Auto Trader Group plc is a 100% digital business having successfully completed the transition from a print title in 2013. Auto Trader sits at the heart of the UK's vehicle buying and selling processes and operates the UK's largest digital automotive marketplace.

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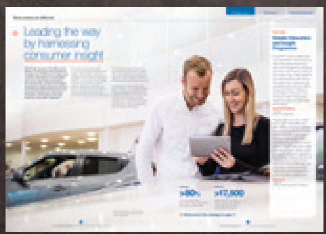
In our first complete year since listing on the London Stock Exchange in 2015, Auto Trader has continued to build on its position as the UK's largest digital automotive marketplace.

Firmly at the heart of the UK vehicle automotive ecosystem, Auto Trader is leading the way in all that we do. Our strategic goals and operating priorities enable us to offer value-adding solutions to all of our customer groups.



Leading the way by harnessing consumer insight

Read more on pages 10 and 11

Leading the way by leveraging the power of our data and valuations

Read more on pages 12 and 13

Business at a glance

In the first full year as a listed company, Auto Trader has achieved strong growth across all three of its revenue streams and recorded the highest level of both audience visits and engagement online, which in turn has delivered additional value to its customers.

Financial highlights

£281.6m
Revenue up 10%
(2015[1]: £255.9 million)

£171.3m
Underlying operating profit up 19%[2]
(2015: £144.1 million)

£169.6m
Reported operating profit up 27%
(2015: £133.1 million)

12.67p
Basic earnings per share from operations
(2015: 0.85p)

£177.0m
Operating cash flow up 30%[3]
(2015: £135.8 million)

£135.3m
Reduction in net external debt to £392.6 million[4]
(March 2015: £527.9 million)

1.5p
Total dividend per share
(interim 0.5p plus final 1.0p)

97%
Operating cash conversion[5]
(2015: 87%)

2.2x
Leverage[6]
(March 2015: 3.4x)

Operational highlights

x6
Larger consumer audience compared to nearest competitor[7]

£1,384
Average Revenue per Retailer forecourt ('ARPR') per month up 10.5%[9]
(2015: £1,252)

13,514
Number of retailer forecourts advertising on Auto Trader[9]
(2015: 13,452)

243m
Advert views[8] per month increased by 7.5%[9]
(2015: 226 million)

1 The comparative 2015 references the year ended 29 March 2015 unless otherwise stated.
2 Operating profit before share-based payments and associated national insurance ('NI'), management incentive plans and exceptional items.
3 Adjusted underlying EBITDA adjusted for movements in working capital, exceptional items and capital expenditure.
4 Gross external indebtedness, not including shareholder loan notes, less cash and cash equivalents.
5 Operating cash flow as a percentage of Adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, management incentive plans and exceptional items, less capitalised development spend (excluding expenditure incurred on building the SingleView order-to-cash billing system)).
6 Net external debt as a multiple of Adjusted underlying EBITDA.
7 Audience measured by cross platform visits to the marketplace by comScore mmx.
8 Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace.
9 Average number during the year.

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Revenue streams

Our three revenue streams are:

Trade

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

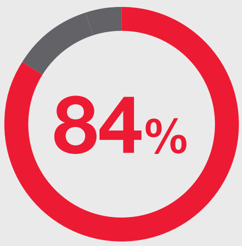
Revenue performance

£236.4m

Up 10%

(2015: £214.8 million)

Percentage of business



Consumer services

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

Revenue performance

£30.3m

Up 4%

(2015: £29.0 million)

Percentage of business

Display advertising

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

Revenue performance

£14.9m

Up 23%

(2015: £12.1 million)

Percentage of business

Where we operate

Auto Trader sits at the heart of the UK's vehicle buying process and operates the UK's largest digital automotive marketplace.

In addition to its business in the UK, the Group operates a similar business in Ireland through its website carzone.ie.

"The last 12 months have been ones of considerable success for Auto Trader. These results are our strongest yet. We grew revenue by 10% year-on-year to £281.6 million."

Ed Williams
Chairman

£281.6m
Revenue up 10%
(2015: £255.9m)

£171.3m
Underlying operating profit up 19%
(2015: £144.1m)

The year
The last 12 months have been ones of considerable success for Auto Trader. These results are our strongest yet. We grew revenue by 10% year-on-year to £281.6 million. Underlying operating profit was £171.3 million, representing an increase of 19% over the previous year. From the growth in value we have provided to both retailers and manufacturers, to the increase in our consumer engagement and audience metrics, Auto Trader continues to lead the way in the digital automotive classified sector.

Life as a public company
This was Auto Trader's first year as a public company. The transition has been relatively smooth and is, in effect, complete. Fortunately, as the results indicate, it has not distracted the business from its focus on driving value for our customers.

Our Board
Since our stock market flotation in March 2015, we have appointed three Independent Non-Executive Directors to our Board. We welcome them all and appreciate the contribution they have already made. David Keens, formerly Group Finance Director of NEXT plc, has taken on the roles of Senior Independent Director and Audit Committee Chairman. Jill Easterbrook, until recently a senior executive at Tesco plc, has taken on the role of Remuneration Committee Chairman. Jeni Mundy, a senior executive at Vodafone Group plc, completes our new Board, bringing a huge depth of knowledge of the fast changing mobile data environment. All three serve on our Audit, Remuneration and Nomination committees.

Tom Hall and Nick Hartman resigned from the Board in March 2016 under the terms of the relationship agreement with our previous major shareholder. The Board would like to acknowledge the major contribution they have made to the Auto Trader business, not least in migrating Auto Trader from a primarily print based business to an entirely digital business. At a personal level, Tom and Nick have been outstanding Board members and will be missed.

Chip Perry, Independent Non-Executive Director, resigned from the Board in March 2016. Chip has returned to a full-time CEO role at TrueCar Inc. Regrettably, he felt that the responsibilities of a CEO of a public company based in California were incompatible with the obligations of consistently attending Board meetings in the UK. However, he has kindly agreed to give us access to his unparalleled industry knowledge by continuing to help us in an advisory capacity.

The composition of the Board is now fully compliant with the UK Corporate Governance Code.

Capital structure
As indicated at the time of our stock market flotation, we commenced paying a dividend in the year, with surplus cash being used to pay down debt towards a two times debt leverage target. Most of the cash generated this year has been used to pursue that goal, which we have achieved following the end of the financial year.

Shareholders can anticipate a significant increase in the dividend during the coming financial year in line with our prior guidance and the Board aims promptly to return to shareholders the majority of the surplus cash generated by way of a share buyback programme, with some surplus cash being used to further reduce indebtedness.

Employee contribution
I would like to take this opportunity to express my thanks to all the employees of Auto Trader for what has been an extremely busy, as well as successful, year.

Ed Williams
Chairman
9 June 2016

Governance
At 27 March 2016 and to the date of this report, the Board composition is fully compliant with the UK Corporate Governance Code:

Ed Williams
Chairman

Trevor Mather
Chief Executive

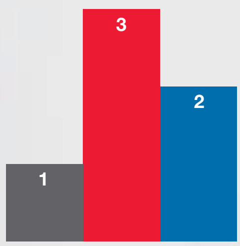
Sean Glithero
Finance Director and Company Secretary

David Keens
Senior Independent Non-Executive Director and Audit Committee Chairman

Jill Easterbrook
Independent Non-Executive Director and Remuneration Committee Chairman

Jeni Mundy
Independent Non-Executive Director

Board composition
As at 27 March 2016



- Chairman
- Independent Non-Executive Directors
- Executive Directors

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The automotive market today

The UK automotive market continues to grow modestly.
New car registrations maintain strong levels which is feeding used car growth.

UK economy and associated macroeconomic conditions

The UK automotive market is intrinsically linked with the wider UK economy.

