

Another year of growth

Change from 52-week to annual accounting period

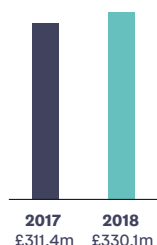
As the 2017 financial year was four days longer than the 2018 financial year, year-on-year percentages for revenue, costs, profit, EPS and dividend per share have been adjusted throughout this report to reflect like-for-like growth.

→ Operating and financial review page 28

Financial highlights¹

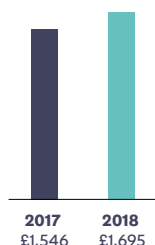
Revenue

+7%
to £330.1m



Average Revenue Per Retailer ('ARPR')²

+£149
to £1,695 pcm



Operating profit

+10%
to £220.6m



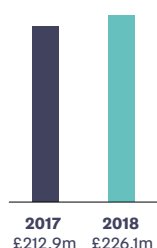
Basic EPS

+15%
to 17.76p per share



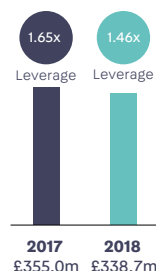
Cash generated from operations³

+£13.2m
to £226.1m



Net external debt^{4,5}

-£16.3m
to £338.7m



Total dividend per share

5.9p
interim 1.9p plus final 4.0p



Cash returns to shareholders⁶

+£19.7m
to £148.4m



Operational highlights

Average monthly cross platform minutes^{7,8}

+6%
to 618m
(2017: 582m)

Advert views per month^{2,8}

-0%
to 246m
(2017: 247m)

Live car stock^{2,9}

+1%
to 453,000
(2017: 450,000)

Number of retailer forecourts advertising on Auto Trader²

-1%
to 13,213
(2017: 13,296)

1 '2018' references the year ended 31 March 2018 and the comparative '2017' references the 369-day period ended 31 March 2017 unless otherwise stated.

2 Average number during the year.

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).

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

7 Cross platform minutes as measured by comScore MMX Multi-Platform.

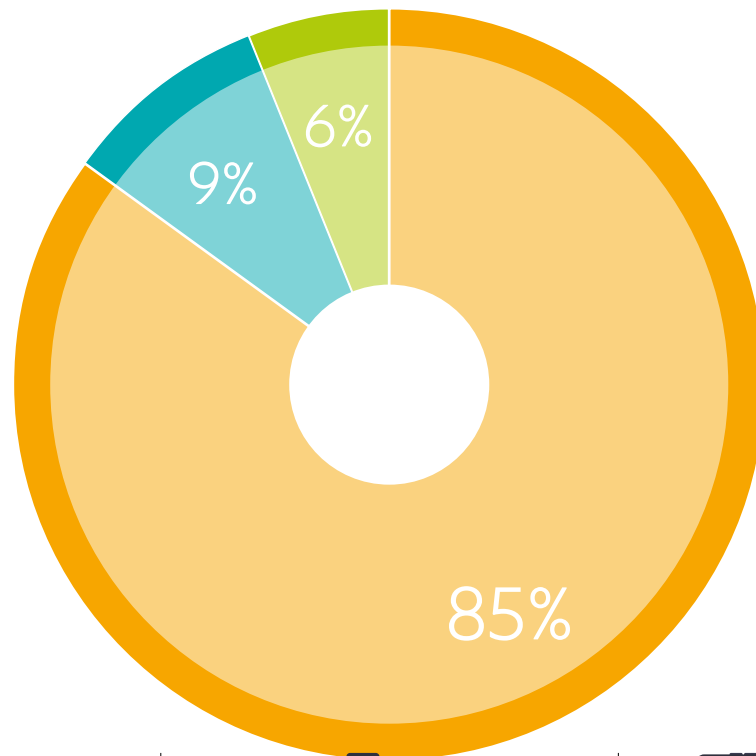
8 Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.

9 Physical cars advertised on autotrader.co.uk.

We have maintained our market leading position, with consistent full page advert views and increasing minutes spent on our marketplace. Profit growth has largely been converted into cash, which has been returned to shareholders in line with our capital returns policy.

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Our revenue streams



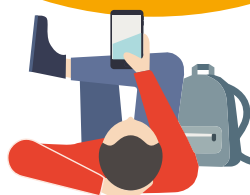
Trade

Revenue from retailers, home traders and logistics companies, utilising Auto Trader's products and marketplaces.

Revenue performance

+8%

to £281.2m
(2017: £262.1m)



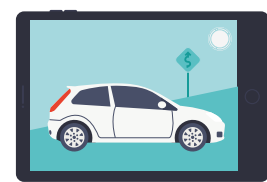
Consumer services

Revenue from private sellers who pay to place adverts on our marketplace and from our partners who provide services to consumers.

Revenue performance

-5%

to £29.8m
(2017: £31.8m)



Manufacturer and Agency

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

Revenue performance

+10%

to £19.1m
(2017: £17.5m)

From desire, to research, to decision.

Auto Trader makes the
consumer journey easier



The role we play for consumers:

New and used car search listings

Consumers can search from 453,000¹ used cars and 6,000 virtual cars on the marketplace each month.

Searching by monthly budget

With 52% of car buyers wanting to search for their next car by monthly price², we launched a new finance search tool which allows them to do just that. Over 8,000 retailers feature monthly price payments on their adverts.

Dealer reviews and ratings

Over 8,000 retailers feature in circa 470,000 reviews, helping consumers make an informed and trusted decision about who they want to buy from.

Vehicle Check

We offer a free standard five point vehicle check so consumers can quickly assess the provenance of a vehicle.

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 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 consumers in their car buying journey. We recently launched a new series of expert reviews called 'The REV Test' which are presented by expert female automotive journalists and are aimed at helping both women and men choose their next car based on a monthly budget or lifestyle change.

1 Average physical cars advertised on [autotrader.co.uk](https://www.autotrader.co.uk).

2 Auto Trader Market Report, March 2018.

Greater choice

453,000¹

used cars and 6,000 virtual new make/model derivatives listed each month

Over

8,000

retailers feature monthly price payments on their adverts



Average retailer
forecourts

13,213

Average Revenue
Per Retailer (pcm)

£1,695



From marketing, to finance, to deal.

Auto Trader makes the retailer journey easier



The role we play for retailers:

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. This allows retailers to show their finance offerings much earlier on in the car buying journey, therefore increasing the opportunity for them to sell their own finance over a consumer sourcing finance from elsewhere.

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 specification-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 security 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.

Retailer education and insight

As well as providing every retailer customer with monthly performance dashboard analytics to help them assess their performance on Auto Trader, we also offer free best practice events. In the last year over 4,000 retailers have attended a free webinar, masterclass or conference where our insight team have shared the latest consumer insights and best practice advice.

From production, to advertising, to sale.

Auto Trader makes the
manufacturer journey easier



The role we play for manufacturers:

New cars

We know that 75% of buyers consider new cars, so we added over 6,000 brand new car make/model variants. These new cars are unregistered and do not physically exist, and are called 'virtual stock'.

Advertising solutions

Our platform enables manufacturers to advertise to the UK's largest car buying audience. We provide manufacturers with a range of manufacturer and agency options, including a new format InSearch, which allows brands to serve new car adverts within search results. And as 58% of car buyers used video to inform

their recent purchase decision³, we responded with new video format advertising.

New car reviews and awards

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. Last year we launched our first New Car Awards – where we asked over 10,000 consumers to vote on their favourite cars based on true lifestyle categories such as family car of the year and best car for long distances. These accolades were well received by manufacturers, with some using the award in their marketing collateral.

Data-driven targeting

We have developed our own data management platform ('DMP') which allows us to use both first and third-party data to create highly targeted audience segments for advertising. We are utilising our DMP together with our Creative Solutions offering to give manufacturers a compelling proposition to reach new car buyers.

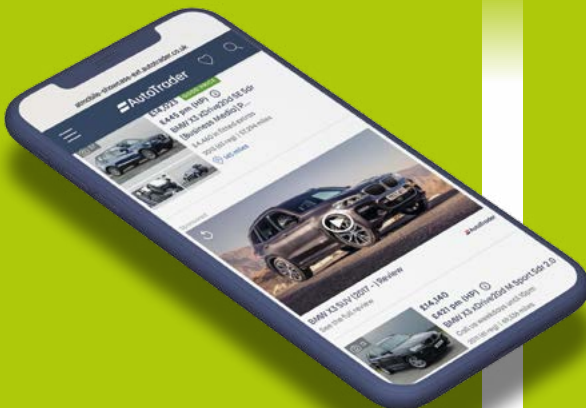
³ Google Gear Shift Research 2017.



A greater choice of virtual stock

6,000

brand new cars covered by our discovery search



58%

of car buyers used video to inform their purchases

The automotive market

➔ Read more in the Market overview on page 14

We continue to make progress against our strategy of improving car buying in the UK

Change from 52-week to annual accounting period

As the 2017 financial year was four days longer than the 2018 financial year, year-on-year percentages for revenue, costs, profit, EPS and dividend per share have been adjusted throughout this report to reflect like-for-like growth.

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2018 was a year of investment in innovation, reflecting a long-term perspective underpinned by our financial strength.



Ed Williams
Chairman

Driving sustainable growth

Creating sustainable shareholder value over the long term, underpinned by a diverse, transparent and open culture.

Board diversity As at 31 March 2018



● Men
● Women

OLT diversity As at 31 March 2018



● Men
● Women

→ Governance overview page 50

Overview

The challenges to the car industry in the UK during this pre-Brexit period are well reported, though concentrated predominantly in the new car sector. Nonetheless, Auto Trader continued to innovate and grow. Total revenue grew by 7% to £330.1m, and earnings per share ('EPS') grew by 15%, principally as a result of rising profits but enhanced by share buybacks.

We also continued to innovate, enhancing the consumer experience and delivering more value to retailers and manufacturers.

Dividend and capital strategy

We are recommending to shareholders a final dividend of 4.0 pence per share, bringing the total dividend for the year to 5.9 pence per share. This 15% increase on the previous year is underpinned by our EPS growth.

Our policy is to distribute around a third of net income as dividends. We use the majority of surplus cash, after dividends, to buy back shares while also reducing debt. In 2018, we returned £148.4m to shareholders through dividends and share buybacks, bringing the total since IPO to £282.1m.

Refinancing

On 6 June 2018 we signed into a new five-year £400m revolving credit facility, ahead of our existing facility maturity of March 2020. See the Operating and financial review section for more details.

Culture, diversity and inclusion

We foster a culture of openness and transparency. The Board spends a significant proportion of its time on supporting the executives in maintaining and improving our culture.

We are committed to having a diverse workforce, including the Board. Women now make up 50% of our Operational Leadership

Team ('OLT') and a third of our Board. The proportion of women and minorities amongst our workforce has increased in recent years, at least in part due to a number of well supported internal initiatives. We recently published our Gender Pay Gap, which though improved, still leaves us short of the goal of eliminating the gap entirely. The CSR report on page 43 contains more detail on the work we are doing to continue to foster diversity.

Board changes and governance

Sean Glithero stepped down as Chief Financial Officer on 21 September 2017. During his 11 years with Auto Trader, Sean made a huge contribution in a wide range of areas and under differing ownership structure. We thank him for this contribution and wish him well in his new role. Nathan Coe, Chief Operating Officer, took on the additional responsibility of Chief Financial Officer on Sean's departure.

As a result, the overall Board size reduced from seven to six. Whilst very small by the standards of FTSE 250 companies, we remain compliant with all provisions of the Corporate Governance Code. The small Board size helps maintain a level of trust and openness in line with our culture.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10.00am on Thursday 20 September 2018 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN and we expect that all Directors will be in attendance.

Ed Williams

Chairman
7 June 2018

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We maintained our market leading position and our audience has continued to grow as consumers spend more time on the site.



