail Check. Users of these tools will now exclusively be able to see adjusted guide price valuations based on adding spec.

4

Extend the penetration of products outside of our core classified proposition

We have removed sales commissions from our sales and service teams and implemented a new ‘challenger’ sales approach. This ensures our teams are equipped to provide strategic business consultancy and are therefore more able to articulate value in products that sit outside of our core classified offering. We have also continued to develop products outside of our core, for example products that allow retailers to manage and market their businesses more effectively.

Progress during the last year:

We have increased penetration of products outside of our core selling proposition, growing usage of our Managing products, i-Control and Retail Check.

We gained FCA authorisation allowing us to show a retailer’s own finance deals on their adverts on Auto Trader.

Launched new website templates in order for us to compete more effectively.

Launched a new retailer brand advertising proposition.

2,500

retailer forecourts using our data-driven Managing products, i-Control or Retail Check

5

Enhance our relevance and value to manufacturers

Auto Trader is spontaneously top of mind for almost a quarter of consumers when looking to buy a new car². Coupled with an increase of over 6,000 brand new make/model variants onto our marketplace, this has increased the sales leads and amplified the value we now offer to manufacturers and their networks. We have also continued to build key relationships with manufacturers and their media agencies and are working with them to leverage our data and insight to target buyers at the right time in their car buying journey.

Progress during the last year:

Updated over 300 new car make/model pages, enabling consumers to make an enquiry with a local retailer.

Continued to develop new advertising and creative formats so manufacturers and their retailer networks can reach new car buyers at the right time, on the right channel with the right message.

Developed our cross platform audience targeting, beginning to embed our data management platform, helping us to target audiences more effectively.

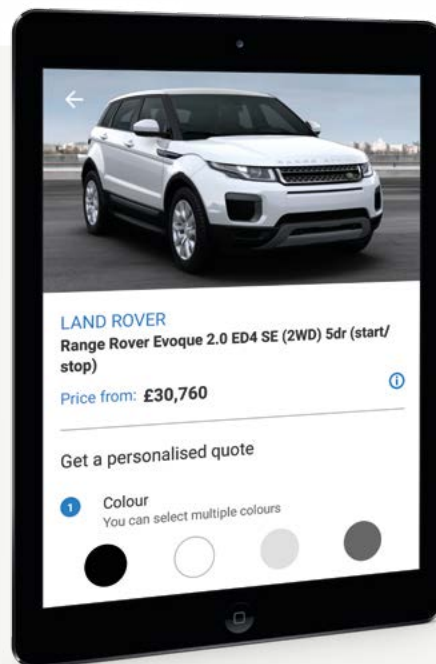
Increased Display advertising revenue from manufacturers and their media agencies by 16%.

Virtual stock

This year we extended our discovery search with the addition of over 6,000 brand new, make/model variants to our marketplace, what we have called 'virtual stock'.

1/3

of new car buyers state that Auto Trader would be one of their first destinations when looking to buy a brand new car².



² Auto Trader Brand Tracking Data from Acacia Avenue (January - February 2017).



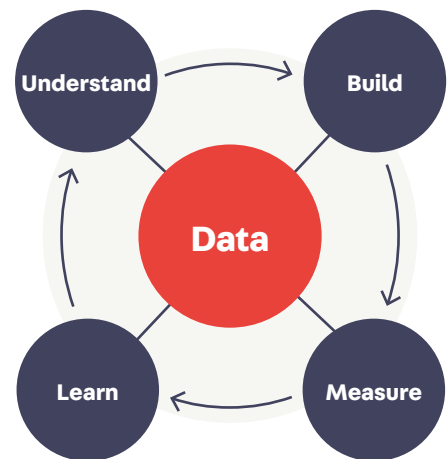
6

Operate a simpler, leaner and more data-oriented business

As part of the Group's digital culture, incorporating an agile and lean working ethos, we have continued to find ways of operating more efficiently whilst ensuring that teams are truly data-driven, resulting in every team being assigned their own dedicated data analyst.

In a bid to operate a simpler and more efficient business, we have migrated all our 13,000 retailer forecourts onto a new billing system enabling our sales teams to manage and monitor product penetration as well as customer value.

Data-driven product development



Progress during the last year:

100%

migration of retailer forecourts onto new billing system, Singleview

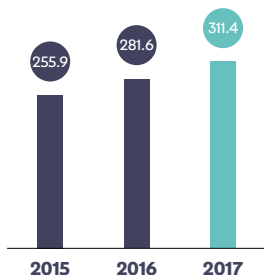
Developed the "Auto Trader Way" methodology to standardise the approach to product development, placing data at the heart of everything we do.

Financial performance KPIs

We use the metrics below to track our financial performance.

Revenue £m

+9%



Operating priorities



Definition

The Group generates revenue from three different streams: Trade, Consumer services and Display advertising. Trade is further analysed into three classes: Retailer, Home Trader And Other.

Progress

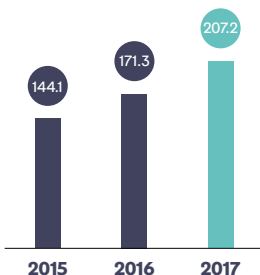
Revenue increased by 9%, coming from a 9% increase in Trade revenue, as well as growth of 4% in Consumer services and 16% in Display advertising revenue. Refer to the Financial review for further detail on each revenue stream.

Risks



Underlying operating profit £m

+19%



Operating priorities



Definition

Underlying operating profit is Operating profit before management incentive plans, share-based payments and associated NI, exceptional items and impairments.

Progress

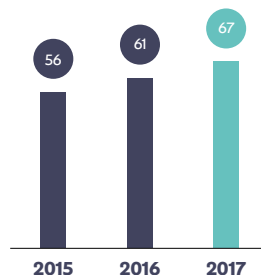
Underlying operating profit increased by 19%, reflecting the Group's revenue growth and well managed costs.

Risks



Underlying operating profit margin %

+6%pts



Operating priorities



Definition

Underlying operating profit margin is Underlying operating profit as a percentage of revenue.

Progress

The Group's focus on operating efficiency and cost control resulted in a 6 percentage point increase in Underlying operating profit margin to 67%.

Risks

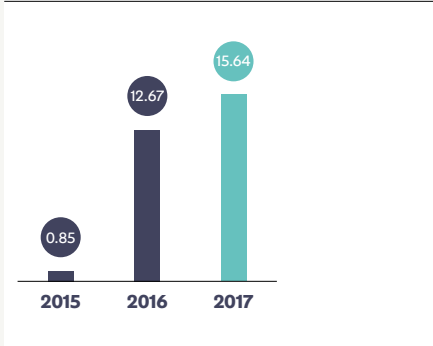


As the 2017 financial year was five days longer than the previous year, year-on-year percentages for revenue, costs and profits have been adjusted to reflect like-for-like growth. Read more in our Financial review on page 26.

Basic EPS

pence per share

+22%



Operating priorities

- 1
- 2
- 3
- 4
- 5
- 6

Definition
Basic earnings per share is defined as profit for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year.