The UK remains one of the fastest growing developed economies, with GDP growth for Q4 of 2015 ahead of expectations at 0.6% and annual GDP growth for 2015 of 2.2%. In 2016, the economy has returned to its pre-recession size and the IMF expects economic growth rates of consistently above 2% over the next few years. However, the service sector is growing at a subdued rate and other sectors, such as manufacturing, are struggling. The UK also has a growing current account deficit, which is an indication of the vulnerability of the economy, and the uncertainty surrounding Britain's membership of the European Union poses risks for sterling as well as trade throughout Europe.

Nonetheless, 2015 saw the return of consumer confidence, and retail sales in 2016 are growing strongly as households benefit from continued low interest rates and inflation. Low unemployment, rising earnings growth and a low oil price are also boosting spending.

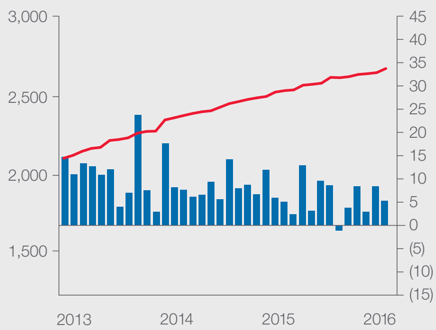
UK automotive drivers

New and used car sale volumes
Worth approximately £90 billion, the new and used car markets are a substantial part of the UK economy. In 2015 it was estimated that there were 34 million cars in the UK, and 10 million car transactions. New car registrations have increased over the last four years, growing year-on-year for 50 of the last 51 months according to the Society of Motor Manufacturers and Traders ('SMMT'). They reached 2.67 million units in the 12 month period to March 2016, exceeding pre-recession levels. New car transaction growth is translating into used car transaction volumes, with total transactions up 6% in the year to March 2016.

But it's not just consumer confidence and economic recovery that are responsible for growth in both new and used car markets. The availability of competitive and diverse finance options (often heavily incentivised) has made it easier than ever to secure bespoke and affordable funding arrangements for new or used cars. Personal Contract Purchase ('PCP') agreements grew again as predicted, accounting for over three quarters of consumer new car deals and over a third of used car deals in 2016[1], as financing used cars becomes an increasingly popular model amongst UK car buyers.

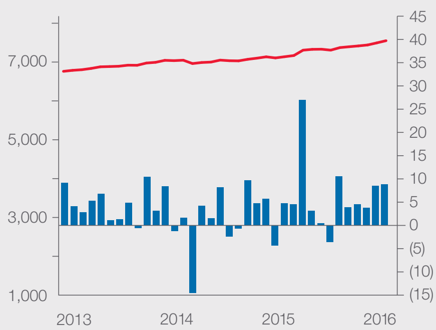
34m
cars in the UK in 2015

Number of new car registrations
('000s)



● 12 month rolling total
● Year-on-year growth rate in that month

Number of used car transactions
('000s)



● 12 month rolling total
● Year-on-year growth rate in that month

Opportunities

- If new car registrations maintain their existing levels, this will mean a good supply of three to six year old used cars in the coming years, thus growing the used car market.
- An increase in the number of used car transactions generally means that our customers are performing well, allowing us the opportunity to provide more solutions to help them to manage and grow their businesses.
- With continued low interest rates and more retailers offering PCPs on used vehicles, there is the opportunity to increase the overall frequency of car sales.

Auto Trader is uniquely positioned in the market and is well placed to take advantage of a range of growth opportunities.

Digital buying and selling drivers

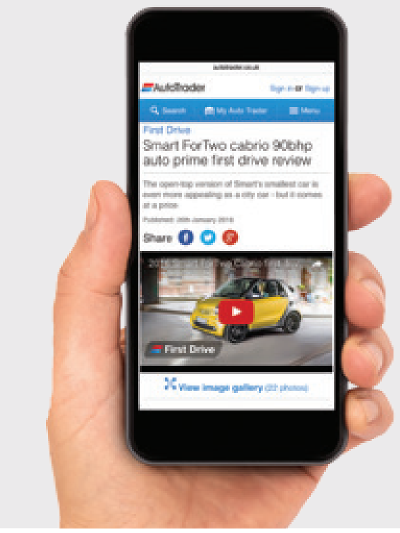
Changing consumer behaviour
As digital technologies play an ever increasing role in our day-to-day lives, consumers expect to access information anywhere, at any time and on any device, and this includes researching and buying a car. As the UK's largest digital automotive marketplace, we are able to observe how consumers research their next car online. Consumers spend on average nearly 11 hours[2] choosing the exact vehicle that is right for them. This shift online has created a 'digital forecourt', which allows consumers to make their car purchase decisions long before they set foot onto a physical forecourt. Our research tells us that twice as many hours are now spent researching used cars online as offline[1]. This in turn leads to fewer forecourts visited than seen historically, so it is key that retailers advertise all their stock online – if it is not online, it is effectively not for sale.

70%
customer searches that come from mobile and tablet devices

11 hours
average time spent by consumers researching their next car online

The traditional forecourt still has an important role to play, but it is no longer the primary destination for consumers to conduct their research – online marketplaces are becoming the most important part of the purchase journey[1]. That research plays a significant role in which forecourt a consumer might visit (71% of buyers first visit a forecourt to test drive or transact on a specific car).

Consumers expect car buying to be like any other retail business. This demand is challenging the traditional way car 'dealers' do business. Dealers need to operate as digital retailers to adapt to these changes. Some already have, by adopting digital strategies to run their business. Many understand the need to implement multi-channel approaches, so that the online and offline experience for consumers is consistent and meets the needs of car buyers. More progressive car retailers also exploit data to run their businesses – key to enabling them to buy desirable stock for their area, at the right price and sell at market value.



Opportunities

- With the growing UK car automotive market coupled with consumers conducting the majority of their research online, we anticipate a growth in usage in our consumer valuations tool, something we are focused on embedding as a benchmark for the industry.
- Our research tells us that 64% of new car buyers visit Auto Trader[4], meaning we are highly relevant to manufacturers. This is an area we believe we can add increased value to through our display advertising propositions.
- There is also the opportunity to use our market position to continue to develop products within and outside of our core classified offering to better meet the needs of consumers and therefore improve market efficiency.

Automotive advertising drivers

Advert views
Advert views increased by 7.5% to 2.9 billion in the year. Advert views are click-throughs from initial search result pages and are the consumer activity measure most correlated to vehicle transactions between consumers and retailers. This means that more than 93 vehicles are being virtually inspected every second of every day on Auto Trader's marketplace.