Trevor Mather
Chief Executive Officer

Another year of growth

- 1. Innovation driving our operational and financial results**
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- 3. A commitment to our people and culture**
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- 4. The automotive market today**
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Delivering against our strategy

Our purpose is to lead the future of the digital automotive marketplace and we continue to make progress against our strategy of improving car buying in the UK. We seek to continually evolve the automotive ecosystem so consumers, retailers and manufacturers realise greater efficiencies.

Summary of operating performance

It has been another good year for the business despite the toughest market conditions we have seen since we became a public company. We achieved revenue growth of 7%, through our core Retailer and Manufacturer and Agency revenue streams, but this has been partially offset by weakness in Consumer services where broader economic uncertainty has affected our private listings business. With Operating profit growth of 10%, we saw continued improvement in Operating profit margin to 67%.

What we've delivered

We have a market leading position as the UK's largest digital automotive marketplace. Our audience has grown as consumers spend more time on our platforms, viewing an average of 94 adverts every second of every day, and the vast majority of our audience remains unique to Auto Trader.

During the year we improved our offering to retailer customers, including the successful launch of our new advertising packages in April 2017, which enabled retailers to compete more effectively on our marketplace. We have also continued to leverage our data to evolve our consumer and retailer products, integrated Motor Trade Delivery ('MTD') and delivered our new Dealer Finance product in December 2017.

The market

The overall size of the UK's car parc continues to grow, which is beneficial for our stock-based business model. However, in the year to March 2018 both new and used car transactions declined, and industry forecasts suggest that both markets will continue to decline for the remainder of the calendar year 2018.

People and culture

As we strive to become the UK's most admired digital business, I am delighted to say that 90% of employees say they are proud to work at Auto Trader¹ and would recommend the Company to a friend².

We are committed to addressing the gender and wider diversity balance that is common in most technology and digital companies and we have made good progress in this area. Along with all other large companies, we reported our Gender Pay Gap this year for the first time. We are dedicated to reducing this gap as well as increasing diversity at all levels of our business and we have implemented a number of initiatives which are already having an impact.

Finally, this year we re-assessed our business' core values, and collectively decided to add a sixth value - community-minded - as a reflection of our commitments to support the Auto Trader community, as well as the wider communities in which we operate.

Trevor Mather
Chief Executive Officer
7 June 2018

1 Auto Trader employee engagement survey, 2017
2 Glassdoor, April 2018

A holistic approach to generating value

Market overview

The automotive market, with over 10 million transactions each year, is complex and often inefficient. We believe that by continually improving transparency in the marketplace around pricing, specifications of the car and dealer reviews we can improve trust held within the industry. Greater trust, as well as a much improved buying journey, should help many consumers overcome their perception that changing their car is an onerous process and, ultimately, encourage more transactions.

Focus areas

Consumers

Owners of the 34.7 million cars within the UK car parc. Consumers involved in transactions as buyers, sometimes also sellers and providers of stock via part-exchange.

10.4m

cars sold to consumers (new and used)

Retailers

Retailers are involved in the sale of new cars, as part of a manufacturers' distribution network, and sellers of used cars. Much of that used car stock is sourced via part-exchange or through auctions.

5.0m

used car sales from trade to consumers

Manufacturers

New cars are built and distributed either to fleet and lease companies or sold to companies and private buyers, usually via a franchise network.

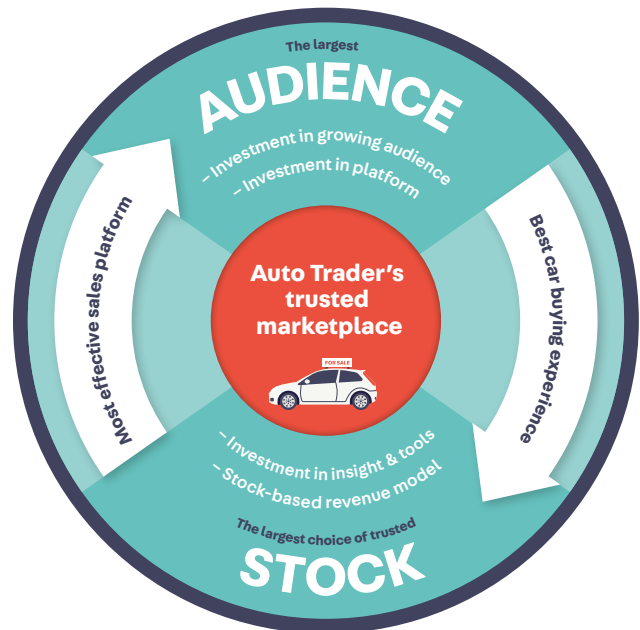
2.4m

new car registrations to consumers

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Our business model

Auto Trader is the UK's largest digital automotive marketplace. Our trusted brand has been built over 40 years, where we have built a network of highly engaged consumers shopping for cars. These cars are largely supplied by retailers, as well as a small proportion from other consumers, and are then advertised on our marketplace – the most effective automotive sales platform. We collect large amounts of data and continually invest in our platform, marketing, insight and customer relationships.



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Our strategy

We remain committed to our purpose of leading the future of the digital automotive marketplace and we have continued to make progress against our strategy of improving car buying in the UK. We seek to continually evolve the automotive ecosystem so consumers, retailers and manufacturers alike experience greater efficiencies.

Our strategic pillars

Improve car buying
in the UK

Evolve the automotive
ecosystem in the UK

Become the most admired
digital business

→ Our strategy
page 20

KPIs

We use the metrics below to track our operational and financial performance. This financial year, we have moved to using statutory Operating profit, as the growth in share-based payments has reached steady state as described at IPO. We have also introduced live car stock as a new operational measure, as this is a key revenue driver.

Financial

Revenue
£m

330.1

Average Revenue
Per Retailer ('ARPR')
£ per month

1,695

Operating profit
£m

220.6

Operating profit
margin

67%

Basic EPS
pence per share

17.76

Cash generated
from operations
£m

226.1

Operational

Advert views

Average number per month (millions)

246

Number of retailer
forecourts

Average number per month

13,213

Live car stock

Average number of physical cars
advertised on autotrader.co.uk per month

453,000

Cross platform minutes

Monthly average minutes spent
across all our platforms (millions)

618

Number of full-time
equivalent employees ('FTEs')
Average number (including contractors)

824

→ Key performance indicators
page 22

The automotive market today

Market overview

UK automotive market and associated macroeconomic conditions

Following the record highs reached in 2016, both new and used car market volumes have declined. However, transaction volumes are still at historically high levels.

New and used car sales

A growing number of vehicles in the UK, coupled with a stable desire of car owners wanting to change their car (average ownership is 3.3 years), resulted in 10.4 million total car transactions in the 12 months to March 2018.

New car sales have fallen from record highs seen in 2016, with the total number of new car registrations down by 11% to 2.4 million in the 12 months to March 2018, according to the Society of Motor Manufacturers and Traders ('SMMT').

Despite the decline, the overall UK car parc has continued to grow, increasing by 1% to 34.7 million cars¹, as the number of cars registered outweighs the number of cars that are scrapped each year. In the 12 months to March 2018, used car transactions were down 3% to 7.9 million³.

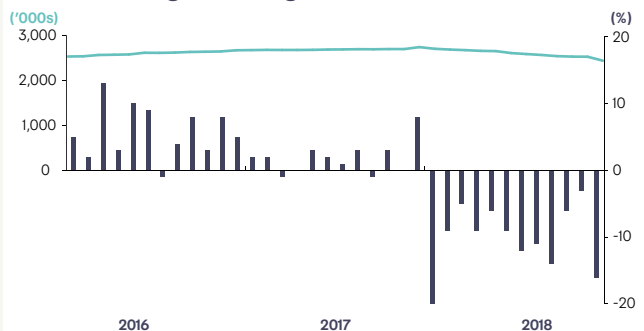
Used car prices continue to increase. The Auto Trader Retail Price Index shows that the price of a used car in the UK has continued to grow; achieving an average of £12,171 over the 12-month period to March 2018, an increase of 5.4% when compared to the same period the previous year. This is on a like-for-like basis - stripping out the impact of changes in the mix of cars being sold.

Looking forward, industry predictions suggest that new car transactions will decline again in 2018 by similar levels experienced in 2017. However, the used car market is less volatile and therefore we anticipate only a small decline in the number of used car sales in 2018.

UK economy and EU Referendum implications

Against a backdrop of the UK negotiating its exit from the EU, the economy remained fairly buoyant in the calendar year 2017. GDP grew by 1.7% with similar levels predicted for calendar year 2018. Inflation has continued to climb steadily to 2.3% in March 2018, with the largest downward contribution to change in the rate coming from prices for motor

12-month rolling new car registrations



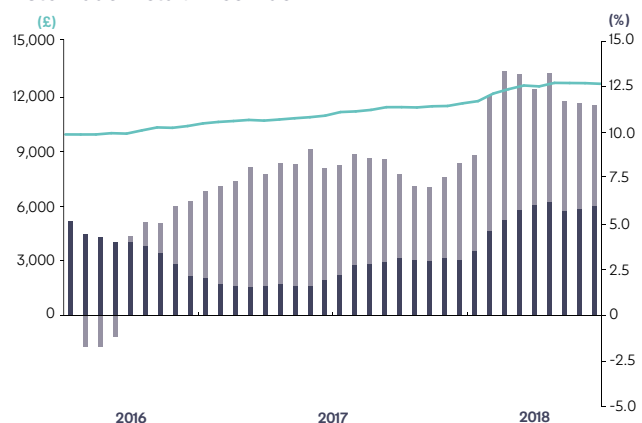
● Year-on-year growth in the month ● Number of new car registrations

12-month rolling used car transactions



● Year-on-year growth for the month ● Number of used car transactions

Auto Trader Retail Price Index



● Year-on-year price growth for the month
● Year-on-year mix growth for the month
● Average price of a trade car for the month

34.7m

cars registered in the UK¹

2.4m

new cars registered in the 12 months to March 2018²

7.9m

used cars sold in the 12 months to March 2018³

10.4m

car transactions in the 12 months to March 2018

Our business model

Our strategy

KPIs

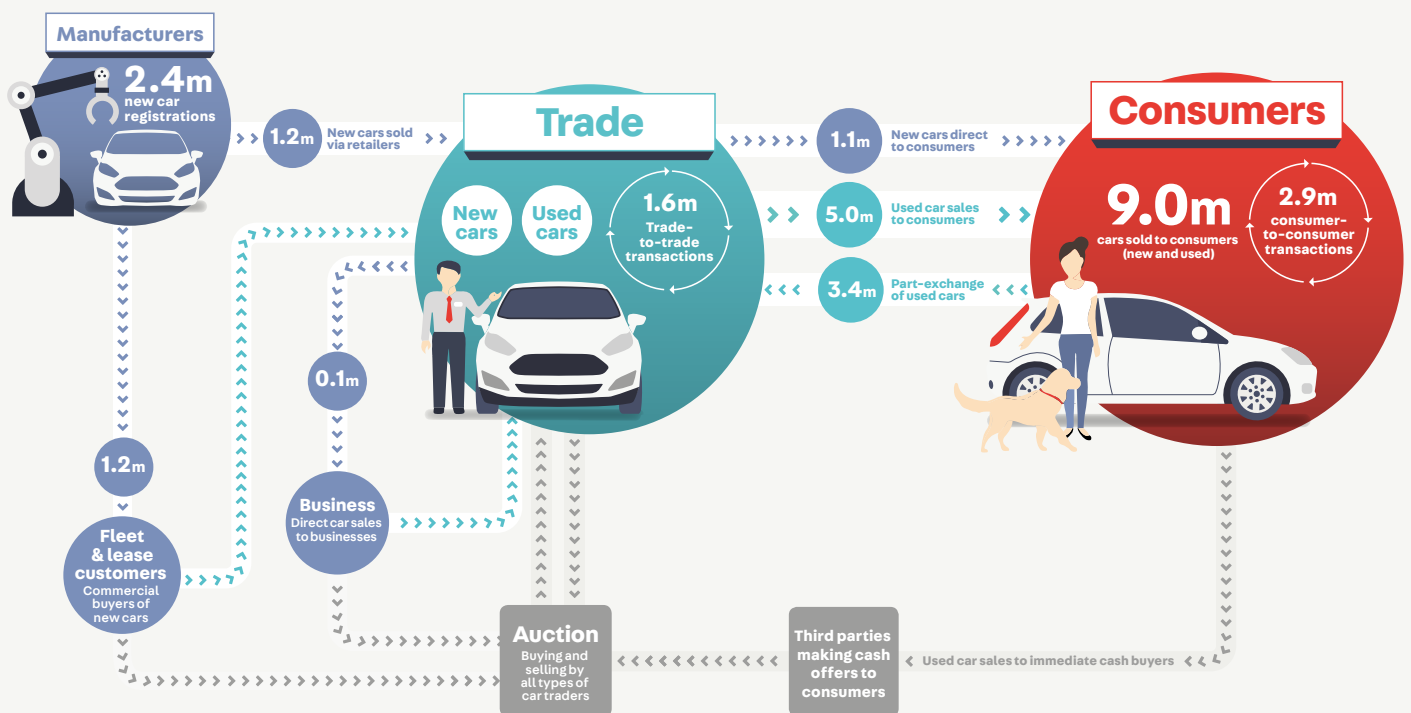
fuels, which rose by less than they did a year ago. Interest rates remain low, although the Bank of England increased its base rate to 0.5% in November 2017, the first increase since July 2007; this continued low level of interest rates has contributed to the attractiveness of car finance deals and therefore overall vehicle sales.