Progress
Basic EPS growth is a reflection of the Group's strong operational leverage aided by a small tailwind from the share buy-back programme implemented in this financial year.

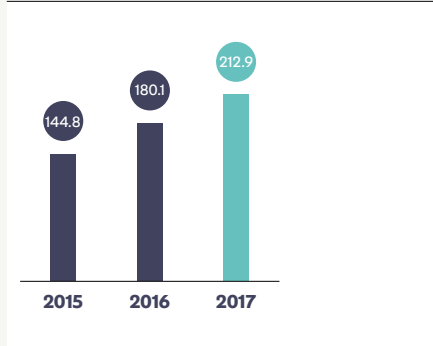
Risks

- 1
- 2
- 3
- 4
- 5
- 6

Cash generated from operations

£m

+£32.8m



Operating priorities

- 1
- 2
- 3
- 4
- 5
- 6

Definition
Cash generated from operations as reported in the consolidated statement of cash flows on page 83. This is defined as cash generated from operating activities, before corporation tax paid. This is considered to be a more meaningful measure of performance than the statutory measure of cash generated from operating activities which can be distorted by changes in funding structure and the time lag that applies to the payment of corporation tax.

Progress
Cash generated from operations increased to £212.9m in the year, giving growth of £32.8m. This demonstrated a high level of profit being converted into cash, which was largely returned to shareholders.

Risks

- 1
- 2
- 3
- 4
- 5
- 6

Operating priorities relevant to our KPIs

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace
- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Extend the penetration of products outside of our core classified proposition
- 5 Enhance our relevance and value to manufacturers
- 6 Operate a simpler, leaner and more data-oriented business

➔ Read more on page 13.

Risks relevant to our KPIs

- 1 Economy, market and business environment
- 2 Increased competition
- 3 Brand
- 4 New or disruptive technologies and changing consumer behaviours
- 5 IT systems
- 6 Employee retention

➔ Read more on pages 33 to 35.

Operating KPIs

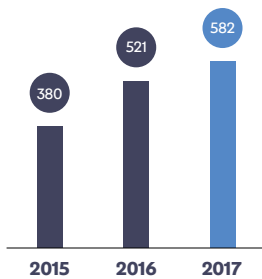
We use the metrics below to track our operational performance.

Advert views Average number per month (millions)	Number of retailer forecourts Average number per month	Average Revenue Per Retailer ('ARPR') £ per month																								
<p>+2%</p>	<p>-2%</p>	<p>+£162</p>																								
<table border="1"> <caption>Advert views (millions)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>226</td> </tr> <tr> <td>2016</td> <td>243</td> </tr> <tr> <td>2017</td> <td>247</td> </tr> </tbody> </table>	Year	Value	2015	226	2016	243	2017	247	<table border="1"> <caption>Number of retailer forecourts</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>13,452</td> </tr> <tr> <td>2016</td> <td>13,514</td> </tr> <tr> <td>2017</td> <td>13,296</td> </tr> </tbody> </table>	Year	Value	2015	13,452	2016	13,514	2017	13,296	<table border="1"> <caption>Average Revenue Per Retailer ('ARPR') (£)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1,252</td> </tr> <tr> <td>2016</td> <td>1,384</td> </tr> <tr> <td>2017</td> <td>1,546</td> </tr> </tbody> </table>	Year	Value	2015	1,252	2016	1,384	2017	1,546
Year	Value																									
2015	226																									
2016	243																									
2017	247																									
Year	Value																									
2015	13,452																									
2016	13,514																									
2017	13,296																									
Year	Value																									
2015	1,252																									
2016	1,384																									
2017	1,546																									
<p>Operating priorities</p> <p>1 2 3 4 5 6</p>	<p>Operating priorities</p> <p>1 2 3 4 5 6</p>	<p>Operating priorities</p> <p>1 2 3 4 5 6</p>																								
<p>Definition Advert views are click-throughs from initial search result pages to see the more detailed specification of the vehicle. Research has shown that a higher level of advert views correlates with a higher number of retailer sales.</p> <p>Progress 2% growth in advert views was steady as our market leading position was consolidated. A proportion of advert view growth was cannibalised by growth in valuations, as consumers no longer need to go through a search to get an indicative value for their vehicle. In the year we delivered 3.0 billion of these virtual inspections, which means there was an average of 94 vehicles per second being viewed through an advert view.</p>	<p>Definition The average number of retailer forecourts per month that are advertising vehicles on the Auto Trader marketplace over the financial year.</p> <p>Progress The marginal decline in forecourts was the result of losses in non-car channels and a slight decline in small independent customers, marginally offset by growth in franchise forecourts. The independent decline appears to be attributable to continued consolidation in the total number of UK forecourts and the challenges faced by the fast moving nature of digital's role in the car buying process. Decline in the first half impacted run rate into the second half of the year.</p>	<p>Definition Average Revenue Per Retailer ('ARPR') is the average monthly revenue generated from retailer forecourts divided by the average monthly number of retailer forecourts.</p> <p>Progress In the year we continued to deliver greater levels of value to our customers, with increased levels of audience and higher levels of engagement per visit. This value underpinned the three levers of ARPR, price, stock and product (where we consolidated upsell and cross-sell). Our annual pricing event saw greater levels of product uptake and higher numbers of listings, aided by a good market tailwind.</p>																								
<p>Risks</p> <p>1 2 3 4 5 6</p>	<p>Risks</p> <p>1 2 3 4 5 6</p>	<p>Risks</p> <p>1 2 3 4 5 6</p>																								

Cross platform minutes

Monthly average minutes spent across all our platforms (millions)

+12%



Operating priorities

- 1 2 3 4 5 6

Definition

Monthly average minutes spent across all our platforms, as defined by comScore.

In the previous year, we reported our share of cross platform minutes against a defined competitor set. However, due to changes in comScore’s methodology, and inconsistencies between the way that competitor websites are configured, this measure is no longer considered to be reliable and so has been replaced with a measure of our own total cross platform minutes.

Progress

Cross platform minutes growth, as measured by comScore, was reflective of an increasingly engaged audience. Engagement was seen not just in our core classified listings but also with our valuation products and Dealer Reviews, both key components of our drive for greater levels of trust and transparency in the marketplace.

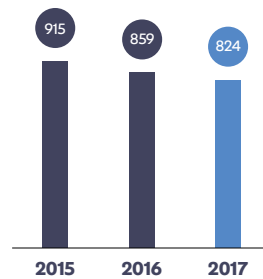
Risks

- 1 2 3 4 5 6

Number of full-time equivalent employees ('FTEs')

Average number (including contractors)

-4%



Operating priorities

- 1 2 3 4 5 6

Definition

Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis.

Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Progress

People are an essential asset and attracting, retaining and developing that talent is at the core of our operational thinking. There is also an internal commitment to operate in a lean and agile environment which has driven efficiencies over the last year, resulting in a 4% reduction in FTEs.