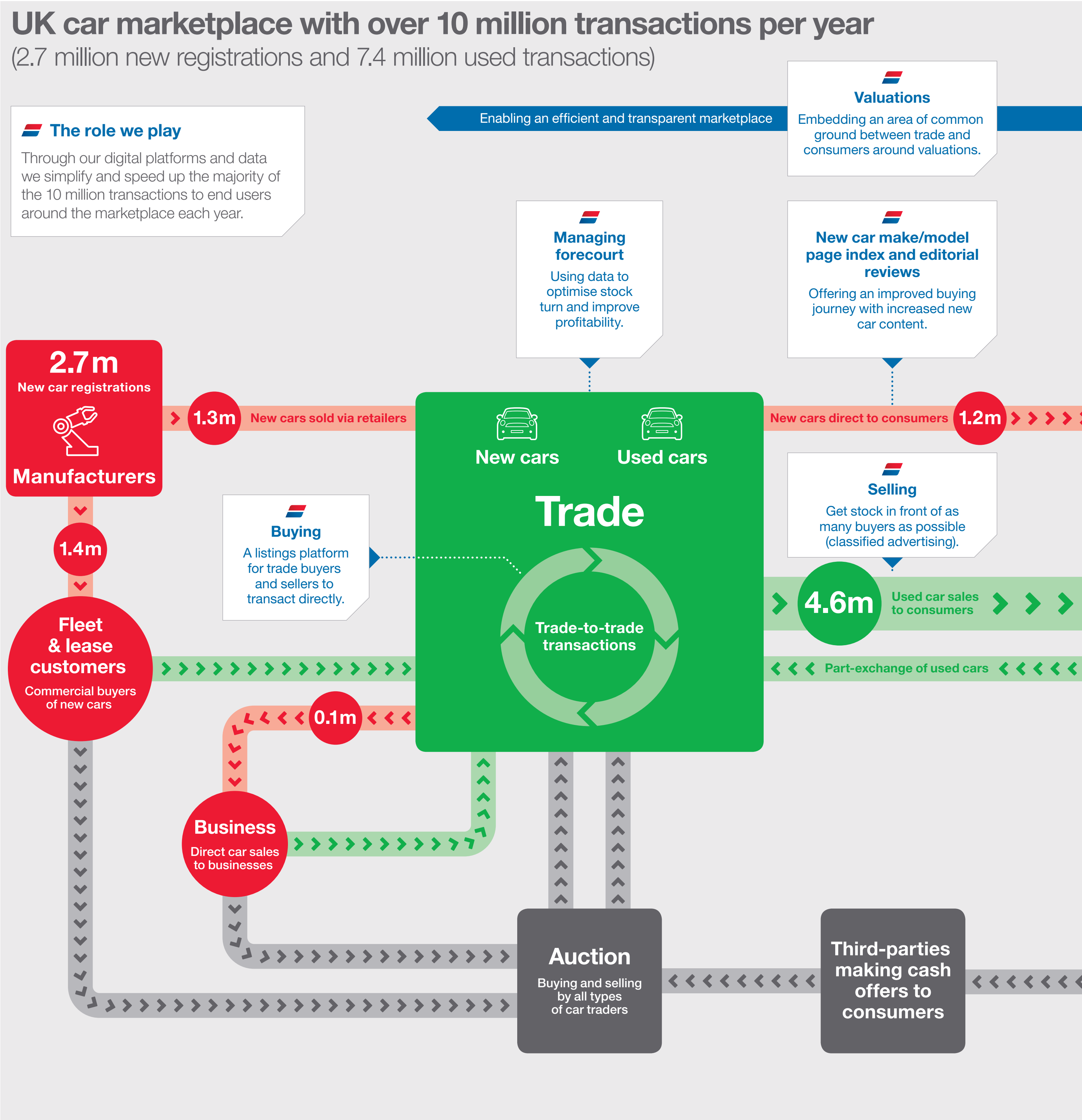
Transition of automotive advertising
In 2015 it was estimated that 72% of automotive classified spend was online[3]. We expect this figure to increase further in the next couple of years. It is also worth noting that the overall automotive classified expenditure in 2004 was 40% greater than we see today (over £500m) so there is scope within the existing cost base to put a greater emphasis back on core classifieds, particularly with the more prominent role being played by digital. Beyond that, we estimate that we account for only a small proportion of a retailer's gross profit. There is scope to grow this by increasing penetration of products that meet customers' needs beyond core classified advertising, such as i-Control.

+7.5%
increase in advert views to 2.9 billion in the year

1 The Finance and Leasing Association.
2 10.6 average hours online vs. 4.5 hours offline for used cars, Annual Buying Behaviour Research Study in conjunction with GfK.
3 ENDERS, used car marketing outlook, December 2015.
4 Kantar Media, The undecided car buyer research report, 2014.

Auto Trader's role in the car marketplace

The automotive marketplace is complex and often inefficient;
Auto Trader's aim is to make it simple and more efficient.



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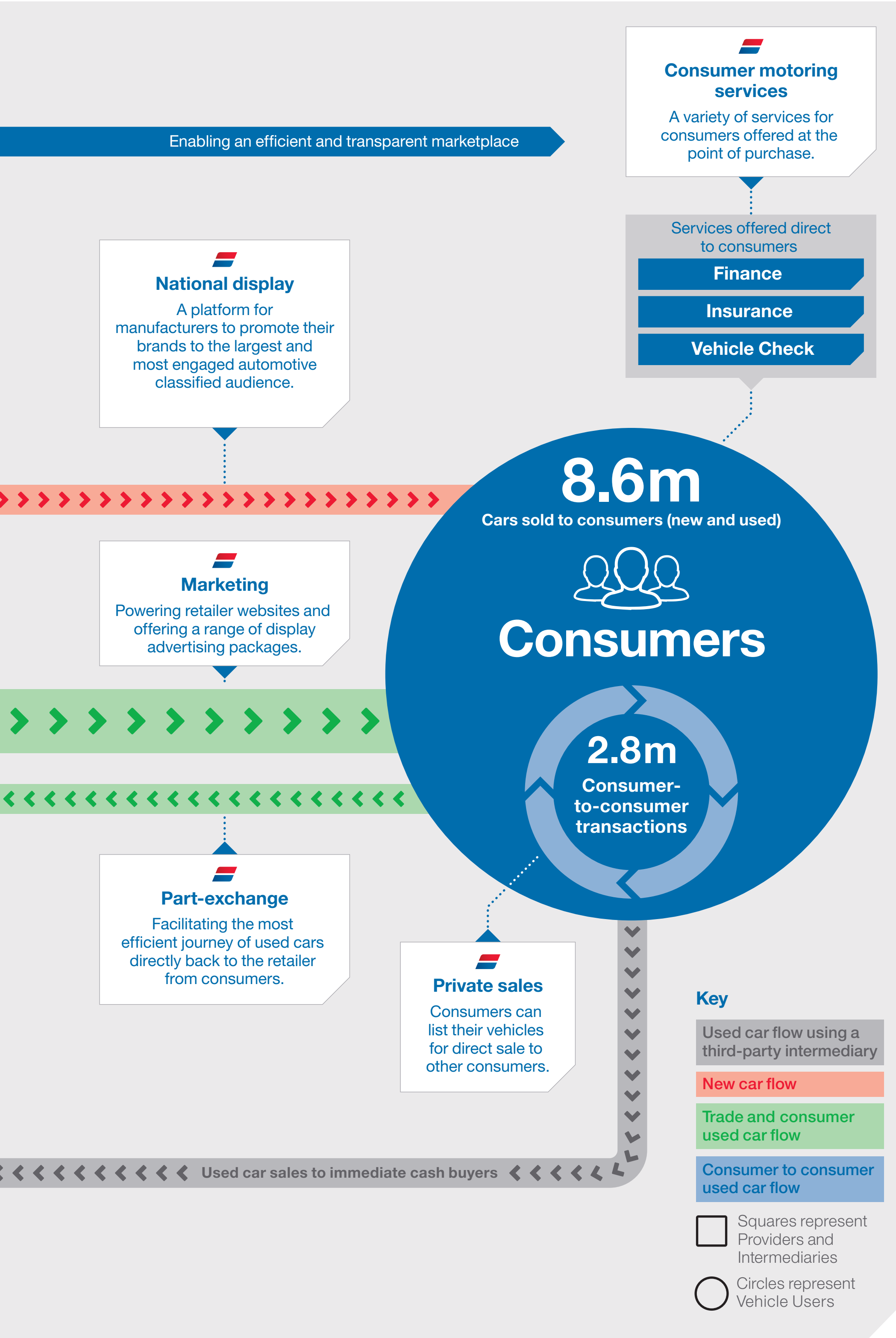


UK car marketplace

There were over 10 million car transactions in the year to March 2016 of which 27% were brand new registrations from the manufacturers to a combination of consumers, fleet and lease companies and direct to businesses. According to IDC[1], manufacturers spend £1.5 billion advertising their brand in the UK but only a small proportion of this is online, despite online being a key influencer in the purchasing decision.