However, there are concerns about the implications surrounding the UK's departure from the EU. Economic conditions and, critically for the automotive industry, currency volatility and consumer confidence levels could all be adversely affected. For our business specifically, if prices of cars increase and

consumer confidence levels decrease, then there's a potential impact on the number of actual car transactions. This would likely impact our retailers and their ability to spend on our marketplace. Turn to page 34 for more information about the impact of the EU Referendum on Auto Trader.

1 SMMT UK car parc.
2 SMMT new car registrations.
3 DVLA used car transactions.

The automotive market, with over 10 million car transactions each year, is complex and often inefficient. Through the evolution of our digital platforms and our innovative data products, we continue to make the car buying process easier for consumers, retailers and manufacturers.



Market overview

Improving the car buying experience

Simplifying the car buying journey

The automotive retail sector is a fast evolving one. The way people search for their next car, the way they pay for it, and the cars themselves, have all changed dramatically over the last decade. Today, 94% of consumers conduct their car buying research online, spending an average of 13 hours looking for their next car⁴, choosing from an almost endless list of brands, specifications, budgets and deals.

However, for many car buyers this change has created a complex and often frustrating process. Our award-winning Car Buyers Report found that 85% of consumers entering the process expect it to be hard, with 60% giving up their pursuit for the perfect car and making a purchase simply out of exhaustion. The problem is even more prevalent amongst younger buyers.

At Auto Trader we are committed to creating an end-to-end buying experience that is easy, convenient, transparent and safe for consumers, and one which reflects their evolving retail needs and expectations. As part of this commitment, we provide our retailer customers with the products, tools, data and insight to create a more engaging, efficient and simplified buying journey for today's car buyers.

Building trust through transparency

One of the biggest challenges faced by the automotive industry is trust. Just 7% of consumers claim to trust car dealers, and as a result nearly a quarter of car buyers (23%) find visiting a dealership daunting and 22% see car dealerships as untrustworthy⁵. We have worked hard to address this issue. We have built relationships with the leading third-party review sites and have aggregated over 470,000 reviews, as well as developed our own 'open' review platform. We are now the number one dealer review site in the UK, with over 8,000 retailers providing reviews. This level of transparency offers consumers greater confidence and trust in the dealer, and for retailers, it provides the opportunity to differentiate themselves amongst competitors. Underlining the positive influence reviews have on consumers, car buyers spend 22% more time on full page adverts that carry reviews than those that don't⁶.

For consumers, a key factor in establishing trust is price transparency. In fact, 76% of car buyers believe that transparent pricing is the most important factor when buying a car⁷. Last year we launched Price Indicator to help consumers validate the price of a car versus similar ones on our marketplace. Adverts are labelled as having either a Great Price, Good Price or Priced Low, determined by comparing prices against Auto Trader market valuations. The calculations are based on make, model, derivative, age, mileage and



94%

of consumers conduct their car buying research online⁴

52%

of buyers worked out their monthly budget when researching their next car⁸

88%

of new cars bought on finance⁹

1.5m

valuations conducted per month

adjusted for any optional extras on the car. We combine and analyse data from circa 500,000 trade used car listings every day, as well as additional dealer forecourt and website data, ensuring indicators are an accurate reflection of the live retail market. Adverts with Price Indicator are viewed over four million times every day.

With 33% of buyers walking away from a part-exchange due to a disagreement on the valuation offered¹⁰, our valuations are also used to build trust in the price of the car consumers are selling. Our Part-Ex Guide Price is designed to bring consumers and retailers together. It gives potential car buyers a convenient way in which to get an accurate part-exchange guide price on their car based on our powerful valuations.



Our business model

Our strategy

KPIs

Looking forward

New car sales continue to decline

Industry predictions suggest that new car transactions will decline again in 2018 by similar levels experienced in 2017. The used car market, which makes up two thirds of annual car transactions, is less volatile and therefore the industry expects only a small decline in the number of used car sales in 2018.

Brexit negotiations

If prices of cars increase and consumer confidence levels decrease, then there's a potential impact on the number of car transactions, which may impact on our retailers' profitability.

Consumer behaviour change

Consumers spend an average of 13 hours researching their next car online and only visit 1.6 dealerships before they buy⁴. Consumers will demand a complete end-to-end buying journey and will do more of the process online and visit fewer dealerships to make their purchase.

Cars bought on finance

88% of new cars, and circa 30% of used cars, were bought on finance in 2017⁹. As this is set to increase, making the financing of used cars especially more competitive, accessible and easier to understand will be crucial to driving more options for buyers and more sales for retailers.



For retailers, the tool not only encourages a more cost-effective source of stock, but it also enables smoother negotiations with engaged car buyers earlier in the car buying process. Accordingly, circa 9,000 retailers choose to promote our tool on their full page adverts. Each month, 1.5 million valuations are carried out, with over 85,000 enquiries sent to retailers.

Demystifying finance

Our latest Market Report revealed that over half of car buyers (52%) already consider the cost of a car as a monthly price, rather than the full retail value⁸. However, despite 88% of new cars bought on finance in 2017, and circa 30% of used, consumers have told us that finance is one of the most challenging and confusing aspects of the modern car buying journey⁹. And for our retailer customers, all too many were losing out on lucrative

finance deals to alternative lenders, such as high-street banks and specialist providers. To address both challenges, we introduced finance across our retailer adverts, integrating finance options from over 6,000 retailers. For non-Financial Conduct Authority ('FCA') authorised retailers, we partnered with car finance broker, Zuto.

To further enhance the finance experience, in December 2017 we launched a search by monthly price functionality, making it even easier for consumers to find a car based on their monthly budget. For consumers it's added greater simplicity and convenience. For our customers it provides a welcome competitive advantage with the opportunity to engage with car buyers at the very beginning of their buying journey, not at the end of it.

Despite a growing number of competitive brands and platforms, our ability to evolve and adapt alongside changing market conditions means we remain the UK's largest digital automotive marketplace for new and used cars. With 55 million cross platform visits¹¹ we are the most visited automotive website, with an audience three times larger than our nearest competitor. With car buyers spending 618 million minutes on Auto Trader¹², we also have the most engaged audience. What's more, we are the most trusted automotive classified brand in the UK, with nearly 10 times more consumers claiming to trust Auto Trader over our nearest competitor.

- 4 Auto Trader internal data.
- 5 Auto Trader Market Report (September 2016).
- 6 Auto Trader internal data.
- 7 Auto Trader Market Report (September 2016).
- 8 Auto Trader Market Report (March 2018).
- 9 Auto Trader Market Report (March 2018).
- 10 Auto Trader internal data.
- 11 Cross platform visits as measured by comScore (average during the year).
- 12 Cross platform minutes as measured by comScore (average during the year).

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

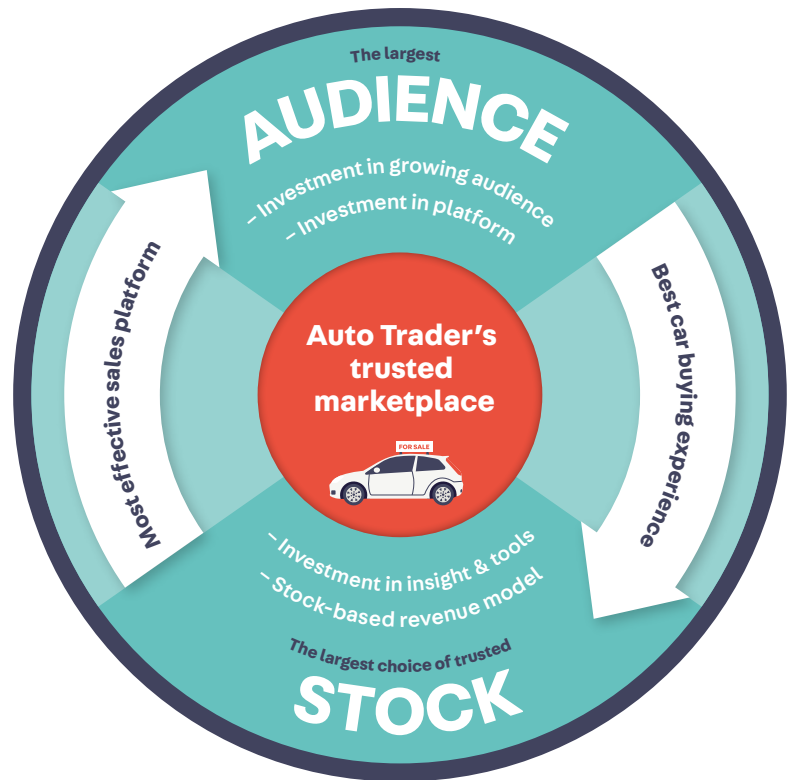
Technology

Data

Brand strength

How we generate value

We generate value by investing in the largest and most trusted automotive marketplace...



...this generates greater consumer engagement, a larger choice of stock and therefore revenue.

Strategic pillars

Improve car buying in the UK

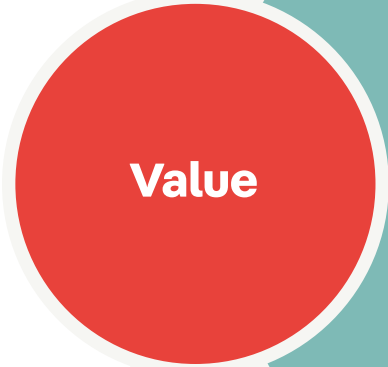
Evolve the automotive ecosystem in the UK

Become the most admired digital business

Our strategy

KPIs

Value outputs



Trust in the market

Brand reputation

Market position

Data & insight

Revenue

Shareholder returns

To be the UK's leading digital automotive marketplace

Market overview

Our business model

Our strategy

Strategic pillars

Focus areas

Improve car buying in the UK

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

Having the largest and most engaged consumer audience is one of the key components in our network effects business model. Investing in the best consumer experience and growing audience underpins the value we deliver to our retailers. Part of that experience is the free valuation tool we offer.

2 Improve stock choice, volumes and accuracy

Consumers visit Auto Trader because of the volume and choice of trusted stock from our fragmented customer base. It's important we maintain coverage across age, price, region, make and model to ensure we can meet the buying needs of all our consumers. Stock is underpinned by accurate taxonomy, which we continue to improve.

Evolve the automotive ecosystem in the UK

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

Average Revenue Per Retailer ('ARPR') growth is driven by three levers: stock, price and product. Over a three to four-year period we look to balance their contribution, as we seek to attain long-term sustainable growth.