Risks

- 1 2 3 4 5 6

Operating priorities relevant to our KPIs

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace
- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Extend the penetration of products outside of our core classified proposition
- 5 Enhance our relevance and value to manufacturers
- 6 Operate a simpler, leaner and more data-oriented business

➔ Read more on page 13.

Risks relevant to our KPIs

- 1 Economy, market and business environment
- 2 Increased competition
- 3 Brand
- 4 New or disruptive technologies and changing consumer behaviours
- 5 IT systems
- 6 Employee retention

➔ Read more on pages 33 to 35.

We have delivered on our guidance to reduce leverage, grow dividends and return excess cash to shareholders

"In 2017, we returned £128.7m in cash to shareholders, as well as reducing gross debt by £40m."

Sean Glithero
Chief Financial Officer



Revenue

In 2017, we saw another year of strong revenue growth at 9%, reaching £311.4m (2016: £281.6m). Growth was achieved in all three revenue streams and in total at a rate similar to that attained in 2016.

Trade revenue was the largest contributor, with revenue rising by 9% to £262.1m (2016: £236.4m). Within Trade, Retailer revenue grew 10% to £250.1m (2016: £224.5m). Home Trader saw growth of 3% to £12.0m (2016: £11.5m), with a lower growth rate largely being attributable to limited pricing initiatives in the year. Other revenue fell

→ Change from 52-week to annual accounting period

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 made the decision to change the period end date to be 31 March every year, starting in financial year 2017, to better align with our customers' needs, and to the products and services we offer.

As a consequence of this change, the 2017 financial year was five days longer than the previous year and whilst there was no impact on the first half results, the second half of the year was longer and hence revenues, costs and earnings were greater due to the extra trading days.

Year-on-year percentages for revenues, costs and profits have been adjusted to reflect like-for-like growth. No other percentages have been adjusted.

For example: Operating profit (£203.1m x 364/369 divided by £169.6m - 1) x 100 = 18%.



Our business model

page 10

Key performance indicators

page 22

Revenue	2017 £m	2016 £m	Days-adjusted change
Retailer	250.1	224.5	10%
Home Trader	12.0	11.5	3%
Other	-	0.4	n/m
Trade	262.1	236.4	9%
Consumer services	31.8	30.3	4%
Display advertising	17.5	14.9	16%
Total	311.4	281.6	9%

£0.4m versus 2016 due to the closure of our manufacturer websites business, 2nd Byte, in June 2015.

We delivered increased Retailer revenue as a result of growth in Average Revenue Per Retailer ('ARPR'), where there was improvement of £162 to £1,546 per month (2016: £1,384). Average retailer forecourts were down 2% to 13,296 (2016: 13,514) with losses in non-car, Republic of Ireland and smaller independent retailers partially offset by growth in franchise forecourts. This change in retailer mix led to an overall ARPR increase from the loss of smaller lower yielding retailers. With much of the decrease occurring in the first half of the year and therefore impacting the second half run rate, forecourts were largely in line with expectations for the remainder of the year. Low-level market consolidation continues to be apparent amongst smaller customers, although the drop in the total number of forecourts remains at the rate seen over the last three to four years.

ARPR growth of £162 per month was generated through three levers: stock, price, and product, where we have consolidated upsell and cross-sell.

Our marketplace saw an average number of car listings of c. 450,000 in the year, which was 3% higher than last year (2016: c. 437,000). The growth in stock comes through continued internal initiatives to help retailers understand the value of advertising all of their stock on the marketplace and focusing on the ever-increasing role of digital in the car buying journey. We also saw a good underlying used car market, benefitting from the recent growth in new car transactions. With top-level growth in the number of listings and the benefit from unwinding the last remaining historic stock discounts, the stock lever contributed £48 (2016: £58) and 30% (2016: 44%) of total ARPR growth.

With a greater number of listings, a larger audience and higher levels of engagement, we implemented a price change in the first quarter of financial year 2017. For some customers, this was in addition to a pricing initiative in the second half of the previous year. The timing benefit, where the two events compound up in the price lever, is not expected to reoccur going forward as we shift to an annual price review in April of each year, starting in financial year 2018. Of total ARPR growth, price contributed £86 (2016: £41) and 53% (2016: 31%).

Our product lever, which had previously been split between additional products taken, either within or outside of our core classified selling package (upsell & cross-sell), contributed £28 (2016: £33) and 17% (2016: 25%) of total ARPR growth. We continued to see high adoption of Level 3 of our package staircase, which includes priority listings on mobile. This acted as a catalyst for the introduction of our new prominence products in the 2018 financial year, which give customers the opportunity to achieve more advert views by upgrading to higher levels in the package staircase.

Also included in the product lever is the change in Retailing solutions revenue, which saw a year-on-year decline of 4% to £23.9m (2016: £24.5m), with the main driver being the discontinuation of low margin pay-per-click ('PPC') and search engine optimisation ('SEO') products which were wound down in their entirety during the first half of the year. Retailer display revenue also saw a small year-on-year decline as customers chose higher return-on-investment listings and data products rather than to promote their brand through display advertising. Our website templates and B2B classified portal products saw a number of technical changes in the year, which limited growth opportunities. Penetration of forecourts



Trade revenue

£262.1m

(2016: £236.4 million)



Underlying operating profit

£207.2m

(2016: £171.3 million)



Cash generated from operations

£212.9m

(2016: 180.1m)



Cash returned to shareholders

£128.7m

(2016: £5.0m)

using our Managing products grew well in the second half of the year and we closed the year with c.2,500 forecourts (2016: c.1,900), representing a 19% penetration of total forecourts (2016: 14%).

Consumer services revenue increased 4% in the year to £31.8m (2016: £30.3m). Private revenue, within Consumer services, grew 3% to £24.4m (2016: £23.3m), although the second half was broadly flat, as we saw increased competition and the effect of the growing impact of our own Part-Exchange Guide product. Motoring services saw a slightly better growth rate, increasing 4% to £7.4m (2016: £7.0m), with much of the growth coming through delivering greater response to our third-party partners for insurance, finance and vehicle checks.

Display advertising revenue grew 16% to £17.5m (2016: £14.9m) from a higher number of homepage takeovers and increased levels of inSearch advertising, tempered by lower growth in programmatic display revenue following the introduction of a new adserver in November, which took time to embed. We continue to deepen relationships with manufacturers and their media agencies, which will allow us to develop and monetise our virtual stock proposition.

Costs

Underlying administrative expenses continued to be well managed, seeing a 7% reduction year-on-year to £104.2m (2016: £110.3m). Total administrative expenses saw a reduction of 5%.

People costs comprise staff costs (excluding share-based payments) of £49.1m (2016: £51.1m) and third-party contractor costs of £0.4m (2016: £0.4m). Overall, people costs declined in the year by 5% to £49.5m (2016: £51.5m), due to lower full-time equivalent employees ('FTEs') (including contractors), down 35 year-on-year to an average of 824 (2016: 859) as well as a fall in redundancy and restructuring costs. The headcount reduction came as we continued to improve our way of working in a lean and agile way, although some of the saving was offset through higher salaries as we look to attract the best digital talent, particularly in technical and customer facing roles.