New cars are typically traded in after a three to four year period, entering a cycle between retailers, consumers and third-party intermediaries. Greater prominence of finance in new car transactions is reducing the time lag from new to used. These used car transactions make up 73% of the market and this is where our role is currently most prominent.

With the largest and most engaged classified automotive audience, we help anyone listing a vehicle to connect with potential buyers. Our audience and volume of vehicles and retailers also mean we have the largest source of automotive classified data in the UK, which we believe we can use to better connect buyers and sellers in a more efficient marketplace.

Although the diagram focuses on UK cars,our other markets (bike, truck, plant, farm, motorhomes and caravan markets, and Ireland) operate in a similar way.

Outlook

Despite the continued likelihood of low interest rates, we note other commentators who anticipate that new car volumes will start to plateau in 2016 now that they have exceeded pre-recession levels. However, we expect used car transactions to continue to grow on the back of the new car strength over the last four years.

The evolving nature of the consumer buying journey, driven by new technologies, continues to enhance the relevance of digital platforms. This creates continued opportunity for us to develop products and tools for retailers and innovative solutions for consumers to enhance the car buying and selling experiences and to increase efficiency and transparency in the marketplace. There is also still a significant opportunity to prove the value and relevance of our marketplace with manufacturers who currently spend only a small proportion of their annual budgets on digital marketing.

1 International Data Corporation ('IDC') research 2014.

Leading the way by harnessing consumer insight

Auto Trader receives c.48 million cross platform visits each month, and lists on average over 437,000 cars for sale at any one time, which gives us an unrivalled view of the automotive marketplace. We use this data, coupled with insights derived from regular consumer research we conduct, to understand how consumer behaviour impacts the automotive landscape and therefore what this means for our retailer customers.

Consumers now spend around 11 hours online researching their next vehicle[1]. Auto Trader is the primary destination in their search followed by a dealer's own website. So the digital forecourt is now key for retailers to attract consumers to buy their cars. But how should they do this? What makes an advert stand out online? How can they increase their stock turn?

These and other topics are covered by our Retailer Education and Insight team who established a programme designed to help retailers navigate the changing digital automotive landscape.

The Retailer Education and Insight team's programme comprises videos, webinars and regional masterclasses, as well as presenting at industry-wide conferences and bespoke retailer conferences – in 2016 alone, the team reached over 17,500 representatives from the retailer community.

1 Auto Trader research conducted with GfK in January 2016 – Annual Buying Behaviour Report.

Case study

Retailer Education and Insight Programme

"I found the course excellent and very informative. The number one thing I have taken away is just how much the game is changing and how much I need to keep on top of this to be a major player for now and the future. With all this technology now moving so fast, you either move with it or clearly will get left behind. Thanks for an excellent course and I look forward to more training and seeing you and your great team in the future."

Russell Paul Webborn
PC Autos
attended a masterclass

"Thanks again for today, it really was a great, informative day and I believe it has truly inspired everyone. By the time we arrived back in the office I had more images of cars which I have attached for you to take a look at (already you can see such a huge improvement) and I had an email in my inbox asking for a poster to be designed offering a free phone charging point. Great to have everyone on board and with such enthusiasm which could only have ever been achieved from such a fantastic presentation."

Victoria Lyle
SERE Ltd
attended a bespoke retailer conference

>80%
of all minutes spent on automotive classified websites are spent on Auto Trader

>17,500
representatives from the retailer community reached by the Retailer Education and Insight Programme

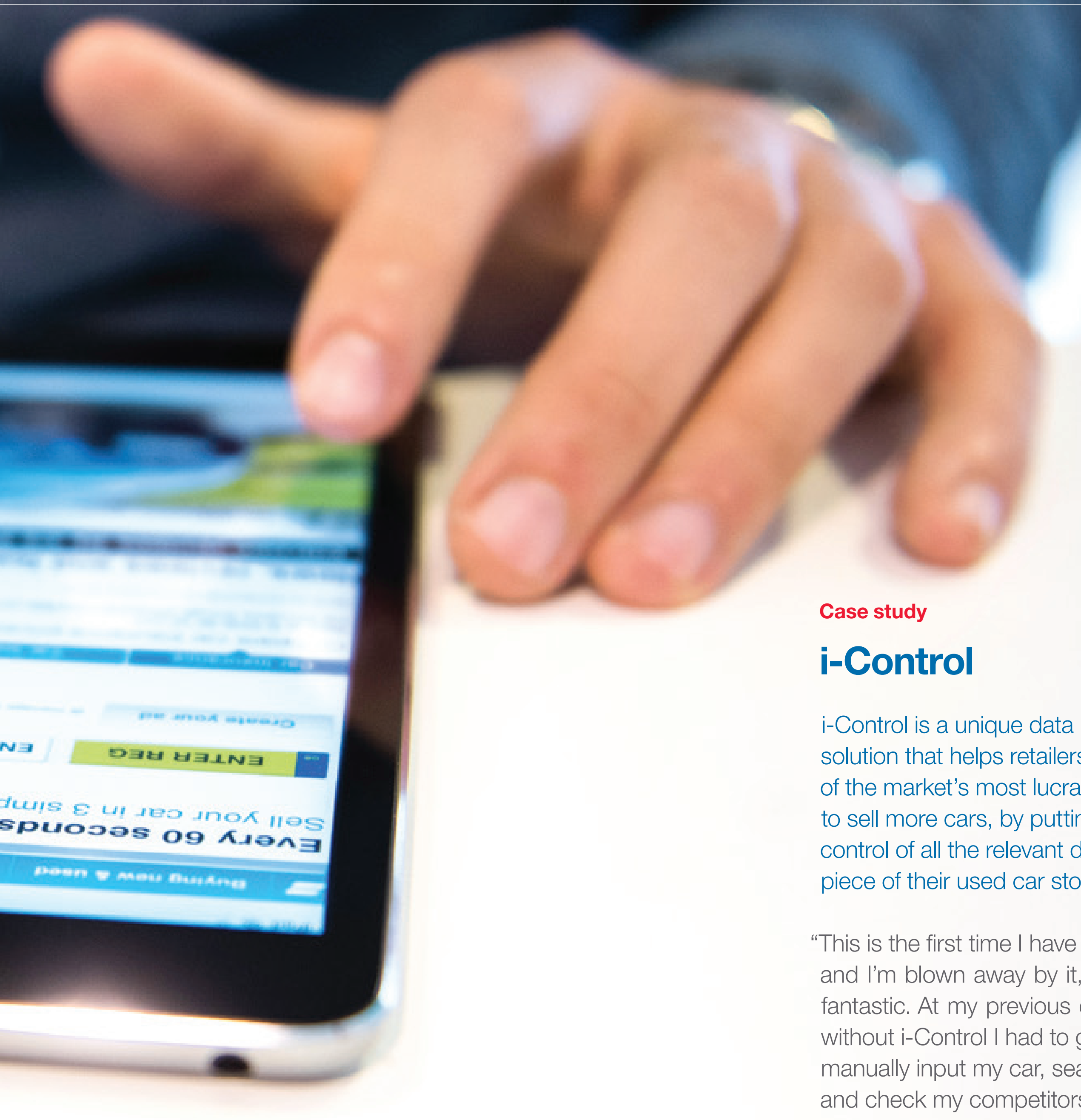
Read more in Our strategy on page 17

Leading the way by leveraging the power of our data and valuations

Our strategy is underpinned by leveraging the power of our data to improve the process of buying and selling vehicles through the application of digital technologies, ensuring the consumer experience is as smooth as possible and that retailers gain maximum value from the marketplace.