4 Enhance our relevance and value to manufacturers

Whilst the majority of our revenue comes from retailers, there is considerable opportunity with manufacturers. We know three out of four consumers are open to buying new cars high up in the buying funnel, which promotes our audience of in-market car buyers as a valuable target audience for manufacturers.

5 Extend our product offering further down the buying funnel, towards online transactions

There's considerable market research suggesting that consumers are becoming more open to the idea of transacting cars online. We believe having the component parts of the deal will be a key differentiator for us as a business.

Become the most admired digital business

6 Create and maintain high-performing, data-oriented teams

Auto Trader's people are one of our most important assets. We continually invest in their development, our environment and promoting diversity and inclusion. Data is at the heart of how we operate as a business and how our people work.



Risk management

page 32

Principal risks and uncertainties

page 34

KPIs

2018 progress

Relevant risks

How we measure progress

We have maintained our share of audience versus competitors and kept full page advert views, our key measure of audience engagement, consistent year on year.

- 2 Brand: Failure to protect our brand could result in a reduction in audience.
- 3 Increased competition: Competitors could develop a superior consumer experience which we find hard to replicate, resulting in loss of audience share.

- Advert views
- Cross platform minutes

We grew the number of live cars on site 1% in the year, giving consumers greater choice. We offered free consumer adverts for cars priced under £1,000, to gain share in this space.

- 1 Economy, market and business environment: Declining used cars transactions could lead to a reduction in the amount of car stock in the market.
- 3 Increased competition: Competitors could expand from specific types of stock, with smaller niche audiences, into other types of stock and disrupt our market position.

- Live stock
- Number of retailer forecourts

ARPR saw good growth of £149 in 2018. Product was the largest growth contributor, with the launch of our advanced and premium packages, as well as added value products included in the packages. Price and stock also contributed to growth.

- 1 Economy, market and business environment: Declining new and used cars transactions could lead to a reduction of retailers' advertising spend, resulting in downgrades and pressure on customer wallet.
- 4 Failure to innovate: disruptive technologies and changing consumer behaviours: If we rely too much on price and do not innovate our product offering to increase value, we could see downgrades and cancellations offsetting the growth expected from pricing initiatives.

- Revenue
- Operating profit
- Operating profit margin
- Number of retailer forecourts
- Average Revenue Per Retailer ('ARPR')
- Live stock

We saw a solid year of growth in our Manufacturer and Agency line. We've seen significant investment in the team, recruiting a number of people with OEM experience and investing in our product offering for these customers.

- 1 Economy, market and business environment: Declining new car registrations could lead to a reduction in manufacturer spend on digital display advertising.
- 2 Brand: Failure to change perception of manufacturers that we are a destination for new car buyers could result in lost opportunity to attract more of the c.£500 million manufacturers spend on digital advertising.

- Revenue
- Operating profit
- Operating profit margin
- Advert views
- Cross platform minutes

The business has made good strides in delivering some of the component parts of online transactions. We acquired Motor Trade Delivery ('MTD') in April, which acts as a marketplace for logistics companies, and have also developed our finance proposition to display monthly payment prices on Auto Trader.

- 4 Failure to innovate: disruptive technologies and changing consumer behaviours: If we do not innovate in this area, there is a risk that we miss out on the opportunity to be at the front of industry developments and lose market share.

- Revenue
- Operating profit
- Operating profit margin
- Number of retailer forecourts
- Average Revenue Per Retailer ('ARPR')

We've held our headcount flat year-on-year, but have increased our developer and data science ratios. Data continues to play an ever more prominent role driving business decisions, with capability increasing across the organisation.

- 6 Employees: Manchester and London continue to grow in terms of competition for top talent, particularly in data science and developers.

- Operating profit
- Operating profit margin
- Number of full-time equivalent employees ('FTEs')

Risk that applies to all focus areas:

- 5 IT systems and cyber security

Measures that apply to all focus areas:

- Basic EPS
- Cash generated from operations

Financial KPIs

Market overview

Our business model

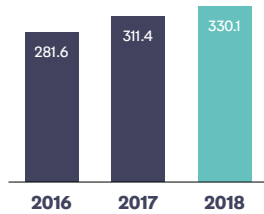
Our strategy

KPIs

Revenue

£m

+7%



Relevant focus areas

- 1 2 3 4 5 6

Definition

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

Progress

Revenue increased 7% year-on-year, with much of the growth coming through our Retailer line, supported by Manufacturer and Agency. This growth was slightly undermined by a decline in Consumer services, due to a reduction in private listings.

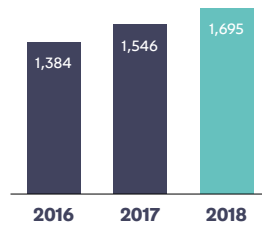
Relevant risks

- 1 2 3 4 5 6

Average Revenue Per Retailer ('ARPR')

£ per month

+£149



Relevant focus areas

- 1 2 3 4 5 6

Definition

Average Revenue Per Retailer ('ARPR') is the average monthly revenue generated from retailer forecourts divided by the average monthly number of retailer forecourts.

Progress

ARPR grew £149 in the year. This was largely a function of product growth, as we launched a new set of packages, monetising part-exchange, video, dealer reviews and introducing further prominence products in our new advanced and premium levels. This was supported by a c.3% underlying price rise and modest levels of stock growth.

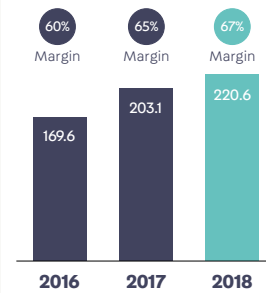
Relevant risks

- 1 2 3 4 5 6

Operating profit

£m

+10%



Relevant focus areas

- 1 2 3 4 5 6

Definition

Last year we announced we are no longer reporting Underlying operating profit. Instead, the focus is now on the statutory measure of Operating profit.

Operating profit is as reported in the consolidated income statement on page 88. This is defined as revenue less administrative expenses.

Operating profit margin is Operating profit as a percentage of revenue.

Progress

Operating profit grew 10% due to top line revenue growth of 7% and well managed costs. Margin continued to improve, albeit at a slower rate than previous years.

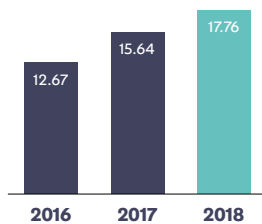
Relevant risks

- 1 2 3 4 5 6

Basic EPS

pence per share

+15%



Relevant focus areas

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 shares in issue during the year.

Progress

Basic EPS grew at 15%, demonstrating the Group's high operational gearing. Part of the growth drops through from profit, but it was supported by a reduction in the weighted average number of shares in issue during the year.

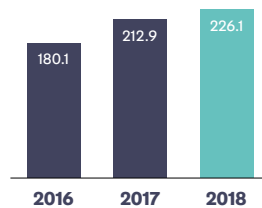
Relevant risks

1 2 3 4 5 6

Cash generated from operations

£m

+£13.2m



Relevant focus areas

1 2 3 4 5 6

Definition

Cash generated from operations as reported in the consolidated statement of cash flows on page 92. 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 £226.1 million, giving £13.2 million growth in the year. This represented a high proportion of profit converted into cash, which was largely returned to shareholders through dividends and share buybacks.

Relevant risks

1 2 3 4 5 6

Linked to remuneration



→ Directors' remuneration report page 66

Focus areas relevant to our KPIs

Improve car buying in the UK

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Improve stock choice, volumes and accuracy

Evolve the automotive ecosystem in the UK

- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Enhance our relevance and value to manufacturers
- 5 Extend our product offering further down the buying funnel, towards online transactions

Become the most admired digital business

- 6 Create and maintain high-performing, data-oriented teams

→ Our strategy page 20

Risks relevant to our KPIs

- 1 Economy, market and business environment
- 2 Brand
- 3 Increased competition
- 4 Failure to innovate: disruptive technologies and changing consumer behaviours
- 5 IT systems and cyber security
- 6 Employee retention

→ Principal risks and uncertainties page 34

Operational KPIs

Market overview

Our business model

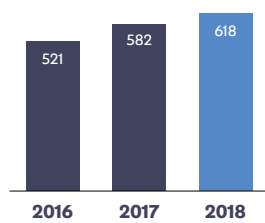
Our strategy

KPIs

Cross platform minutes

Monthly average minutes spent across all our platforms (millions)

+6%



Relevant focus areas

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

Definition

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

Progress

Cross platform minutes, as measured by comScore, increased 6% year-on-year. This was in part due to a methodology change in calculation, however we've retained our market share when measured against our competitor set.

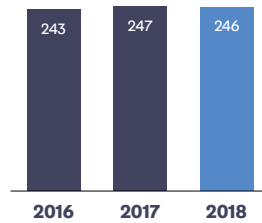
Relevant risks

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

Advert views

Average number per month (millions)

-0%



Relevant focus areas

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

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.

Progress

Advert views were broadly flat in the year. The absolute volume remains high as we delivered on average 246 million advert views per month, a considerable volume of engagement for our customers with their adverts.

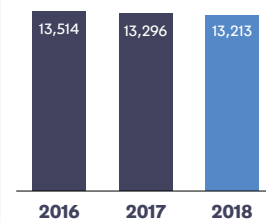
Relevant risks

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

Number of retailer forecourts

Average number per month

-1%



Relevant focus areas

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

Definition

The average number of retailer forecourts per month that are advertising vehicles on the Auto Trader marketplace over the financial year.

Progress

Number of retailer forecourts was flat, following a year of decline in 2017. We still saw a small level of decline in independent forecourts, but this was offset by growth in Franchise and non-car channels.

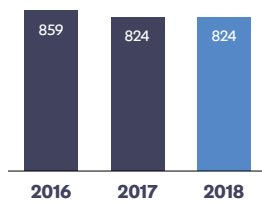
Relevant risks

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

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

Average number (including contractors)

0%



Relevant focus areas

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

FTEs were flat year-on-year following a number of years of decline. Much of that decline was due to the transition from print to digital and we are now at a level of headcount that feels right for the business moving forward.

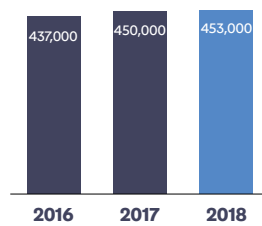
Relevant risks

1 2 3 4 5 6

Live car stock

Average number per month

+1%



Relevant focus areas

1 2 3 4 5 6

Definition

The average number of physical cars that are advertised on autotrader.co.uk per month.

This KPI has been included for the first time in the current financial year. Retailer advertising revenue is dependent on the level of stock advertised on our platforms and so this is a key revenue driver.

Progress

Live car stock on site increased by 1%. This was a result of greater penetration into our existing customer bases' available stock as they saw greater value of investing more in Auto Trader. This added stock helped reinforce our network effects, giving greater choice to consumers.

Relevant risks

1 2 3 4 5 6

Linked to remuneration



→ Directors' remuneration report page 66

Focus areas relevant to our KPIs

Improve car buying in the UK

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Improve stock choice, volumes and accuracy

Evolve the automotive ecosystem in the UK

- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Enhance our relevance and value to manufacturers
- 5 Extend our product offering further down the buying funnel, towards online transactions

Become the most admired digital business

- 6 Create and maintain high-performing, data-oriented teams

→ Our strategy page 20

Risks relevant to our KPIs

- 1 Economy, market and business environment
- 2 Brand
- 3 Increased competition
- 4 Failure to innovate: disruptive technologies and changing consumer behaviours
- 5 IT systems and cyber security
- 6 Employee retention

→ Principal risks and uncertainties page 34

Innovation and growth



Nathan Coe

Chief Financial Officer and Chief Operating Officer

“Despite the backdrop of a slightly tougher market, we have continued to deliver improvements for customers, consumers and our business which has resulted in a strong financial performance.”