Costs	2017 £m	2016 £m	Days-adjusted change
People costs	49.5	51.5	(5%)
Marketing	16.0	15.7	1%
Overheads	30.7	32.5	(7%)
Depreciation & amortisation	8.0	10.6	(26%)
Underlying administrative expenses	104.2	110.3	(7%)
Share-based payments	4.5	2.5	78%
Exceptional items	(0.4)	(0.8)	(51%)
Total administrative expenses	108.3	112.0	(5%)

	2017 £m	2016 £m	Days-adjusted change
Underlying operating profit	207.2	171.3	19%
Share-based payments	(4.5)	(2.5)	78%
Exceptional items	0.4	0.8	(51%)
Operating profit	203.1	169.6	18%

Marketing spend increased slightly in the year to £16.0m (2016: £15.7m), although as a percentage of revenue it fell to 5.1% (2016: 5.6%). Much of the focus this year has been on product specific campaigns where we have promoted private advertising, Part-Exchange Guide and valuations. We increased PPC spend as we saw higher levels of competitor activity in this area.

Reductions were made in overheads of 7% to £30.7m (2016: £32.5m), in part through adhering to lean operating principles and a number of one-off savings including a rates rebate, and a year-on-year cost saving of c.£1.0m due to the discontinuation of the low-margin Retailing solutions products. Lower FTEs, in particular, had a benefit on employee related expenses.

Depreciation and amortisation decreased by 26% to £8.0m (2016: £10.6m) as past development costs became fully amortised in the year.

A share-based payments charge of £4.5m (2016: £2.5m) was recognised during the year, including national insurance costs ('NI') on potential employee gains where applicable. The year-on-year increase in the charge was primarily due to further awards made in June 2016 under the Performance Share Plan and the Deferred Annual Bonus Plan as well as the full-year impact of the Sharesave scheme launched in September 2015. Refer to note 26 of the consolidated financial statements for further details.

Following the completion of the office centralisation programme in 2014, the Group ran 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 no longer required.

Underlying operating profit

Underlying operating profit increased by 19% to £207.2m (2016: £171.3m) with Underlying operating profit margin improving by 6 percentage points to 67% (2016: 61%).

The Group has previously reported non-underlying items in the income statement to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. These include exceptional items, share-based payment charges (and associated NI) and costs related to management incentive schemes linked to the previous private ownership of the Group. From next year, i.e. for 2018 and beyond, the Group will no longer report Underlying operating profit and will instead focus on the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

In the year, Operating profit grew 18% to £203.1m (2016: £169.6m), with Operating profit margin increasing 5 percentage points to 65% (2016: 60%).

Profit before tax

Profit before tax increased to £193.4m (2016: £155.0m), which followed the Operating profit performance and a reduction in net finance costs to £9.7m (2016: £14.6m). Net finance costs fell through a combination of paying the lowest level of margin on the debt facility from June 2016 onwards, and from lower gross debt, which was reduced in the year.

Taxation

The Group tax charge of £38.7m represents an effective tax rate of 20% (2016: 18%) which is in line with the average standard UK rate and a reflection of our taxation policy to act in a responsible and transparent manner in all tax matters.

The 2016 rate was lower than the standard rate due to a one-off release of a tax provision.

Earnings per share

Basic earnings per share rose by 22% to 15.64 pence (2016: 12.67 pence) and was based on a weighted average number of ordinary shares in issue of 989,278,991 (2016: 1,000,002,803). Diluted earnings per share of 15.60 pence (2016: 12.65 pence) also increased by 22%, based on 991,812,212 shares (2016: 1,001,394,111) which takes into account the dilutive impact of outstanding share awards.

Cash flow and net external debt

Cash generated from operations increased to £212.9m (2016: £180.1m) and was achieved as a result of strong Operating profit combined with low working capital and capital expenditure requirements. This enabled us to deliver on our guidance to reduce leverage, grow dividends and return excess cash to shareholders.

Corporation tax payments totalled £34.8m (2016: £16.0m), as tax paid in 2016 benefitted from the previous year's lower earnings; the result of higher interest and exceptional costs. Cash generated from operating activities was £178.1m (2016: £164.1m).

Capital expenditure increased in the year to £3.7m (2016: £3.1m) as we made further investments in our working environment as well as residual spend on the new billing system, Singleview.

Interest paid on financing arrangements fell to £7.6m (2016: £12.6m) through the combination of a lower margin payable and lower gross debt, as £40.0m (2016: £147.0m) was repaid in the year taking gross debt to £363.0m (2016: £403.0m). Net external debt reduced to £355.0m (2016: £392.6m), as lower levels of cash were held at the 2017 year end compared to the previous year. Leverage, defined as the ratio of net external debt to Adjusted underlying EBITDA, decreased to 1.6x (2016: 2.2x).

During 2017, we commenced a share buyback scheme which saw £102.1m invested in the repurchase of 26.3 million shares, incurring fees of £0.5m. A further £26.6m was paid in dividends, giving a total of £128.7m (2016: £5.0m) in cash returned to shareholders.

Dividends and returns to shareholders

The Directors are recommending a final dividend for the year of 3.5 pence per share, which together with the interim dividend makes a total dividend of 5.2 pence per share, amounting to £50.8m, in line with our policy of distributing approximately one third of net income. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 21 September 2017, the final dividend will be paid on 29 September 2017 to shareholders on the register of members at the close of business on 1 September 2017.

The policy of distributing approximately one third of net income remains unchanged. The capital allocation policy that sees the majority of surplus cash, after dividends, used to buy back shares remains unchanged and gross indebtedness is expected to fall steadily through debt repayments.

At the 2016 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2017 AGM and the Directors intend to seek a similar general authority from shareholders at the 2017 AGM. The programme will be ongoing and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

Post balance sheet event

Since the year end, the Group has acquired Motor Trader Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year were less than 1% of the revenue and profits of the Group. As at the date of this report, we have not yet concluded the accounting for this acquisition.

Appointment of auditors

At the 2016 AGM shareholders approved the appointment of KPMG LLP as the Group's new external auditors.