Our customers operate c.13,500 forecourts, over 1,900 of which currently use products in our Managing Pillar: i-Control and Retail Check. These are data driven products designed to help retailers buy the right vehicle at the right price, in order to optimise stock turn. This data is also a key driver of our consumer valuations tool on site.

Around 13.7 million consumer valuations and 30.1 million trade valuations were conducted in the year to March 2016 as consumers look to find out what their car is worth in a part-exchange or private sale, as well as what price is required to secure their new car of choice, from either a trade or private seller.



Case study

i-Control

i-Control is a unique data intelligence solution that helps retailers take advantage of the market's most lucrative opportunities to sell more cars, by putting retailers in control of all the relevant data on every piece of their used car stock.

"This is the first time I have used i-Control and I'm blown away by it, I think it's fantastic. At my previous employers, without i-Control I had to go to Auto Trader, manually input my car, search my region, and check my competitors' prices before updating my ads. Now I am able to filter independent dealerships out of my search, allowing me to compare my prices with my actual competitors' quickly and effectively."

Matthew Bavin
Pentagon Lincoln

>1,900
customers currently using i-Control

13.7m
valuations conducted by consumers this year

Read more in Delivering on our priorities on pages 20 to 23

“Even in a culture that welcomes change like Auto Trader’s, this has been a truly landmark year.”

Trevor Mather
Chief Executive

7.5%
Growth in advert views

£1,384
ARPR up 10.5%
(2015: £1,252)

Even in a culture that welcomes change like Auto Trader's, this has been a truly landmark year. In our first year as a listed company, we have significantly increased both the consumer audience that visits our marketplace and their engagement on our sites. We have substantially increased the value we deliver to vehicle retailers and continued the transformation of the way in which we manage our customer relationships. Whilst doing this, we have delivered an outstanding performance, improving our revenue and Underlying operating profit to levels that exceeded initial expectations.

Summary of operating performance

Our operating results reflect an excellent year for the business. Revenue growth of 10% was achieved through the positive contribution of all three of our revenue streams: trade, consumer services and display advertising.

Trade

In trade, we increased the value delivered to our customers through a greater number of cross platform visits, and higher levels of consumer engagement, resulting in 7.5% growth in advert views – the equivalent of an extra six vehicles being viewed every second on the marketplace.

Consumers spent over 676 million minutes a month on our site (March 2016) compared to 458 million a year previously. Our share of minutes spent on automotive digital classifieds rose to 85% (2015: 76%)[1].

Beyond the increased levels of response, we have further embedded the use of data driven products which aim to improve the day-to-day operational efficiency within our retailers' businesses. Market conditions were buoyant, resulting in an increased number of transactions. This helped to increase the number of cars listed on our site as did a modest growth in average retailer forecourts to 13,514. Those contributing factors helped drive Average Revenue per Retailer ('ARPR') 10.5% higher to £1,384 per month.

Consumer services

Growth in consumer services of 4% was pleasing in light of the increasingly competitive nature of this sector, aided by our motoring services products (offered to consumers at the point of purchase) which saw growth similar to the previous year.

Display advertising

A strong display advertising performance continued the momentum from the previous year, with revenue up 23%. Improved relationships with agencies, combined with new, improved advertising formats, in particular homepage takeovers, were the main drivers of this growth.

Operating efficiencies

We seek to be as lean as possible and to enable our teams to be as productive as they can be, which generally requires fewer, but better paid people. This year we reduced our headcount (including contractors) from 915 to 859.

Our marketing spend grew to £15.7m – an increase of 2% above last year, well below our revenue growth of 10%. This moderate increase enabled us to drive all of our brand and audience initiatives, including the continuance of our 2015 brand-led campaign on TV, video on demand and online, and the introduction of a new marketing campaign focused on our online valuation tool, new part-exchange product and discovery search functionality (see overleaf for more details). Other costs and capital expenditure were in line with expectations.

Revenue growth, coupled with lower costs, delivered a 5 percentage points improvement in Underlying operating profit margin to 61%.

Our strategy

Our strategy is to provide the UK and Ireland's leading digital automotive marketplace and help improve the process of buying and selling vehicles for consumers and retailers alike. Critical to this are a smooth online experience for consumers and the provision of data driven intelligence for vehicle retailers.

1 comScore MMX MP March 2016 data.

Investing in innovation

Over the past year we have continued to innovate, in particular through exposing the key insights from our massive data sources.

There are over 80,000 variations of make and model of cars available to buy in the UK. Even for confident buyers, this is a bewildering choice. To help consumers decide which car they want to buy, this year we introduced a new way of searching for vehicles – 'discovery search' – which allows a buyer to search for cars if they don't know the make or model they want, e.g. by the number of seats, fuel type or on price alone. Additionally we now have over 700 expert reviews of vehicles (an increase of 20%), which have received over eight million page views this year, and over 45,000 owner reviews on site, helping consumers compare and choose. These innovations have improved the value we provide to consumers.

Part-exchange is the most efficient way for retailers to acquire stock. Our research shows that 81% of consumers[2] said they would be more likely to consider part-exchange if they could get a trusted price online for their car before turning up at the dealership. In order for us to help our retailers win in the marketplace and ultimately make the industry more transparent and more efficient, we launched a new part-exchange tool last year. Over 60% of all classified retailer adverts now feature the part-exchange tool.

Consumers conducted 13.7 million valuations on Auto Trader during the year, an increase of 38% from the previous year, receiving a real time retail value for their car. There were also 30.1 million trade valuations conducted (2015: 23.8 million) as we focus on embedding the insight we have into valuations across the marketplace, so they become the benchmark for both consumers and retailers.

Putting data at the core

We have continued to develop our data driven products to help retailers manage their forecourts effectively in order to optimise their margin and stock turn, with over 1,900 forecourts now using them. We continue to develop these tools and believe more retailers will take advantage of these products.

Findings from Auto Trader's Annual Car Buying Report found that of those consumers looking at classified sites in the new car buying process, 85% used Auto Trader and 48% said Auto Trader was the most influential source – twice as much as the nearest website[3]. To capitalise on this opportunity, we launched new bespoke branded content solutions so that manufacturers could use new formats and editorial partnerships to reach these car buyers. We have also innovated the format of the advertising we offer, including native adverts on mobile platforms, and have combined these with a data driven targeting solution powered by a new data management platform, allowing vehicle manufacturers to put their brand in front of the most relevant consumers at every stage in the car buying journey. This, coupled with our new branded content solutions and advertising formats, provides a compelling proposition for manufacturers.

We focus on assisting media agencies to drive better return on investment for their clients from their marketing and on helping to improve the effectiveness of their retailer relationships.

Enhancing our organisational structure

With the transition from print to digital complete, the last year has been one of greater organisational continuity than in previous years. However, we continue to make significant changes to improve our relevance to our market.

Firstly, we brought together our audience acquisition and brand marketing functions to ensure that those who were responsible for growing our audience were also responsible for ensuring that that audience was engaged.

Secondly, we have merged our retailer and consumer product teams, who now follow an end-to-end, test and learn product development approach. Across the business, we release over 50 software updates every week.

Thirdly, we transformed our sales and service functions, integrating them together, and implemented a new 'Challenger' sales model across the organisation, which we believe will help us deliver the strategic consultancy relationship we strive for with our retailer customers.

The commitment and enthusiasm of our people are vital to our continued success, and 97% of employees have said that they would recommend Auto Trader as an employer[4].

Outlook

The new financial year has started well. Based upon having the largest consumer audience, healthy relationships with our retailers, a robust car buying market, and a modest cost base decrease, the Board is confident of further growth in the coming year.