→ Key performance indicators
page 22

Operating review

Introduction

We are pleased with the progress we have made this year, both from an operational and financial perspective. Despite the backdrop of a slightly tougher market, we have continued to deliver improvements for customers, consumers and our business which has resulted in a strong financial performance.

Improving car buying in the UK

We have launched new products that make car buying more efficient, with the most prominent of these being the ability to search for a car by monthly payment. With over half of car buyers (52%) considering the price of their next car as a monthly figure rather than the full advertised price, we responded by launching the ability for consumers to search for their next car by monthly payment in December 2017.

The change was not only designed to meet consumers' growing expectations of being able to search for everything they buy on monthly payments, but also to support retailers attract more buyers to their cars and increase their finance penetration by promoting their own finance offers much earlier on in the buying journey.

At the start of the year we relaunched our retailer advertising packages, so that our entry level starter package now includes products such as: 100 images, Live Chat, Dealer Reviews, and the Part-Exchange Guide. We also offer progressively higher package levels, giving retailers the



**Average advert views
per month**

246m



**Average cross platform
minutes per month⁶**

618m



Our business model

page 18

Our strategy

page 20



Average number of
retailer forecourts
advertising per month

13,213



Average number of live
car stock advertised on
our site per month

453,000



opportunity to pay for greater prominence to stand out in search. Alongside these changes to our core packages we also re-platformed our core vehicle upload process to make it both easier and quicker for retailers to advertise stock on our marketplace.

We have continued our focus on growing penetration of our 'Managing' products: i-Control and Retail Check. Approximately 3,000 retailer forecourts (2017: 2,500) listing 39% of trade stock, are using at least one of these data analytics products, which we have improved by adding Price Indicator flags and evolving our valuation engine with machine learning to take into account vehicle specification – a first for the UK market.

We continue to invest in our brand to ensure it stays front of mind with consumers. Auto Trader enjoys 91% prompted brand awareness² with consumers and is consistently voted as the most influential automotive website by consumers in the car buying process. We redesigned our website and native apps, and improved functionality to better reflect our position as the number one marketplace for both used and new cars.

With three out of every four visitors to Auto Trader considering purchasing a new car³, we have developed new products that allow manufacturers and their agencies to reach and influence these buyers. In the last 12 months we launched InSearch, our native advertising performance product, which allows new cars to be promoted within search in a highly targeted way. More recently we have further developed this product to include a video format allowing us to capitalise on the fast growth in video advertising.

Both manufacturers and retailers can now use our Search API service to operate their websites, saving them the effort of building backend systems and allowing them to benefit from our taxonomy, valuations and product improvements. They can also benefit from a new Image app, which enables them to take 360-degree interior and exterior shots that meet manufacturer standards.

Maintaining our market leading position

We have a market leading position as the UK's largest digital automotive marketplace. Our audience has grown as consumers spend more time on our platforms, viewing an average of 94 adverts every second of every day⁴, and the vast majority of this audience remains unique to Auto Trader. Our audience is three times larger than that of our nearest competitor, with our share of cross platform visits for the year at 54% on average⁵, whilst total minutes spent increased by 6%⁶. Full page advert views were consistent year-on-year at 246 million per month (2017: 247 million).

We have increased the level of physical stock on site, with the average number of cars on the marketplace increasing 1% to 453,000 (2017: 450,000). The average number of retailer forecourts using our marketplace declined slightly in the year at 13,213 (2017: 13,296) following a 2% decline last year.

1 Auto Trader Market Report (March 2018).

2 Acacia Avenue Brand Tracker (March 2018).

3 Auto Trader search data (2017).

4 Auto Trader internal data.

5 Monthly visits as measured by comScore.

6 Monthly minutes as measured by comScore.



+7%

Revenue

£330.1m

(2017: £311.4m)



+10%

Operating profit

£220.6m

(2017: £203.1m)



Cash generated from operations

£226.1m

(2017: £212.9m)



Cash returned to shareholders

£148.4m

(2017: £128.7m)

Financial review

Revenue	2018 £m	2017 £m	Days-adjusted change
Retailer	268.7	250.1	9%
Home Trader	11.4	12.0	(4%)
Other	1.1	-	n/m
Trade	281.2	262.1	8%
Consumer services	29.8	31.8	(5%)
Manufacturer and Agency	19.1	17.5	10%
Total	330.1	311.4	7%

Revenue

In 2018, revenue grew 7% to £330.1m (2017: £311.4m) predominantly through Trade revenue, and more specifically Retailer revenue, as our core business continued to grow.

Trade revenue increased by 8% to £281.2m. Retailer revenue grew 9% to £268.7m (2017: £250.1m) as a result of growth in ARPR, where there was improvement of £149 to £1,695 per month (2017: £1,546). Average retailer forecourts declined by 1% in the year to 13,213 (2017: 13,296).

ARPR growth of £149 per month was generated through all three of our levers: price, stock and product.

- Price: Our price lever contributed £43 (2017: £86) and 29% (2017: 53%) of total ARPR growth. We restructured our retailer advertising packages to include enhanced features for all customers as part of their subscription. All packages now have Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat – tools which not only help retailers to compete effectively, but also provide the best experience for car buyers. We also launched two new package tiers – Advanced and Premium – which give customers the opportunity to pay more for greater prominence when consumers search for cars.

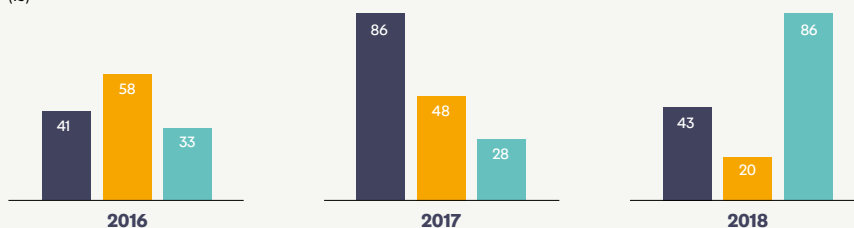
- Stock: Our stock lever contributed £20 (2017: £48) and 13% (2017: 30%) of total ARPR growth. The average number of cars advertised on autotrader.co.uk each month increased by 1% in 2018 to 453,000 (2017: 450,000) as the number of cars advertised per retailer forecourt increased. Used car transactions in the UK decreased by 3% in the 12 months to March 2018, however the UK car parc continues to grow as new car registrations exceed scrappage rates.

- Product: Our product lever contributed £86 (2017: £28) and 58% (2017: 17%) of total ARPR growth. The launch of Advanced and Premium advertising package levels contributed to this growth, with 12% of retailer car stock moving into one of these new higher-priced tiers by the end of the year. The penetration of our 'Managing' products (i-Control and Retail Check) increased from 19% in 2017 to 23% in the current year.

Home Trader declined 4% to £11.4m (2017: £12.0m). Other revenue comprises logistics revenue from Motor Trade Delivery, which contributed £1.1m since its acquisition in April 2017.

ARPR levers

(£)



Key

■ Price ■ Stock ■ Product

Consumer services revenue decreased 5% in the year to £29.8m (2017: £31.8m). Private revenue decreased 11% to £21.6m (2017: £24.4m). Motoring services revenue grew 12% to £8.2m (2017: £7.4m), with a large proportion of the growth coming through delivering greater response to our third-party partner for finance.

Manufacturer and Agency revenue grew 10% to £19.1m (2017: £17.5m). The automotive industry spends a huge amount on advertising every year and the addressable digital market continues to grow. In order to grow our market share, we have invested in people, with experience of working at some of the largest manufacturers; and content, by innovating new products such as InSearch. InSearch is our native performance product, which allows manufacturers to advertise new cars directly within our main search, providing a highly targeted way to influence in-market car buyers.

Administrative expenses

Operating costs continue to be well controlled, with administrative expenses increasing by 2% to £109.5m (2017: £108.3m).

People costs, which comprise staff costs (excluding share-based payments) and third-party contractor costs, increased 4% in the year to £51.1m (2017: £49.5m). Full-time equivalent employees ('FTEs') (including contractors) remained flat at an average of 824 (2017: 824).

Costs	2018 £m	2017 £m	Days-adjusted change
People costs	51.1	49.5	4%
Share-based payments	3.7	4.5	(17%)
Marketing	16.3	16.0	3%
Other costs	31.3	30.7	3%
Depreciation and amortisation	7.1	8.0	(10%)
Exceptional items	-	(0.4)	n/m
Total administrative expenses	109.5	108.3	2%

A share-based payment charge of £3.7m (2017: £4.5m) was recognised during the year, including national insurance costs ('NI') on potential employee gains where applicable. The year-on-year decrease in the charge was primarily due to leavers under the Performance Share Plan, offset by further Performance Share Plan awards made in June 2017. We also launched a second Save As You Earn scheme in November 2017 which was available to all eligible employees.

Marketing spend was flat at £16.3m (2017: £16.0m), reflecting the release of our 'Next Car' campaign across TV and radio platforms. Other costs, which include property costs, data services and other overheads, increased in the year to £31.3m (2017: £30.7m).

Depreciation and amortisation decreased by 10% to £7.1m (2017: £8.0m). Within this cost line is £1.0m of amortisation from intangibles recognised following the acquisition of MTD.

Operating profit

In the year, Operating profit grew 10% to £220.6m (2017: £203.1m). Operating profit margin increased two percentage points to 67% (2017: 65%).

The Group previously used a measure of Underlying operating profit to highlight the impact of certain one-off and other items, including exceptional items, share-based payment charges and costs related to management incentive schemes linked to the previous private ownership of the Group. From this financial year the Group will no longer report Underlying operating profit and instead will focus on the statutory measure of Operating profit.



Change from 52-week to annual accounting period

As the 2017 financial year was four days longer than the 2018 financial year, year-on-year percentages for revenue, costs, profit, EPS and dividend per share have been adjusted throughout this report to reflect like-for-like growth.



Profit before taxation

Profit before taxation increased by 10% to £210.8m (2017: £193.4m). Finance costs remained stable year-on-year at £9.8m (2017: £9.7m). A year-on-year reduction in the average level of gross debt drawn, coupled with a margin benefit resulting from a reduction in the Group's leverage, resulted in a reduced interest cost on the Group's term loan. This was offset by an increase in the amount of debt issue costs that were amortised, with an acceleration of £1.1m of these costs recognised in the year following the decision in the year to refinance the debt facility by June 2018.

Taxation

The Group tax charge of £39.5m (2017: £38.7m) represents an effective tax rate of 19% (2017: 20%) which is in line with the average standard UK rate.

Earnings per share

Basic earnings per share rose by 15% to 17.76 pence (2017: 15.64 pence) based on a weighted average number of ordinary shares in issue of 964,516,212 (2017: 989,278,991). Diluted earnings per share of 17.70 pence (2017: 15.60 pence) increased by 15%, based on 967,912,689 shares (2017: 991,812,212) which takes into account the dilutive impact of outstanding share awards.

Cash flow and net external debt

Cash generated from operations increased to £226.1m (2017: £212.9m) and was achieved as a result of strong Operating profit and a high level of cash conversion.

Corporation tax payments totalled £39.4m (2017: £34.8m). Cash generated from operating activities was £186.7m (2017: £178.1m).

Interest paid on financing arrangements was £6.7m (2017: £7.6m). Net external debt reduced to £338.7m (2017: £355.0m) following Term Loan repayments of £20.0m (2017: £40.0m). Leverage, defined as the ratio of net external debt to Adjusted underlying EBITDA, decreased to 1.46x (2017: 1.65x).

Acquisition

On 25 April 2017, the Group acquired MTD for a total cash consideration of £12.2m, less cash acquired with the business of £0.3m. The assets and liabilities acquired have been accounted for at fair value in accordance with IFRS 3, as described in note 26 to the financial statements, with the remaining value of £8.5m being allocated to goodwill.

Contingent liability

HMRC has identified a potential VAT risk in respect of VAT applicable to our insurance intermediary revenue within Consumer services, dating back to 2013 onwards. The Group continues to work collaboratively with HMRC to provide clarity surrounding the nature of the services provided. No provision has been recognised as the Group does not believe a settlement will be probable, but has estimated the maximum one-off liability at £3.0m including interest and penalties.