Sean Glithero

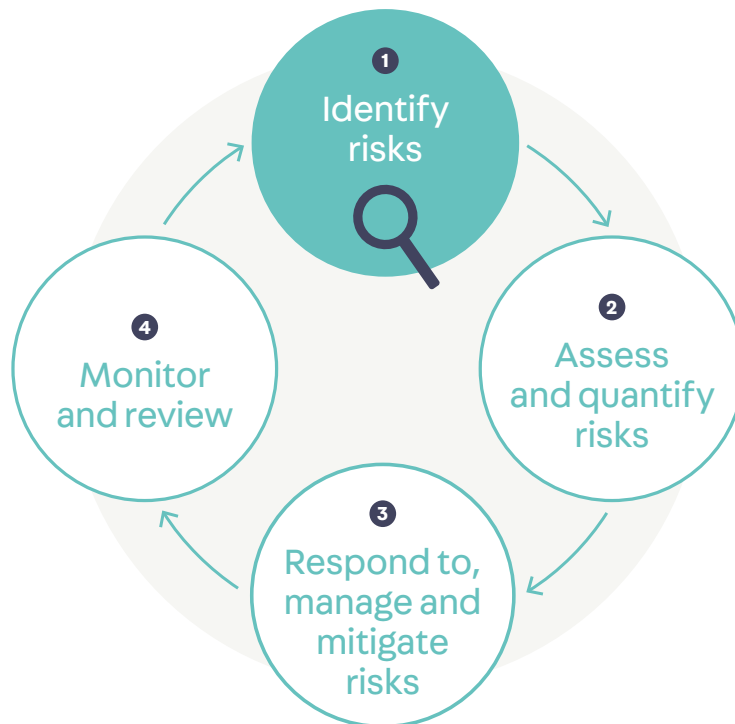
Chief Financial Officer
8 June 2017



Understanding and managing our principal risks and uncertainties

Risk management process

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:



1 Identify risks

A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Operational Leadership Team ('OLT').

2 Assess and quantify risks

Risks and controls are analysed and evaluated to establish the root causes, financial impact and likelihood of occurrence. The Group categorises risks into six areas:

- economy, market and business environment;
- financial and compliance risk;
- asset risk;
- operational risk;
- competitive risk; and
- product specific risk.

3 Respond to, manage and mitigate risks

The effectiveness and adequacy of controls in place are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

4 Monitor and review

The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme run in conjunction with Deloitte.

The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.



Our framework

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

The roles and responsibilities of each level of this framework are as follows:



Risk governance and responsibilities

The Board's responsibilities
 - Overall responsibility for risk management.

The Audit Committee's responsibilities
 - Assess the scope and effectiveness of risk management processes and internal control systems.

Operational Leadership Team responsibilities
 - identify, assess, monitor, manage and mitigate risks and exploit opportunities;
 - ensure appropriate internal controls are in place;
 - ensure the risk register is properly maintained; and
 - embed risk management as business as usual.

Operational management and internal controls
 - Embed and manage internal controls and risk management day to day as part of business as usual.

Oversight functions and internal audit
 - Aid in setting appropriate policies, provide guidance, advice and direction on implementation of those policies and monitor the first line of defence.

Additional line of defence
 - External auditor.

Viability statement

In accordance with Provision C.2.2 of the 2014 UK Corporate Governance Code, the Board has assessed the prospects and viability of the Group.

Assessment of prospects

Auto Trader is the UK's leading digital automotive marketplace and it is the Group's clear focus to maintain this position by relentlessly focusing on improving the process of buying and selling vehicles. During the year ended 31 March 2017 the Group generated a profit before tax of £193.4m and was highly cash generative with cash generated from operations of £212.9m. Taking into account the Group's current position and its principal risks and uncertainties as described on pages 33 to 35, the Directors have assessed the Group's prospects and viability.

The business model and strategy as set out on pages 10 and 13 are a core part of understanding its prospects. These factors provide a framework for the rolling three-year plan which is developed as part of the annual budget process and reviewed by the Board to assess the Group's prospects.

The Directors have adopted a three-year timeframe for assessing both prospects and viability, which is considered to be appropriate due to the following:

- it is consistent with the Group's rolling three-year strategic planning process;
- the Group operates within a digital online marketplace where the market can be fast moving, so looking out beyond this timeframe yields little benefit;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models; and
- it incorporates the period in which we expect to refinance our existing term loan and therefore includes an assessment on our ability to refinance.

The Group's prospects are assessed primarily through its strategic planning process.

This process includes an annual review of the ongoing plan, led by the CEO through the Operational Leadership Team, and all relevant functions are involved. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macroeconomic changes.

The output of the annual review process is a set of operational priorities, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget.

Detailed financial forecasts that consider customer numbers, ARPR growth, revenue, profit, cash flow, funding arrangements and key financial ratios have been prepared for the three-year period to March 2020. The first year of the financial forecasts forms the basis for the Group's 2018 budget and is subject to a re-forecast process at the half-year. The second and third years are prepared in detail, and are flexed based on the actual results in year one.

Assessment of viability

The Board's assessment of the Group's prospects, as described above, has been made with reference to current market conditions and known risk factors. The principal risks and uncertainties facing the Group are outlined on pages 33 to 35.

Given the Group's financial performance in 2017 and over recent years, the Board continues to believe that the key factor which would prejudice the delivery of the Group's financial objectives is a severe weakening of Auto Trader's marketplace proposition and its leading market position. This could be caused by a loss of audience which results in a reduction in retailers and the level of stock listed on the marketplace or by a reduction in the number of retailers and stock which could then result in a loss of audience.

Using the current strategic plan as a base case, alternative forecasts have been produced to model the effect on the Group's liquidity and solvency of very severe combinations of the principal risks and uncertainties affecting the business.

The viability model assumed a rapid deterioration in stock and audience over a short period of time. The number of customer retailer forecourts and the ARPR generated were significantly degraded in the model, but expenditure in the areas of marketing, payroll and technology were held steady. Revenue and profitability are clearly affected in this scenario, but the business remains cash generative.

Given the Group's significant free cash flow, and the Board's ability to adjust the discretionary share buyback programme, there is long-term comfort around viability in the face of adverse economic or competitive conditions.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2020.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the financial statements.

Identify, evaluate and manage the Group's risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The principal risks and uncertainties identified are detailed below. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

Operating priorities relevant to our risks

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace
- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Extend the penetration of products outside of our core classified proposition
- 5 Enhance our relevance and value to manufacturers
- 6 Operate a simpler, leaner and more data-oriented business

[→ Read more on page 13.](#)

Principal risk	Description	Key mitigations	Operating priorities	Change
Macroeconomic risks				
1. Economy, market and business environment	<p>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 on the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising.</p> <p>The result of the EU Referendum has increased the level of uncertainty around customer and consumer spending power.</p> <p>Although there are no short-term indicators of a downturn, in the longer term the industry now expects new car registrations to plateau or decline from recent record highs, and so this risk level has been slightly increased.</p> <p>In considering the potential implications of the Referendum result on the business the Directors considered the time lag between the registration of new cars and the entry of cars into the used car marketplace; the resilience of our business model; the strength of our value proposition; and the Group's ability to reduce costs.</p>	<ul style="list-style-type: none"> - Regular review of market conditions. - Resilient business model. - Ability to reduce costs. - Diversification into other advertiser needs. 	<p>1 2 3 4 5 6</p>	<p>↗</p>