Trevor Mather
Chief Executive
9 June 2016

2 Auto Trader's Market Report research surveyed 5,000 consumers in December 2015.
3 Auto Trader's Annual Buyer Behaviour Report 2016 in conjunction with GfK.
4 According to Glassdoor, the UK's fastest growing jobs and recruiting site.

Our mission is to lead the digital future of the UK automotive marketplace

Auto Trader is a 100% digital business and we have a clear focus on maintaining our market position as the UK and Ireland's leading digital automotive marketplace for buying and selling new and used vehicles.

Strategic goals

We will simplify our business and integrate our assets

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

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

Operating priorities

1 Increase consumer audience, advert views and use of our valuation tools	The network effect model calls for the largest and most engaged audience in order to drive the most advert views and ultimately sales of retailers' stock. Offering useful services that help consumers to buy and sell easily, like the valuation tool, is essential to keep our marketplace relevant.
2 Promote trust and fairness in the marketplace	A trusted, fair and effective marketplace is core to the value we deliver to consumers, customers and manufacturers, who expect us as operator and custodian of the marketplace to ensure all participants benefit.
3 Grow ARPR in a balanced, sustainable way by creating value for our customers	ARPR is our primary driver of revenue growth so the more balanced we can be across price rises, stock listing growth, product upsell and cross sell, the more sustainable our revenue will be in the long term.
4 Extend the penetration of products outside of our core classified proposition	Leveraging our core business to meet the wider needs of retailers, helping them to remove inefficiencies and become more profitable, whilst providing Auto Trader with a material source of future revenue growth and a closer relationship with its customers.
5 Enhance our relevance and value to manufacturers	64% of car buyers use Auto Trader in their search for a new car[1]. Given £1.5 billion is spent on new car advertising by manufacturers[2] and only a very small portion is spent with Auto Trader, there is a huge opportunity to promote the relevance and value of our marketplace with this audience.
6 Operate a simpler, leaner and more data-oriented business	Making our processes and procedures more intuitive and streamlined, together with harnessing the data from our marketplace which will benefit both our customers and employees. Creating a high-performing, continuously developing business will unlock opportunities and provide a truly digital experience for all.

1 Kantar Media, The undecided car buyer research report, 2014.
2 International Data Corporation research, 2014.

Turn over the page to learn more about our business model and how we deliver on our priorities.

Generating shareholder value

Our leading digital UK automotive marketplace benefits from the network effect model whereby the largest and most engaged consumer audience generates the most effective response for our retailer and manufacturer customers who in turn provide consumers with the most comprehensive choice of vehicles.

Network effect model

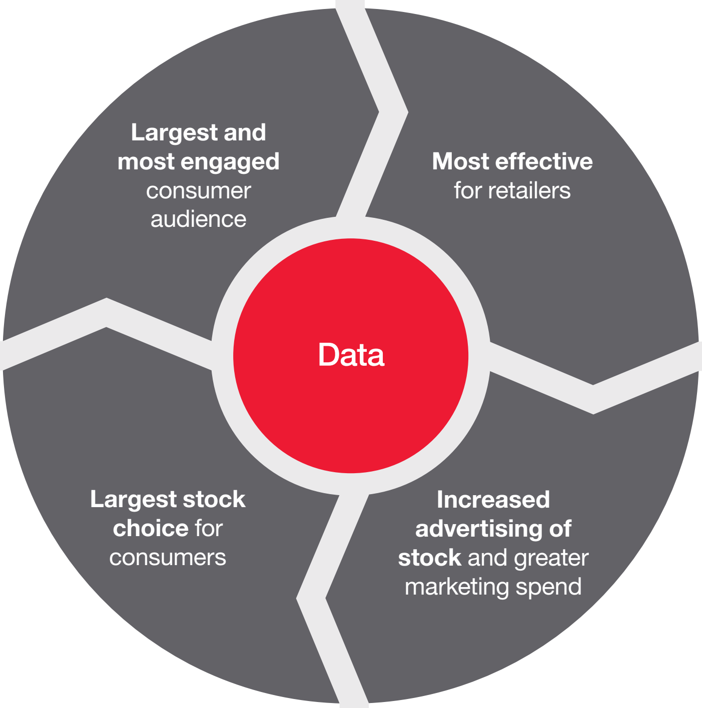
We have the largest source of automotive classified data allowing consumers visiting our marketplace to research and search for vehicles they would like to buy.

Maintaining the largest consumer audience through:

- Being a trusted brand for nearly 40 years.
- 92% of UK consumers knowing the brand and knowing what we offer[1].
- Delivering the best consumer experience.
- Easy to use web platforms that are fully mobile-optimised.
- Delivering engaging content.
- Engaging with consumers at all stages of the user journey.

Most effective for retailers through:

- Exposure to the largest and most engaged consumer audience.
- Making searching easier for the user through more filter options.
- Delivering pages with classified core specifications.
- Providing full page advert views, allowing further dialogue between consumers and retailers.
- Access to our retailer portal, allowing retailers to upload, manage and measure stock performance.



Maintaining the largest stock choice through:

- Attracting the greatest choice of makes and models, with the most manufacturers listed.
- Largest price range of cars.

Increased advertising of stock through:

- More listings.
- Greater spend to achieve more prominence on the marketplace and greater conversion of leads to sales.

1 Acacia Avenue, Independent Quarterly Brand Tracker Report, March 2016.

Read more
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Data driven product development

We adopt an agile approach to product development, placing the relevant audience at the heart of the process, and using our data to make informed decisions so that we can create valuable products and services quickly for our consumers and customers.

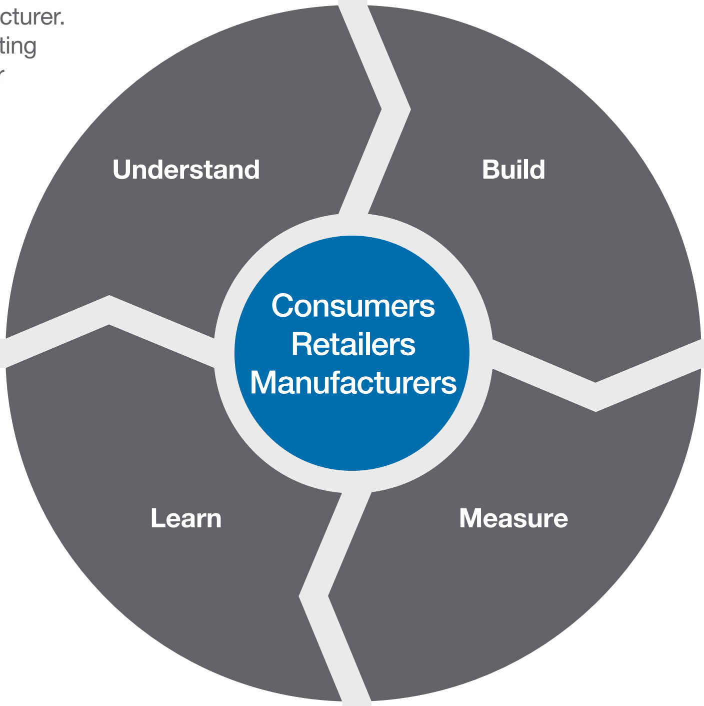
Our teams follow this process, “the Auto Trader Way”, for everything which means we can launch products quickly, improve experiences and constantly make iterative changes to ensure we constantly innovate; in fact over 50 software releases are made every week.

Understand

We start by understanding the needs of our audience, be that a consumer, retailer or manufacturer. This may be achieved by visiting sites, conducting research or gathering feedback.

Build

We then build the experience or product based on what might work or what might make the experience better and launch it to a small sample of the relevant audience.



Learn

Then, based on the learnings, we move back into the ‘Understand’ phase to assess the next challenge in the journey.