Capital structure and dividends

During the year, a total of 26.8m shares (2017: 26.3m) were repurchased for a total consideration of £96.2m (2017: £102.1m) before transaction costs of £0.5m (2017: £0.5m). A further £52.2m (2017: £26.6m) was paid in dividends, giving a total of £148.4m (2017: £128.7m) in cash returned to shareholders.

The Directors are recommending a final dividend for the year of 4.0 pence per share, which together with the interim dividend makes a total dividend of 5.9 pence per share, amounting to £56.1m, in line with our policy of distributing approximately one third of net income. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 20 September 2018, the final dividend will be paid on 28 September 2018 to shareholders on the register of members at the close of business on 31 August 2018.

The Group's capital allocation policy is to continue to invest in the business enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buyback programme and to steadily reduce gross indebtedness.

At the 2017 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 97,476,919 of its ordinary shares, subject to minimum and maximum price restrictions.

This authority will expire at the conclusion of the 2018 AGM and the Directors intend to seek a similar general authority from shareholders at the 2018 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

On 6 June 2018 the Group signed into a new Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The New RCF, which is unsecured, has total commitments of £400m and a termination date of June 2023.

Interest on the New RCF is charged at LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage of Auto Trader Group plc. A commitment fee of 35% of the margin applicable to the New RCF is payable quarterly in arrears on the unutilised amounts of the New RCF. There is no requirement to settle all or part of the debt earlier than the termination date in June 2023.

Nathan Coe

Chief Financial Officer
and Chief Operating Officer
7 June 2018



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:

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').

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.

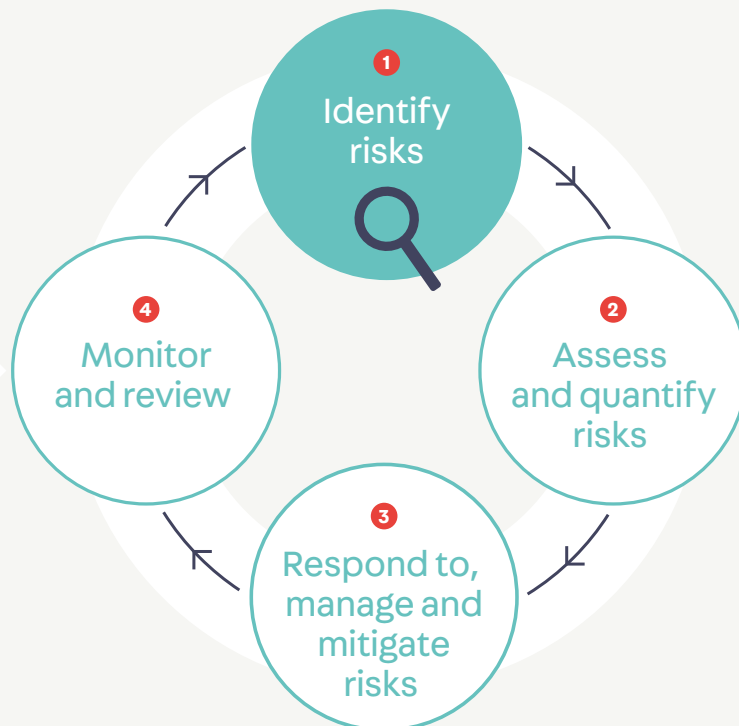
Assess and quantify risks

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.

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.



→	Our strategy	page 20
	Key performance indicators	page 22

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.

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.

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 herein. 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.

Focus areas relevant to our risks

Improve car buying in the UK

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace

Evolve the automotive ecosystem in the UK

- 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

Become the most admired digital business

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

→ Our strategy page 20

Principal risk	Impact
<p>1. Economy, market and business environment</p>	<p>A contraction in the number of new or used car transactions could lead to consolidation of retailers and a reduction of retailers' advertising spend. It could also lead to a reduction in manufacturers' spend on digital display advertising.</p> <p>There are concerns about the implications surrounding the UK's departure from the EU as economic conditions, currency volatility and consumer confidence levels could all be adversely affected. If the prices of cars increase, consumer confidence levels decrease, and manufacturers' appetite to supply cars to the UK market reduces, this could have an adverse impact on our business.</p>
<p>2. Brand</p>	<p>Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK, with nearly 10 times more consumers claiming to trust Auto Trader over our nearest competitor.</p> <p>Failure to maintain and protect our brand, or any negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.</p>
<p>3. Increased competition</p>	<p>There are a number of online competitors in the motor classified market, and alternative routes for consumers to sell cars, such as auctions or part-exchange.</p> <p>Competitors could develop superior consumer experiences or retailer products that we are unable to replicate; or change focus to try to expand their range of stock and disrupt our market position.</p> <p>This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.</p>



Changes in the year	Key mitigations	Relevant focus areas	Change
<p>As we anticipated, new car sales have fallen during this financial year, and the used car market has also seen declines of around 3%.</p> <p>However, the overall UK car parc has continued to grow as the number of cars registered still outweighs the number of cars that are scrapped each year.</p> <p>The number of retailer forecourts has remained relatively flat.</p>	<p>We monitor new and used car transactions closely, using data from SMMT and now also data directly from the DVLA.</p> <p>We have developed the Auto Trader Retail Price Index to monitor the pricing trends of used cars by trade sellers.</p> <p>We continue to diversify into related and adjacent activities to reduce our reliance on stock and to improve the resilience of our business model.</p> <p>We closely manage our cost base and operate on a lean basis, and would be able to respond swiftly in the event of a downturn.</p> <p>The Board has considered the potential implications of the UK's departure from the EU, taking into account the factors above, as well as the time lag between the registration of new cars and the entry of cars into the used car marketplace and the strength of our value proposition, and does not consider that there will be a significant impact on our business.</p>	<p>1 2 3 4 5 6</p>	<p>→</p>
<p>Our research shows that Auto Trader has 91% prompted brand awareness with consumers for new and used cars and is consistently voted as the most influential automotive website by consumers in the car buying process.</p> <p>We have seen a significant reduction in fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team.</p>	<p>We have a clear and open culture with a focus on trust and transparency.</p> <p>We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts.</p> <p>We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used.</p> <p>Our approach to cyber security and data protection, as described on page 36, helps to protect us from the adverse impact of a significant data breach or cyber attack.</p>	<p>1 2 3 4 5 6</p>	<p>—</p>
<p>The competitive landscape continues to develop, with new business models emerging.</p> <p>Big media players are also entering the marketplace, mostly competing for lower-value private sales.</p>	<p>We have the largest and most engaged audience of any UK automotive site. Our investment in brand as described above helps us to protect and grow our audience, to ensure that we remain the most influential website a consumer visits when purchasing a vehicle.</p> <p>We have a dedicated competitors' guild to closely monitor competitor activity.</p> <p>We continue to invest in and develop our product offering to improve the value we offer to consumers, retailers and manufacturers.</p> <p>We work in an agile way and can respond quickly to emerging competitive threats.</p>	<p>1 2 3 4 5 6</p>	<p>—</p>

Focus areas relevant to our KPIs

Improve car buying in the UK

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace

Evolve the automotive ecosystem in the UK

- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
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Become the most admired digital business

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

→ **Our strategy**
page 20

Principal risk	Impact
<p>4. Failure to innovate: disruptive technologies and changing consumer behaviours</p>	<p>Failure to innovate and develop new products or technologies, to execute new product launches or to adapt to changing consumer behaviour towards car buying or ownership could have an adverse impact. For example, this could lead to an over-reliance on price to drive revenue growth in an unsustainable way; or could result in missed opportunities as we fail to be at the front of industry developments.</p>
<p>5. IT systems and cyber security</p>	<p>As a digital business, we are reliant on our IT infrastructure to continue to operate.</p> <p>Any significant downtime of our systems would result in an interruption to the services we provide.</p> <p>A significant data breach, whether as a result of our own failures or a malicious cyber attack, would lead to a loss in confidence by our retailers, advertisers and consumers.</p> <p>This could result in loss of audience, loss of revenue, reputational damage and potential financial losses in the form of penalties.</p>
<p>6. Employees</p>	<p>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.</p>



Changes in the year	Key mitigations	Relevant focus areas	Change
<p>In recognition of changing consumer behaviour, we have successfully launched monthly price search in 2018, a complex product requiring FCA authorisation, integration with external partners and significant development of our platform.</p>	<p>Continuous research into changing consumer behaviour, including our bi-annual Market Reports and Buyer Behaviour Report.</p> <p>Monitoring of emerging trends, using external resources where needed, and regular contact with other similar businesses in other territories.</p> <p>Ability to innovate and respond quickly due to our agile and collaborative way of working, and continuous investment in technology.</p>	<p>1 2 3 4 5 6</p>	<p>—</p>
<p>The enactment of GDPR in May 2018 has significantly increased the financial impact of a data breach. We have enhanced our processes and policies as required.</p>	<p>We have a disaster recovery and business continuity plan in place which is regularly reviewed and tested. This includes the use of two data centres and regular back ups of data.</p> <p>We continuously monitor the availability and resilience of processing systems and services and if required can restore the availability and access systems and data in a timely manner in the event of a physical or technical incident.</p> <p>We have dedicated security teams, including white hat hackers, and carry out regular penetration testing and review of threats and vulnerabilities. We invest in IT and security infrastructure to ensure our systems remain robust.</p> <p>Over the last 12 months we have taken the opportunity to review all processes that involve data collection, storage or processing, and have updated and amended to ensure that they meet the enhanced GDPR requirements.</p> <p>All of our employees are required to undertake annual compliance training which includes Information Security and GDPR.</p> <p>We have introduced two-factor verification for all our retailers, and for employees, to access our network.</p> <p>We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.</p>	<p>1 2 3 4 5 6</p>	<p>→</p>
<p>90% of employees completing our engagement survey said they were proud to work at Auto Trader.</p> <p>Our Glassdoor rating based on anonymous reviews is 4.6/5.</p> <p>Launched a mentoring matching programme.</p> <p>Carried out a review of long-term incentive plans and plan to make some changes to make them more relevant and motivating.</p>	<p>We use long-term incentive plans for our senior and key staff.</p> <p>We carry out active succession planning and career development plans to retain and develop the next level of executives, and added oversight of talent development to the terms of reference of the Nomination Committee.</p> <p>We have a strong, value-led culture which is embedded through recruitment, induction, training and appraisals.</p> <p>We carry out employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, all-employee annual conference, networks and guilds.</p>	<p>1 2 3 4 5 6</p>	<p>—</p>

Viability statement

In accordance with Provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

Assessment of prospects

The Board has determined that a period of three years to March 2021 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- projections looking out further than three years become significantly less meaningful given the pace of change in the digital automotive market.

The Group's overall strategy and business model, as set out on pages 18 to 21, are central to assessing its future prospects. As such, key factors likely to affect the future development, performance and position of the Group are:

- **Data and technology:** continuous investment is made in developing platform technologies which leads to improvements for consumers, retailers and manufacturers;
- **Market position:** the Group has the largest and most engaged audience of any UK automotive site and is the most influential website a consumer visits when purchasing a vehicle; and
- **People:** continued success and growth are dependent on ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

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 Group CEO and CFO/COO through the Operational Leadership Team and in conjunction with relevant functions. 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 objectives which the Group determines to be its focus areas, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2018, which considered the Group's current position and its prospects over the forthcoming years.

Detailed financial forecasts that consider customer numbers, live car stock, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the three-year period to March 2021.

Funding requirements have also been considered. On 6 June 2018 the Group signed into a new Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The New RCF, which is unsecured, has total commitments of £400m and a termination date of June 2023. There is no requirement to settle all or part of the debt before the termination date.