Principal risk	Description	Key mitigations	Operating priorities	Change
Competitive risks				
2. 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.	<ul style="list-style-type: none"> - Demonstration of value to customers. - Regular review of audience data. - Maintenance of investment in products and in marketing campaigns. - Resilient business model. 	1 2 3 4 5 6	—
3. 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.	<ul style="list-style-type: none"> - Maintenance of investment in marketing campaigns. - Clear and open culture with focus on trust and transparency. 	1 2 3 4 5 6	—
4. 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.	<ul style="list-style-type: none"> - Monitoring of emerging trends in automotive and other verticals worldwide. - Monitoring of audience figures and consumer functionality relative to competitors. - Continuous investment in technology. 	1 2 3 4 5 6	—

Principal risk	Description	Key mitigations	Operating priorities	Change
Operational risks				
5. 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.	<ul style="list-style-type: none"> - Adherence to strict industry standards. - Internal team focused on mitigating security threat. - Maintenance of a business continuity plan. 	1 2 3 4 5 6	—
6. Employee retention	Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.	<ul style="list-style-type: none"> - Long-term incentive plans for key senior staff. - Active succession planning and career development plans to retain and develop the next level of executives. - Strong value-led culture embedded throughout recruitment, induction and training. - Employee engagement surveys and other activities. 	1 2 3 4 5 6	—



Make a difference

Our strategy is to lead the future of the digital automotive marketplace in the UK. We do this by building a digital culture that is values-driven, customer-focused, data-oriented and focused on making the processes of both buying and selling new and used vehicles easier.



Overview

Our operating priorities support this strategy and are reviewed annually. People are the Group's most valuable resource and the success of the Group is to the credit of all its employees. Last year we were focused on creating a simpler, leaner, and more data-oriented organisation. In order for us to truly become more data-oriented, we restructured our data and insight tribe (what we call our functions) so data specialists are now aligned to all areas of the business providing more specific data to each squad (our term for teams). To continue embedding this, next year's operating priority will be to create and maintain consistently high-performing, data-oriented squads across the whole Auto Trader business.

Our culture is shaped by our values of determination, reliability, curiosity, inspiration and humility; these values often manifest themselves in our fast-paced and highly customer-oriented approach in our commitment to being an exciting, innovative and digital-led company.

Corporate social responsibility at Auto Trader is driven by our values and culture and is focused on making a difference to our employees, our community and our industry. This, along with our diversity and inclusion strategy, is embedded into how we operate on a daily basis.

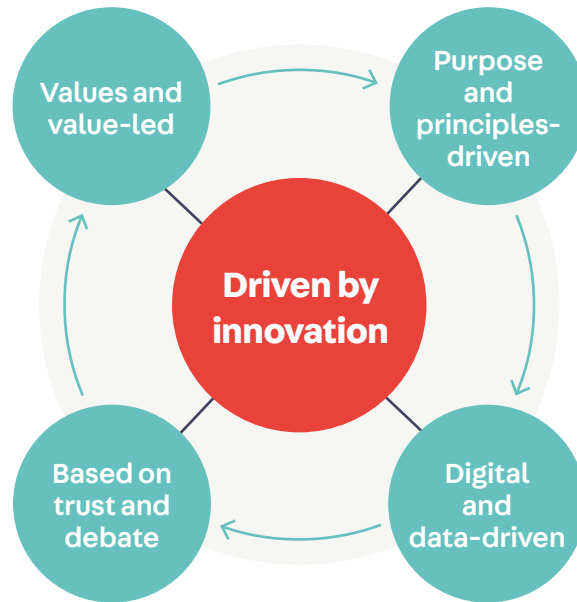
As an employer, it comprises employee engagement, rewards and recognition schemes, people development, health and safety, the environmental impact, sustainability and energy efficient operations.

As a company, we are keen to give back to our local communities in which we operate, as well as supporting charities and causes that are close to our employees' hearts. We focus our community support in four areas: employees' individual charitable fundraising efforts, promoting the two volunteering days that are available to all employees, Give as You Earn, which is one of our Incredible Benefits, and through the Auto Trader Community Fund which supports grassroots projects in Greater Manchester.

We constantly look at ways we can make a positive contribution to our industry; whether that's developing the next generation of talent, sharing best practice advice with our retailer customers through masterclasses and larger-scale industry events, or helping the industry as a whole to operate in a more transparent and therefore trusted manner.

Our culture

We have fostered a fast-paced culture that has innovation at its heart, driven by a committed leadership team that combines digital experience with a long average tenure at the Group.



Our values

By adhering to the Group's core values, we believe we are making a positive impact not only on our consumer audience and customers, but also on our employees and the communities in which they work and live.

Be determined

We got where we are today by being determined. And that's how we'll continue to succeed.

Be reliable

Our customers depend on us, so we must always be there with useful services that work effortlessly.

Be curious

Asking questions and trying things out is the best way to stay ahead of changes in the digital world.

Be humble

We need our customers more than they need us. Everything we do, we should do to help them.

Be inspirational

With nearly 40 years of experience, Auto Trader is a trusted industry voice. We use that voice wisely.



Making a difference to diversity and inclusion

Ensuring Auto Trader is a diverse and inclusive company is extremely important to us. We created a dedicated working group who are tasked with implementing a strategy to ensure diversity and inclusion becomes part of our Company's DNA. We are also committed to ensuring everyone has equal opportunities to achieve their full potential as well as equal pay regardless of gender. Diversity for everyone at Auto Trader means respect for and appreciation of differences in: gender, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We believe that inclusion is a state of being valued, respected and supported for who you are.

"Diversity is the mix. Inclusion is getting the mix to work well together."

As a result, all of our employees have participated in a one-day workshop focusing on creating common understanding of the concepts as well as exploring their unconscious biases and how they can impact their own behaviour and relationships with other people inside and outside of work. Our approach is to educate and change attitudes; we have introduced a series of masterclasses including Mental Health Awareness sessions and participated in various local events like the Manchester Pride Festival, where we received the 'Lord Mayor's Special Award' for our enthusiastic showcase of support to the LGBT+ community.

We have created various employee groups (photography, book, board game, running and movie clubs) that aim to bring people together in line with our philosophy that inclusion will be achieved by respecting each other's differences but concentrating on finding common ground. A women's network was launched aiming to make a difference in the lives of women in our business, the community and related industries of technology and automotive. We also started a family network to give colleagues with families with young children or carer responsibilities a way to support each other.



Gender diversity

As at 31 March 2017	Male	Female	Total
Board	4	2	6
Senior managers ¹	11	4	15
Company ²	515	305	820

We continue our participation to promote Science, Technology, Engineering and Maths ('STEM') careers by supporting two schools near our Manchester office by running 'Code Clubs' to teach young children how to code. Following the success of last year, we are expanding our participation in the 'Change 100' programme, organised by Leonard Cheshire Disability, offering three talented students a summer internship in either our Manchester or London office.

Our ambition to become one of the most diverse and inclusive employers is supported by our Company policies and practices. During our annual engagement survey, we monitor progress related to our employee make up in line with the Equality Act 2010 protected characteristics. We also collect feedback around our colleagues' attitudes and overall experience to ensure everyone can feel they can be their authentic self at work.