Measure

We then measure to see if the launch is having the impact we expected and that our audience expected.

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

Bringing buyers and sellers together

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

Progress during the last year:

- 6x larger than our nearest competitor in terms of minutes spent on site.
- Full page advert views rose 7.5%.
- Consumers conducted 13.7 million valuations in the year to March 2016.

Protecting consumers and customers

2 Promote trust and fairness in the marketplace

Progress during the last year:

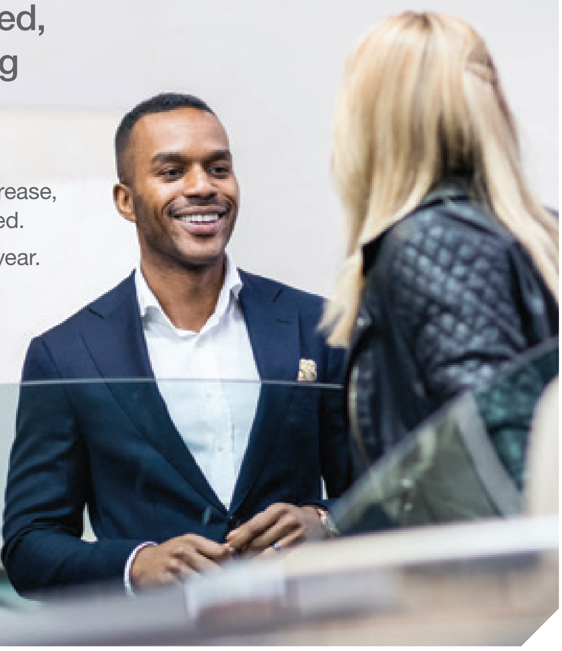
- Forced removal of adverts that deliberately misled consumers.
- Mandated disclosure of category C and D vehicles in our search results.
- Continued to harmonise retailer pricing structures towards complete consistency.

Creating value for customers

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

Progress during the last year:

- All retailer customers received a price increase, linked to the value of the products provided.
- Increased average stock on site year-on-year.
- Sales and service teams better equipped to upsell more effectively as a result of new "Challenger" training approach.



Be broader in our offering

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

Progress during the last year:

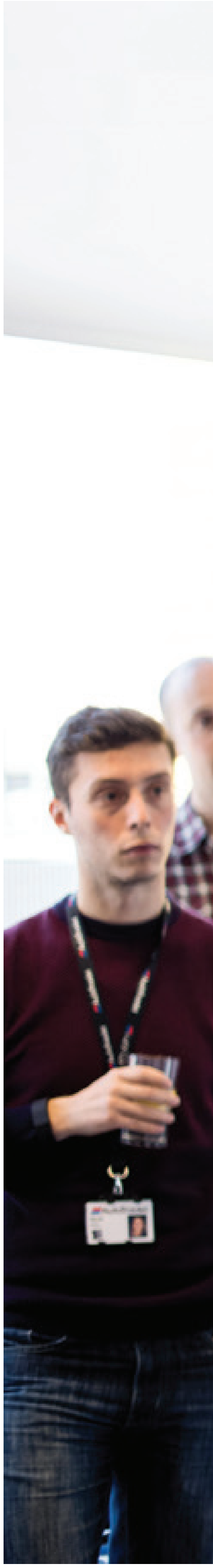
- i-Control penetration to over 1,900 forecourts.
- Retailing solutions revenue growth of 11%.
- Launched part-exchange tool to over 6,600 retailers, representing c.60% stock listings.
- Submitted an application to the FCA for approved introducer authorisation.

Opportunity for growth

5 Enhance our relevance and value to manufacturers

Progress during the last year:

- Launched new creative solutions and advertising formats to manufacturers.
- Coordinated consistent, locally targeted brand advertising across manufacturers and franchised networks.
- Increased total display spend by manufacturers by 31%.



Data-oriented strategy

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

Progress during the last year:

- Migrated 71% of retailer forecourts onto new billing system, Singleview.
- Developed the "Auto Trader Way" methodology to standardise the approach to product development, placing data at the heart of everything we do.
- Re-structured our organisation to ensure our teams could operate collaboratively, share knowledge and skills in an agile manner.

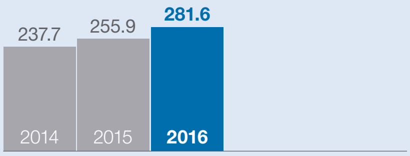
Financial performance KPIs

We use the metrics below to track our financial performance.

Revenue

£m

+10%



Operating priorities

1 2 3 4 5 6

Definition

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

Progress

Revenue increased by 10% driven by a 10% increase in trade revenue; growth in both volume and yield in consumer services and display advertising revenue. Refer to the Financial review for further detail on each revenue stream.

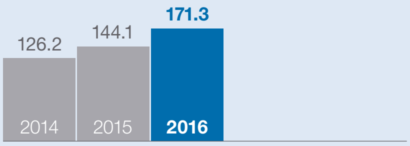
Risks

1 2 3 4 5 6

Underlying operating profit

£m

+19%



Operating priorities

1 2 3 4 5 6

Definition

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

In 2014 Underlying operating profit was calculated less capitalised development spend (excluding expenditure incurred on building the Singleview order to cash billing system).

Progress

Underlying operating profit increased by 19% reflecting the Group's revenue growth and close cost control.

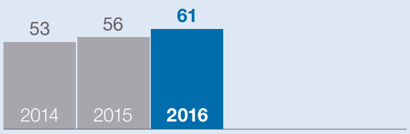
Risks

1 2 3 4 5 6

Underlying operating profit margin

%

+5% pts



Operating priorities

1 2 3 4 5 6

Definition

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

Progress

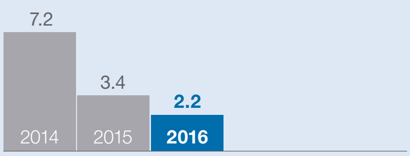
The Group's focus on operating efficiency and cost control resulted in a 5 percentage points increase in underlying operating profit margin to 61%.

Risks

1 2 3 4 5 6

Leverage
Times (x)

(1.2x)



Operating priorities

1 2 3 4 5 6

Definition
Leverage is net external debt (gross indebtedness, not including shareholder loan notes, less cash and cash equivalents) as a multiple of Adjusted underlying EBITDA[1].

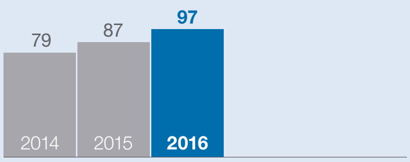
Progress
Due to the Group's operating cash flow generation combined with reduced interest charges, £147m of the Group's term loan was repaid, which resulted in leverage decreasing to 2.2x as at 27 March 2016.

Risks
1 2 3 4 5 6

1 Adjusted underlying EBITDA is earnings before interest, tax, depreciation, amortisation, management incentive plans, share-based payments and associated NI, exceptional items and impairments, less capitalised development spend (excluding expenditure incurred on building the Singleview order to cash billing system).

Operating cash conversion
%

+10% pts



Operating priorities

1 2 3 4 5 6

Definition
Operating cash conversion means operating cash flow[2] as a percentage of Adjusted underlying EBITDA[1].

Progress
Operating cash conversion of 97% exceeded expectations as the Group benefited from the improved trading performance and close working capital management.

Risks
1 2 3 4 5 6

2 Operating cash flow is Adjusted underlying EBITDA adjusted for movements in working capital, exceptional items and capital expenditure.

Operating priorities relevant to our KPIs

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

Read more on page 17

Risks relevant to our KPIs

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

Read more on pages 36 to 37

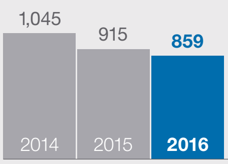
Operating KPIs

We use the metrics below to track our operational performance.