The first year of the financial forecasts forms the Group's 2019 annual budget and is subject to a re-forecasting process at the mid-point of the year. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets and focus areas are reviewed monthly by both the Operational Leadership Team and the Board. This control measure is in place to prevent and mitigate the impact of factors that may affect the Group's prospects.

Assessment of viability

The output of the Group's strategic and financial planning process detailed above reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 34 to 37. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were:

Scenario 1: Reduction of stock on the Auto Trader marketplace

Link to risk – Economy, market and business environment, Increased competition, Failure to innovate

Macroeconomic factors such as consumer confidence have an impact on the number of new and used car transactions that occur in the UK and therefore retailer and manufacturer profitability. A contraction in the number of new and used car transactions, when coupled with failure to innovate new products in order to grow ARPR in a sustainable way, could lead to retailers reducing their advertising spend in favour of competitors. This scenario assumes a shock reduction in live car stock around a pricing event. The number of retailers advertising stock with the Group was assumed to reduce in a short space of time with further reductions in the year after the shock event. No cost savings were assumed.

Scenario 2: Data breaches

Link to risk – IT systems and cyber security, Brand

The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018.

This scenario assumes a data breach resulting in the maximum fine, coupled with significant reputational damage to the Group's brand. A severe reduction in revenue was modelled through each of the Trade, Consumer services and Manufacturer and Agency areas. Marketing costs were increased to model a potential need to increase traffic.

The scenarios above are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the New RCF and the Board's ability to adjust the discretionary share-buy back programme, it would be able to withstand the impact and remain cash generative.

Viability statement

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 2021.

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.

How we are making a difference

A part of our strategy is to become the most admired UK digital business. To achieve this we have built a digital culture that is values-oriented, customer-centric and data-driven with a focus on an agile approach to change and, importantly, underpinned by creating a diverse and inclusive workforce.



Measuring the impact of our CSR strategy

These are just some of the metrics we are focused on, in order to measure our 'Make a difference' strategy:

88%

of employees would recommend Auto Trader as a great place to work

90%

proud to work at Auto Trader score

4.6/5

Glassdoor rating

£170k

donated to charity

50%

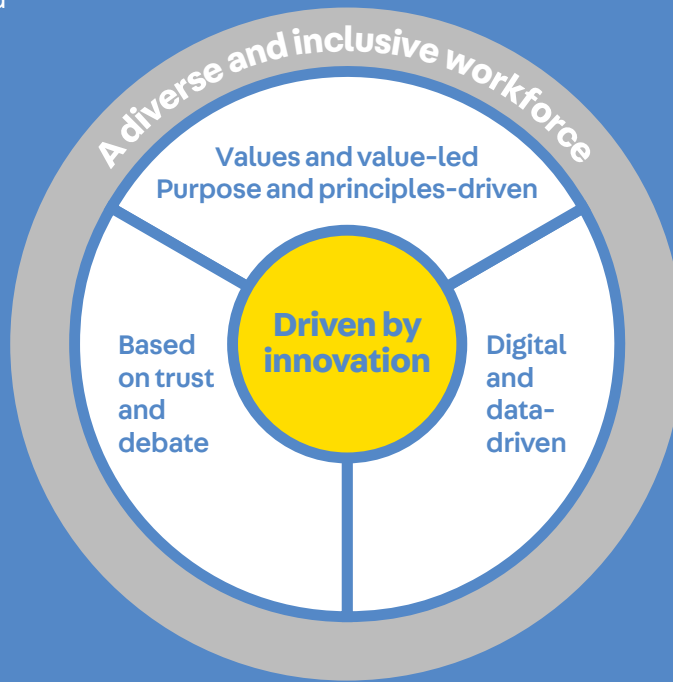
women on our OLT

4,000

retailers reached through insight programme

Our culture

Our culture is built around evolving our digital, values-oriented approach to ensure our people are proud of our diversity, our focus on the wildly important, our rapid response to change and our continued success and growth.



Overview

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. To ensure our culture is digital, agile and enables our teams to be quick to respond to change, we have continued to focus on creating and maintaining consistently high-performing, data-oriented squads across the whole Auto Trader business. Our culture is shaped by the evolution of our values of being determined, reliable, curious, courageous, humble and community-minded. 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 continue to focus our community support in four areas: employees' individual charitable fundraising efforts, promoting the two volunteering

days that are available to all employees each year, 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 and Greater London. 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, progressive and diverse manner.

Our values

To truly reflect our culture and the behaviours we all adhere to every day, we updated our values this year. We made the decision to change inspirational to courageous and we added community-minded to encapsulate our business's focus on supporting not only the Auto Trader community but the wider communities in which we operate.

Be determined

We are passionate about our customers, showing stamina and resilience, and have the conviction to do the right thing. We will roll up our sleeves to get the job done.

Be reliable

We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

Be curious

We are always learning. We question why, we search for better ways, ask questions and actively listen.

Be humble

We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

Be courageous

We are bold in our thinking, overcoming fears, challenging the conventional and we will run towards and embrace change.

Be community-minded

We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.



Making a difference to diversity and inclusion



Ensuring Auto Trader is a diverse and inclusive employer that contributes positively to the communities in which we operate remains a key strategic priority for our business. Our dedicated diversity and inclusion working group has committed to design and deliver a comprehensive strategy concentrating on all diversity strands, with a focus on LGBT+, gender equality, disability and neurodiversity and BAME for this year.

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, education background and way of thinking. We believe that inclusion is a state of being valued, respected and supported for who you are.

Our colleagues across the business have worked collaboratively with our Diversity and Inclusion group and achieved positive results.

We continued our one-day Diversity and Inclusion workshops, which every new joiner attends within their first three months, focusing on creating common understanding of the concepts as well as exploring participants' unconscious biases and how they can impact their own behaviour and relationships with other people inside and outside of work. This year we extended the invite to customers and business partners, who participated in the workshop and took learnings back to their own organisations.

This year we launched a Diversity and Inclusion month in August to bring together some already successful initiatives with new ones, aiming to educate, celebrate and make a difference. We introduced workshops by the National Autistic Society, Stonewall and Mental Health First Aid England. The latter resulted in us creating our team of Mental Health First Aiders, available to provide support to colleagues in our offices and out in the field. Our Auto Trader Women's Network hosted a talk with two inspirational senior leaders sharing their personal stories

"Diversity is the mix, inclusion is getting the mix to work well together."



as women in the digital industry and our Photography Club created an exhibition celebrating the diverse city of Manchester.

Our accessibility and inclusive design working group ran workshops to introduce employees to some of the challenges disabled and neurodiverse people potentially face and help them understand how they can make a difference when creating products for our customers. The month ended with more than a hundred of our employees taking part in the Manchester Pride Festival Parade and being awarded Best Corporate Entry for their passionate showcase of support to the LGBT+ community.

Our employee groups and networks (Family Network, Women's Network, Photography, Book, Board game, Running and Film Clubs) continue to bring our colleagues together, in line with our philosophy that inclusion will be achieved by respecting each other's differences but concentrating on finding common ground.

We continue our participation to promote Science, Technology, Engineering and Maths ('STEM') careers by supporting schools by running Code Clubs to teach young children how to code.

We also ran summer experience days hosting schools and universities, introducing them to the digital, technology and automotive industries. Following the success of the past two years we continue to participate in the Change100 programme organised by Leonard Cheshire Disability. We offered two summer placements, one resulting in a permanent placement to our Graduate Scheme.

Our ambition to become one of the most diverse and inclusive employers is supported by our Company policies and practices which are reviewed regularly in line with the Equality Act 2010 protected characteristics and best practice. Everyone from across the business is involved in providing feedback to help us continuously evolve and take positive action to ensure our colleagues, customers and partners feel they can be their authentic self while having a brilliant experience working with us.

Gender Pay Gap

We published our Gender Pay Gap information earlier this year, in line with the Government’s requirements for companies with over 250 employees to do so. Although we only had to report data for Auto Trader Limited (being the only company in the Group with more than 250 employees) we voluntarily provided information for the whole Group, in order to be more transparent.

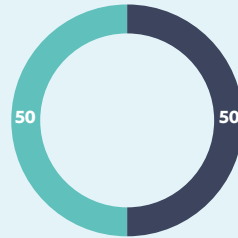
The mean hourly Gender Pay Gap for Auto Trader Group was 14.9% while the median gap was 17.5%. This gap is not about inequality of pay. We are confident that men and women are paid equally across the business for comparable roles. Our Gender Pay Gap arises from under-representation of women in certain highly paid functions, including technology and other STEM related roles; as well as under-representation of women in leadership roles. Although we do not believe that any level of gap is acceptable, our Gender Pay Gap is lower than the UK high-tech sector of 25%, showing the progress we have already made. Our median Gender Pay Gap is lower than the UK average of 18.5%.

We are committed to addressing the Gender Pay Gap, and we are taking a number of actions as outlined in the full report on our corporate website.

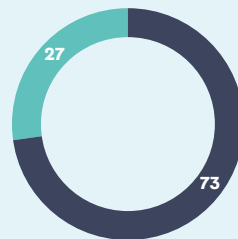
Gender diversity

As a result of some of the actions we have taken, we have seen our gender diversity continue to improve. We’re really pleased to report that our Operational Leadership Team (‘OLT’) is now 50% women, and we are making good progress towards the Hampton-Alexander targets for 33% of women on the OLT and their direct reports.

Operational Leadership Team (%)



Direct reports (%)



● Men
● Women

Hourly Gender Pay Gap

14.9%
mean

17.5%
median

	Men	Women	Total	Women as % of total
Board	4	2	6	33%
OLT ¹	7	7	14	50%
OLT direct reports	70	26	96	27%
Total Company	509	315	824	38%

¹ Senior managers for the purpose of s.414C of the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.





Making a difference to our employees



To help us achieve our mission of being one of the most admired UK digital businesses, we have built a business that is centred around its people. Our success is due to the diverse talent of our innovative, courageous, talented and committed people.

Informing and consulting our employees

We value our people and their opinions.

Every year we organise an all-employee conference where we celebrate our achievements and share the strategy and focuses for the year ahead.

We also hold regular business and financial updates throughout the year to keep employees informed on the Group's performance and priorities as well as giving them the opportunity to feed back and contribute with questions and ideas.

We hold regular checks throughout the year, allowing teams to spend time together in an open and secure environment to discuss how they feel in the workplace and how we are doing against our key focus areas.

We also offered a second Sharesave scheme in 2017, promoting a culture of shared ownership, and saw take-up rates of over 40%.



Training and development

Investing in our people remains a key focus. We have a dedicated Learning and Development team, specialising in various fields including personal, career, leadership, systems and business-related training, and also use external experts to bring outside insight and knowledge when required.

All new people joining our business are given a brilliant start to their careers with us by attending a three-day induction programme, allowing them to understand the core values of our business and culture and ways of working.

We recognise that all our employees are unique and have different needs and learning styles. We offer blended learning opportunities that are aligned to our collaborative and inclusive culture, including workshops, bitesize sessions, on-the-job solutions, attendance at conferences, coaching and mentoring, online learning and professional qualifications.

Our managers take part in the Practical People Leadership Programme ('PPLP'), and senior leaders take part in the Leadership Development Programme ('LDP'), both aimed at developing well-rounded leaders that will drive the future of Auto Trader.

We have welcomed a number of apprentices, graduates and work placements under our future talent programme, to equip our business with the skills needed for our ongoing success. Every individual is responsible for their own career and personal development, and we aim for everyone to have quarterly development conversations with their people leaders.

Employee engagement and recognition

We conducted an employee engagement survey again this year, and achieved a response rate of 91% of our total workforce. Overall engagement remains positive, with 90% of our people feeling proud to work for Auto Trader, and 88% saying they would recommend us as a great place to work. There were also areas to improve, and we have set up working groups to concentrate on these, including recognition, career development and physical and mental health. Our Glassdoor rating is 4.5 out of 5, based on more than 200 anonymous reviews. For the second year we participated in the Sunday Times Top 100 Best Companies to Work For and we achieved a two-star 'Outstanding' rating and moved up the list to number 32.