- 1 Senior managers are defined as members of the Operational Leadership Team ('OLT').
- 2 Company numbers include Board and OLT members.



Making a difference to our employees



To help us achieve our mission of leading the future of the digital automotive workplace, we have built a relatively flat structured, fast-paced, digital organisation. Our success at Auto Trader is down to the innovative, talented and committed people who contribute to the business. We put the customer at the heart of everything we do, constantly developing our site to ensure consumers get a great user experience as well as developing products that will add value to our retailers.

We value our people and their opinions. Therefore we organise an annual employee conference and hold regular business and financial updates throughout the year to keep employees informed on the Group's performance and operating priorities as well as give them the opportunity to ask questions. By promoting collaboration and transparency we encourage our people to contribute to our business and share their thoughts, concerns and ideas by attending Directors' breakfast sessions and company showcases.

Employee engagement and recognition

Following the employee experience survey last year, we set up working groups to: help improve communication across the business; launch a recognition scheme based on our values; look at what makes our people successful; and create and deliver a diversity and inclusion strategy across the whole of the business. We also hold regular 'health checks' that allow squads to sit down together in an open and secure environment to discuss how they feel in the workplace.

Our 'Incredible Benefits' platform allows our employees to access all the benefits offered at Auto Trader in one place, enabling them to tailor their benefits package to meet their own specific needs. As well as our company funded benefits, we offer a wide range of voluntary benefits including childcare vouchers, critical illness and dental insurance. In next year's annual enrolment Auto Trader extended to all employees the option to cover the premium cost of either Private Medical Insurance (employee level) or Health Cash Plan (up to family level). The Company will also be offering a second Sharesave scheme for the benefit of Group employees which not only recognises and rewards employees but also promotes a culture of shared ownership.



This year we participated in the 'Sunday Times Top 100 Best Companies to Work For' and we achieved a two-star 'outstanding' rating and joined the list at number 69.

Training and development

Auto Trader continues to invest in all of its employees by offering blended learning opportunities that are aligned to its collaborative and inclusive culture. All new joiners to the business are given the best possible start to their Auto Trader careers with our three-day induction programme that allows them to understand the core values of our business and help achieve a one-team culture.

Every individual is responsible for their own development and has quarterly development conversations and personal development plans ('PDP') with their people leader. We appreciate that everyone has unique needs and likes to learn in different ways. PDPs covering both professional and personal development are built with a mix of on-the-job learning, opportunities to attend conferences, the support of mentors, e-learning and professional qualifications. The business utilises internal experts to deliver workshops and bitesize sessions focused around our Success Framework and specialist subjects which enable both individuals and teams to succeed and grow, thus fostering an engaged workforce.

Company-wide learning initiatives including diversity and inclusion ensure we deliver on what is important today and that we succeed in the future. We deliver core life-cycle programmes for apprentices and graduates, and we develop our future senior leaders with our Leadership Development Programme, both of which mean we have a robust succession plan in place to cultivate talent as well as empower individuals to reach their full potential. All our managers take part in the Practical People Leadership Programme to develop their skills in recruitment, performance management and development of their people.

Making a difference to our communities

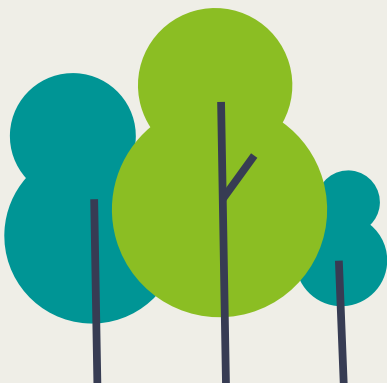
We have a dedicated team of individuals from across our business who are responsible for driving our Make a Difference strategy, which aims to maximise the support and impact we provide to the communities in which we operate.

The Auto Trader Community Fund powered by the Forever Manchester charity considers applications and awards up to £1,000 to community groups and grassroots projects across Greater Manchester. This year, the fund has donated over £60,000 to various causes that bring people together and empower them to create sustainable changes in their lives.

Donations from Auto Trader directly to other charities totalled an additional £55,000 through 'Employee Match Funding' for charities and causes that are close to their hearts. Our Give as You Earn scheme participation has doubled, with almost 100 of our colleagues donating to charities directly via our payroll monthly.

But making a difference is not limited to donating monetary funds. Our colleagues have utilised one of our Incredible Benefits, two optional volunteering days, to support worthy causes across the UK. Employees offered their time and expert skills to the following: St Pancras Community Centre for young children and the elderly; Survivors Manchester for male survivors of sexual abuse; Coffee for Craig helping the homeless; and Working Change assisting women in prison to gain valuable job seeking and interview skills. We have recently partnered with Benefacto to help employees at our London office to engage in established volunteering opportunities in their local communities.

To support the arts in Manchester we continue our successful corporate partnership with HOME Arts Centre and the Manchester International Festival; both building on the rich cultural heritage of the city by introducing new artists and various art forms throughout the year.



Making a difference to our industry



Our Make a Difference strategy extends to ensuring we support the wider technology community as well as help to shape the future of the automotive industry.

To encourage the next generation of technology talent, we took part in the Manchester Digital Apprenticeship Scheme and welcomed five Software Developer apprentices. We also partnered with the University of Manchester to offer the opportunity for two students to work with us on data science projects over the summer, as well as offering a PhD scholarship to one of their students.

We continue our participation to promote STEM subjects and careers by supporting two local schools and clubs in the Manchester area. We run 'Code Clubs' to teach young children how to code and this year we hosted Manchester Girl Geeks BarCamp conference which supports the talent and development of females in STEM careers.

The technology industry, as well as the automotive sector, has a significant challenge with diversity and Auto Trader is pleased to support and actively create initiatives that will attract women and minorities to enter the industries, as diversity is a key part of business success. Alison Ross, our Customer Experience and Operations Director, was named Woman of the Year at the Women in IT Awards this year, recognising her contribution to these goals.

As a customer focused business we are committed to looking at ways to improve the process of buying and selling vehicles for consumers and retailers alike. We have changed our sales approach, removing commissions, and our packages; both of which enable us to promote best practice and equip our sales teams to create strong business partnerships with our customers, helping add value to their businesses.

This year over 4,000 of our retailer customers attended a masterclass, webinar or conference designed to share best practice advice, helping them to succeed in today's changing digital automotive marketplace. These sessions allow us to demonstrate the importance of using data and insight to drive traffic to their digital forecourts. We also run separate discovery days with our customers, designed to gain their feedback on the value they derive from Auto Trader as well as the products and services we offer.