Making a difference to our communities



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

We donate to local causes through the Auto Trader Community Fund, powered by Forever Manchester (a registered charity), which makes awards of up to £1,000 to community groups and grassroots projects across Greater Manchester. This year, the fund has donated over £60,000 to various local groups that bring people together and empower them to create sustainable changes in their lives. As a recognition of our efforts, Forever Manchester awarded us the Business Supporter of the Year for 2017.

We are extending this fund and are in the process of setting up a similar fund model to support charities in Greater London.

Donations from Auto Trader directly to other charities totalled an additional £60,000 through our Auto Trader Sponsorships initiative which provides match-funding to employees, customers and partners fundraising for charities that are close to their hearts.

Our Give as You Earn ('GAYE') scheme participation has reached 11% of our total workforce and £100,000 has been donated to various charities through payroll.



But Make a Difference is more than just donating money.

We encourage all our colleagues to utilise two optional volunteering days every year. One in four of our employees have offered their time and skills to support worthy causes across the UK, such as Barnabus, a drop-in centre for homeless people; FareShare, to fight food waste and tackle hunger; Didsbury Park, to maintain eight acres of green space; and Dress for Success, helping to empower women by providing professional attire and skills to gain employment.

To support the arts and design in Manchester, we continue our successful partnership with HOME arts centre and supported various initiatives including the PUSH festival of fresh creative experiences from the North West, showcasing some of the most exciting film, theatre and visual arts from the region, and sponsorship of the monthly 'Bring the Family' initiative, enabling the provision of an intergenerational film programme to audiences in Greater Manchester.

Disabled employees

We are part of the Department for Work and Pensions Disability Confident employer scheme and have agreed to its commitments and taken action to make a difference to disabled people.

Our dedicated resourcing team actively reaches out to disabled candidates and welcomes their applications for employment. We take great care to make reasonable adjustments during the assessment process according to the needs of each individual to ensure that they can perform at their best.

We remain committed to supporting disabled employees or those who become disabled during their employment with us. Recognising that everyone is unique, we provide the right support to ensure they continue to realise their full potential at work and develop their careers with us. This year we have also added more support and education for managers of disabled colleagues, for example 'Understanding Autism for Managers' workshops provided by the National Autism Society.



Making a difference to our industries

Our Make a Difference strategy extends to supporting the wider technology, automotive, advertising and creative industries.

Supporting STEM careers

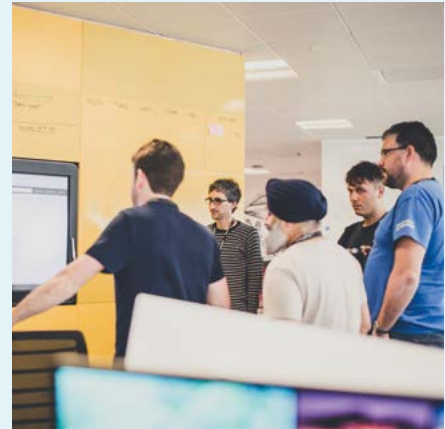
To encourage future talent, we have continued our partnership with Manchester Digital by taking part in their Apprenticeship Scheme for the second year, welcoming an additional four apprentices. We also support relevant degrees for Software Developer and Infrastructure Technician apprentices. We continue to offer a PhD scholarship and two summer project grants for Data Science students from the University of Manchester.

We work with local universities and schools and host numerous experience days in our offices, run mock interviews and give talks to introduce them to careers in digital. We continue to participate to promote STEM subjects and careers by supporting local schools and clubs in the Manchester area.

25 of our colleagues have trained to become 'STEM ambassadors' so that they can support 'Code Clubs', teaching young children how to code and supporting the 'People Like Me' initiative to encourage girls into relevant STEM careers.

We are proud that our Director of Risk and Compliance, Helena Fearon, was shortlisted in this year's Women in IT Award: Security Champion of the Year, in recognition of her work in the safety and security arena. Helena leads our customer security team and risk and compliance function, and chairs the wider industry body Vehicle Safe Trading Advisory Group ('VSTAG') which aims to bring the industry, police and fraud agencies together to help consumers buy and sell vehicles safely and securely.

We hosted over 100 events and conferences, including: Manchester Youth HAC, Rails Girls, Manimation, Real UX and Manchester Futurists. We are also members of the Manchester Publicity Association, working to evolve the creative, media, publishing and digital industries in Manchester.



Automotive industry

The automotive industry, much like the wider technology sector, has a significant challenge with diversity. We work with key media partners, recruitment businesses and major automotive retailer groups to actively drive the diversity agenda.

We participate in key industry events such as Inspiring Automotive Women, and will be hosting an upcoming event in partnership with Ennis & Co. and media title ARN, which aims to bring together the wider automotive industry to discuss diversity issues as well as to encourage actionable plans for businesses to take away.

Leading the industry, sharing ideas, and inspiring change and action are at the heart of our work with our retailer customers. Through our masterclasses, conferences, webinars, in-house discovery days and award events we share the latest consumer trends, best practice advice and insights gleaned from our data to help shape the future of the industry. Over 4,000 retailer customers or industry figures joined us for one of these sessions.

We want to make a difference to our customers by rewarding their efforts, and we do this annually at our Retailer Awards Ceremony - The Auto Trader Click Awards. The awards recognise those at the forefront of digital automotive retailing and those that really do put the consumer at the heart of their business. These awards are used by retailers to promote their business to consumers on our marketplace.





Making a difference to our environment

	2018	2017
Scope 1: Fuel for company cars (tCO ₂ e) ¹	390	491
Scope 2: Electricity and gas for our offices (tCO ₂ e) ¹	340	437
Total carbon emissions (tCO ₂ e) ¹	731	928
Revenue (£m)	330.1	311.4
Carbon intensity ²	2.2	3.0
Year-on-year change	(27%)	

- 1 Tonnes of carbon dioxide equivalent.
2 Absolute carbon emissions divided by revenue in millions.

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. We have chosen to include the emissions associated with leased company cars in Scope 1, as we are responsible for these emissions.

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. The reduction in our GHG emissions is due to a reduction in our company car fleet and continued refreshing of energy efficient office and IT equipment.

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 we have no waste bins by desks, which encourages the amount of recycling we do. We operate a staff café in our Manchester office and have implemented measures to reduce the consumption of single use plastics.

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, 2,030 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.



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 aspire to be the UK's most admired digital business and we want that admiration to come from employees, suppliers and customers.

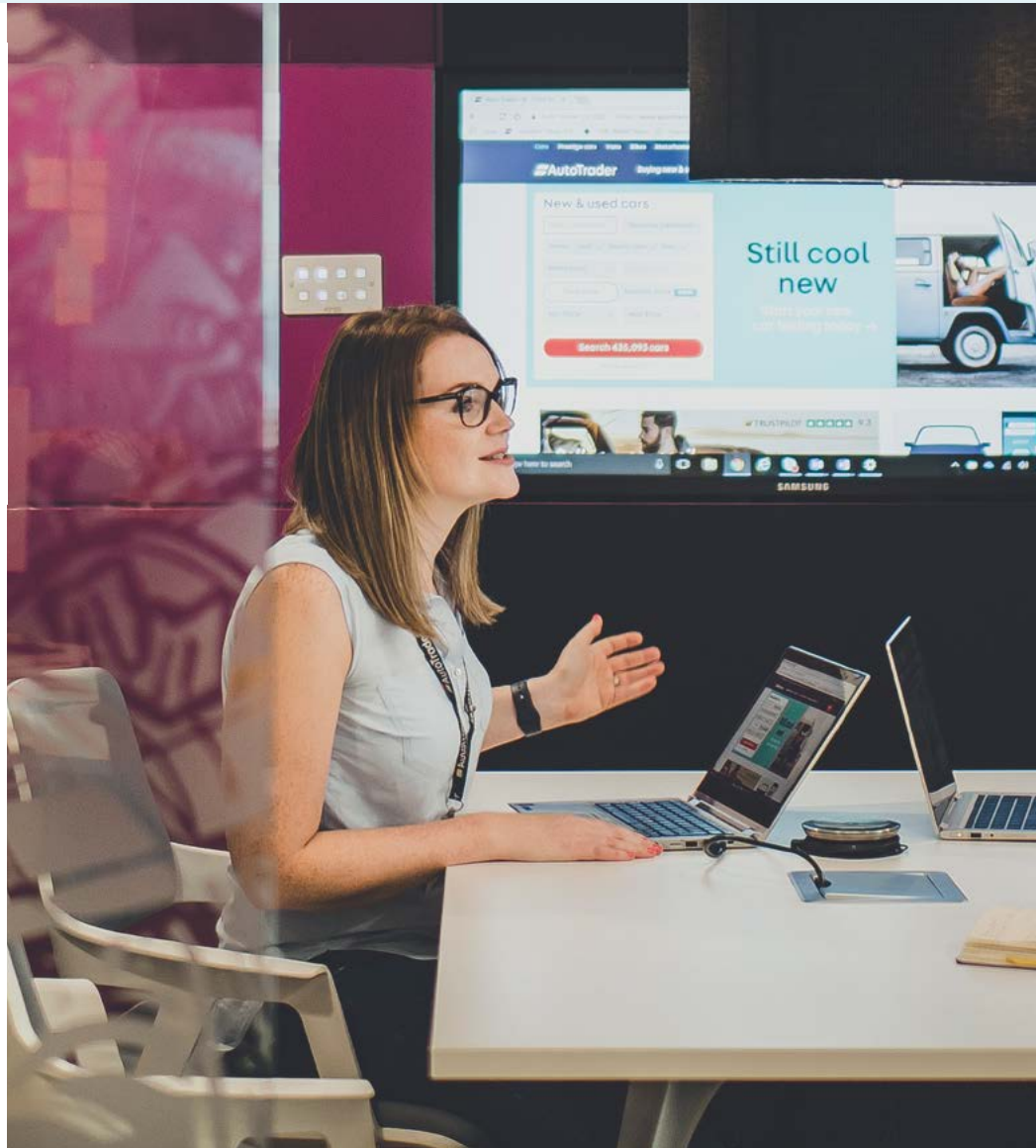
The only way to deliver the best services for our customers – and do the right things by our people – is to approach things in the right way. We have established policies, procedures and training to ensure that everyone at Auto Trader knows that they must behave professionally, ethically and legally, treating people with decency and respect.

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, anti-money laundering, information security and GDPR.

Anti-bribery and corruption

We are committed to carrying out all business activities in an honest, open and ethical manner. We have zero tolerance to any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption policy and procedures in place including reporting of gifts and hospitality, standard contractual clauses with suppliers and annual online compliance training for all employees.



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.

Whistleblowing

We provide an independent whistleblowing service if employees need to report anything untoward or experience any serious malpractice or wrongdoing in our business.

Maintaining a trusted marketplace

Consumers trust Auto Trader to show genuine, accurate adverts when they search for vehicles. We have a dedicated customer security team who monitor our site to identify adverts that are potentially fraudulent or misleading, whether that be a misleading price or inaccurate mileage in their advert. We also have functionality to enable users of our site to report a misleading advert whilst they are searching, which we then investigate and, if necessary, remove from the site.



Protecting our customers' and consumers' data

Protecting the data of our consumers and our retailer customers is also an important focus for us.

We invest heavily in security and data protection. We have a dedicated security squad and we invest to ensure that our systems are robust and that we remain compliant with PCI/DSS (payment card industry, data security standard). Over the last 12 months we have taken the opportunity to review all processes that involve data collection, storage or processing, and have updated and amended to ensure that they meet the enhanced GDPR requirements.

Human rights and 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.

The Company's Strategic report is set out on pages 1 to 49. Approved by the Board on 7 June 2018 and signed on its behalf by:

Nathan Coe
 Chief Financial Officer
 and Chief Operating Officer
 7 June 2018

“Auto Trader believes in promoting trust and fairness in the marketplace and this has become part of the way we work across the organisation.”