Last year marked the ninth annual Auto Trader Click Awards, established to recognise digital excellence and reward the most progressive and innovative retailers in the industry. Nearly 100 customers from franchise groups, independents and supermarkets attend this prestige event to celebrate success and to hear the latest insight from the Auto Trader team.

click awards 17

"4,000 of our retailer customers attended a masterclass, helping them to succeed in today's changing digital automotive marketplace"

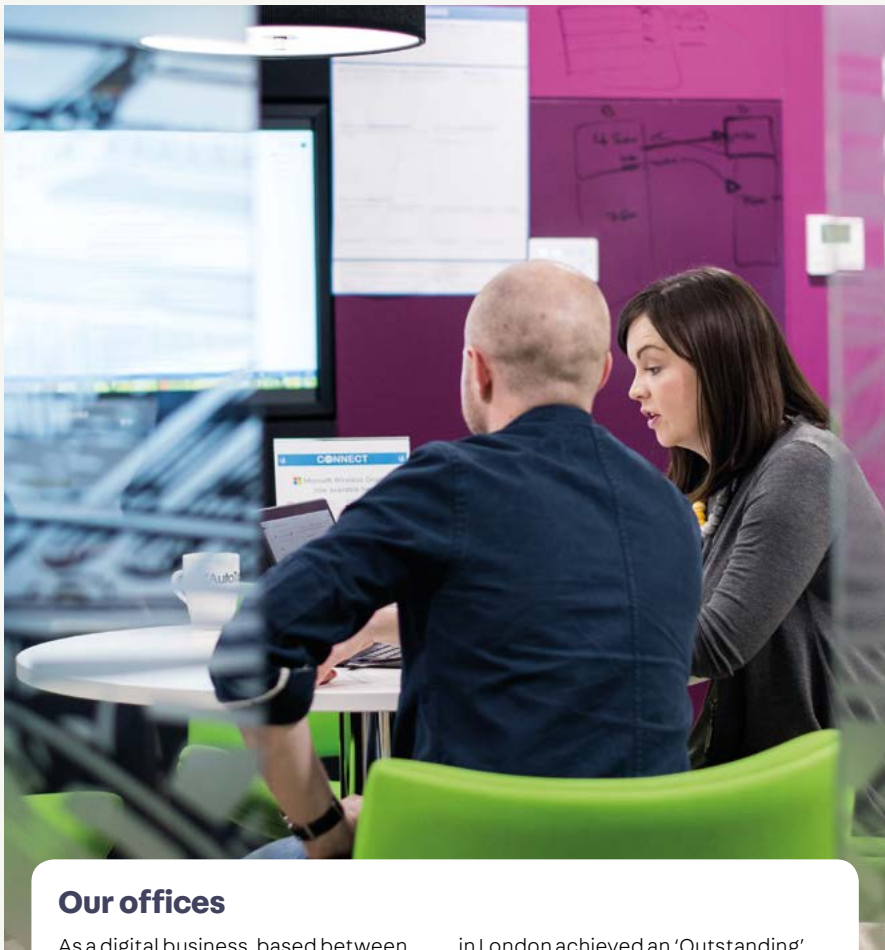


Making a difference to our environment

Health and safety

We are committed to maintaining a safe workforce for our employees, customers and visitors and anyone affected by our business's activities. It is therefore our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality.

During the year, there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.



Our offices

As a digital business, based between our offices in Manchester, London and Dublin, we believe our environmental footprint is small. We actively encourage our employees to consider our environmental impact. We operate recycling systems in the offices, established with local authorities and recycling schemes, and we have no waste bins by desks which encourages the amount of recycling we do.

Our UK offices are both graded highly by the BREEAM standard; Kings Cross

in London achieved an 'Outstanding' rating and our Manchester office an 'Excellent' one.

We continue to use Fruitful Office to deliver fruit to our offices each week. Fruitful Office plants one tree in Malawi for every basket of fruit we receive. Last year, 1,742 trees were planted on behalf of Auto Trader, helping the organisation to mitigate the effects of global warming, deforestation and providing an income to local communities.

Greenhouse gas emissions statement

Auto Trader is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The greenhouse gas reporting period is aligned to the financial reporting year. The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK government ('BEIS') conversion factor guidance current for the year reported.

The report includes the 'Scope 1' (combustion of fuel) in relation to company cars and 'Scope 2' (purchased electricity and gas) emissions associated with our offices. Although our company cars are leased under operating leases, we have chosen to include the related emissions in Scope 1, as we are responsible for these emissions. 2016 figures have been restated to include the emissions from company cars.

We have chosen to present a revenue intensity ratio as this is a relevant indicator of our growth and is aligned with our business strategy.

	2017	2016
Scope 1: Fuel for company cars (tCO ₂ e) ¹	491	565
Scope 2: Electricity and gas for our offices (tCO ₂ e) ¹	437	445
Total carbon emissions (tCO ₂ e) ¹	928	1,010
Revenue (£m)	311.4	281.6
Carbon intensity ²	3.0	3.6
Year-on-year change	(17%)	

¹ Tonnes of carbon dioxide equivalent.

² Absolute carbon emissions divided by revenue in millions.

Doing the right thing

Auto Trader believes in promoting trust and fairness in the marketplace and this has become part of the way we work across the organisation. We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees and customers smart, safe and secure. Each year, our employees complete compliance training that covers fraud, bribery and anti-money laundering. We also provide guidance and support if employees need to report anything untoward or experience any serious malpractice or wrongdoing in our business.

Consumers trust Auto Trader to show genuine, accurate adverts when they search for vehicles, however occasionally sellers include a misleading price or inaccurate mileage in their advert. We strive to improve the quality of our adverts by allowing consumers and retailers alike to report a misleading advert whilst they are searching, which we then investigate and if necessary remove from the site.

Helping our retailer customers protect their data and business online is also an important focus for us. Last year we added an additional security login to our retailer portal, two-factor verification, which enhances security and reduces the risk of hackers accessing our customers' information.

Everyone at Auto Trader owns and is responsible for their own relationships, whether that's with colleagues, friends, customers or suppliers. When working with external companies we promote the fact that it is important to reflect the Auto Trader values, ensuring any companies we work with enjoy a trusted relationship with us.

We also ensure employees understand and employ good practice when sharing information or data, and they do so in a controlled or protected manner, or operating fairly under the legal guidance.



Human rights

Equal opportunity

The Group is committed to treating all its employees and job applicants fairly and equally. It is our policy not to discriminate based on their gender, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

Modern Slavery Policy

We have a zero-tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. We are committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains. We expect the same high standards from all our contractors, suppliers and other business partners.

Employees with disabilities

We welcome all applications for employment made by individuals with disabilities. Our dedicated Auto Trader Resourcing team will make reasonable adjustments in the recruitment process according to the needs of each individual to ensure that they can perform their best during the assessment stage.

We are dedicated to supporting employees that become disabled during their employment with us. We recognise that each individual is unique and we provide support and make reasonable adjustments to ensure they continue realising their full potential at work.

We continue to offer training, career development and promotion opportunities by taking appropriate action related to the needs of the individuals to allow them to continue to have a fulfilling career with us.

The Company's Strategic report is set out on pages 2 to 43. Approved by the Board on 8 June 2017 and signed on its behalf by:

Sean Glithero
Chief Financial Officer
8 June 2017