Number of full-time employees ('FTEs')

Average number (including contractors)

(6.1%)



Operating priorities

1 2 3 4 5 6

Definition

The measure of an FTE is the number of hours worked to constitute working on a full-time basis. If an employee works on a part-time basis they are taken as the pro-rated decimal in this calculation. Number of FTEs is reported internally each calendar month, which includes contractors, with the full year number being generated from an average of those 12 time periods.

Progress

People are an essential asset and attracting, retaining and developing that talent is at the core of our operational thinking. We also have a consistent drive to operate in a lean and flat structure, which upholds simplicity over complexity and has been the reason behind the 6.1% reduction in 2016 to 859 (including five contractors, 2015: 17 contractors).

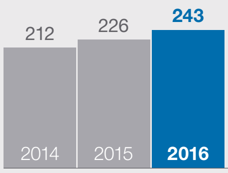
Risks

1 2 3 4 5 6

Advert views

Average number per month (million)

+7.5%



Operating priorities

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

7.5% growth in advert views was good progress against 6.6% in 2015. In the year we delivered 2.9 billion of these virtual inspections, which means there was an average of 93 vehicles per second being viewed through an advert view.

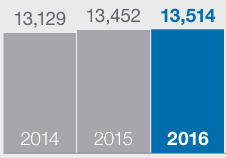
Risks

1 2 3 4 5 6

Number of retailer forecourts

Average number per month

+0.5%



Operating priorities

1 2 3 4 5 6

Definition

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

Progress

We expected marginal growth in 2016 and that was largely what we saw with 0.5% year-on-year uplift. Whilst barriers to entry have come down with the evolving online consumer journey, we have seen where customers have struggled because of that evolution. There has also been higher levels of consolidation of ownership in the franchise segment than seen in the previous three to four years, although the impact so far on forecourts has been negligible. It is worth noting that the 2.5% growth seen in 2015 was disproportionate as the previous method for billing made it advantageous for customers to combine sites to receive a discount, which was unwound in 2015.

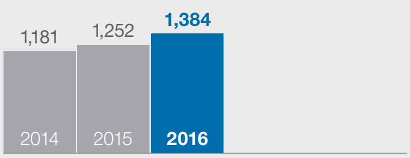
Risks

1 2 3 4 5 6

Average Revenue per Retailer ('ARPR')

£ per month

+10.5%



Operating priorities

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 number of retailer forecourts in the month.

Progress

On the back of the added value we have driven to our retailers, we have surpassed expectations in terms of ARPR growth which was a key determinant in overall revenue performance. This added value was reflected in more advert views, more consumer visits and greater consumer engagement, which also helped us deliver our rate changes in a more effective way. We implemented some changes internally that helped improve trust and transparency in the market and changed how we work with our customers that had a positive impact on ARPR. In conjunction with our messaging about the importance of having a strong online presence, 2016 also saw a good underlying market that helped support healthy levels of stock.

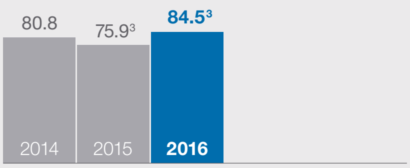
Risks

1 2 3 4 5 6

Cross platform minutes

Share of automotive classified minutes taken in March

+8.6%



Operating priorities

1 2 3 4 5 6

Definition

Share of cross platform average minutes spent on automotive classified sites. For all three years the comparison includes Motors.co.uk, RACcars.co.uk, ebay Motors UK, Gumtree.com motors, Vcars.co.uk, Exchangeandmart.co.uk, Trusteddealers.co.uk and Pistonheads.com.

Progress

This year we have widened the competitor set so that it includes editorial and research sites[3], which is an area we're developing. The 2015 comparative has been restated, however as data was not available for 2014, this figure has not been restated. Due to this change, we saw a drop in 2015 but have since seen our share grow and maintained our goal of exceeding 80% of that share.

Risks

1 2 3 4 5 6

3 In March 2016 we widened the competitor set to also include Autoexpress.co.uk, TopGear.com, Parkers.co.uk, Whatcar.com, Carwow.co.uk and cargurus.co.uk. The data is just taken for the month of March in the three years presented above. Data is provided by a third-party, comScore MMX.

Operating priorities relevant to our KPIs

1. Increase consumer audience, advert views and use of our valuation tools
2. Promote trust and fairness in the marketplace
3. Grow ARPR in a balanced, sustainable way by creating value for our customers
4. Extend the penetration of products outside of our core classified proposition
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Read more on page 17

Risks relevant to our KPIs

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

Read more on pages 36 to 37

"2016 saw another year of growth in cash generation with operating cash flows from continuing operations 30% higher at £177.0m."

Sean Glithero
Finance Director

£177.0m
Operating cash flows
(2015: £135.8m)

£135.3m
Reduction in net external debt to £392.6m
(2015: reduction of £449.9m to £527.9m)

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Revenue

In 2016, revenue grew by 10% to £281.6m (2015: £255.9m). Growth in Retailer revenue was the main contributor to overall growth aided by continued improvement in Display advertising revenue.

	2016 £m	2015 £m	Change
Retailer	**224.5**	202.1	11%
Home Trader	**11.5**	10.3	12%
Other	**0.4**	2.4	(83%)
Trade	**236.4**	214.8	10%
Consumer services	**30.3**	29.0	4%
Display advertising	**14.9**	12.1	23%
Total	**281.6**	255.9	10%

Trade revenue increased by 10% to £236.4m (2015: £214.8m) with Retailer revenue growing by 11% year-on-year to £224.5m (2015: £202.1m). Revenue generated from the Selling Pillar of classified advertising products increased 11% to £200.0m (2015: £180.1m) representing 89% of total retailer revenue (2015: 89%).

The majority of revenue growth was achieved through an improvement in monthly ARPR which rose 10.5% to £1,384 (2015: £1,252). Next year high single digit growth in ARPR is expected.

Whilst the average number of retailer forecourts per month was similar to last year at 13,514 (2015: 13,452), we have strengthened our position with franchise groups whilst consolidating the gains made in the previous year in our independent retailer customer base. This has been achieved against a backdrop of consolidation of ownership in the industry and therefore we expect retailer forecourts to remain stable again next year.

The £132 increase in monthly ARPR was achieved from all four of Auto Trader's growth drivers: stock, price, cross sell and up-sell.

Across all vehicle segments the increase in paid-for stock listings accounted for 44% of the ARPR increase, with the average number of listings of vehicles on autotrader.co.uk increasing year-on-year due to continued buoyancy in the automotive market, retailers increasingly recognising the value of advertising all of their vehicles on our marketplace and operational improvements to help retailers list their stock of vehicles more easily. The implementation of a new billing system and a focus on rate harmonisation also helped to remove past allowances and discounts between paid-for and listed units of stock.

Price increases accounted for 31% of the growth in ARPR as we implemented rate changes linked to the value provided as well as continued harmonisation of rates to address legacy arrangements and anomalies.

Cross sell of retailing solutions products contributed £15 to ARPR growth, diluted slightly by the decision to terminate a number of low margin products where we acted as a reseller. Cross sell growth of 11% was mainly driven by continued increases in the number of retailer forecourts that are using our data products, now around 1,900 retailer forecourts (2015: around 1,100).

Home Trader revenue increased 12% to £11.5m (2015: £10.3m) underpinned by a buoyant market and launches of a number of new, higher yielding packages which resulted in both increased volumes and yield. Other revenue fell £2.0m with the closure of our manufacturer website business, 2nd Byte, in June 2015.

Consumer services revenues increased 4% to £30.3m (2015: £29.0m). Private revenue grew faster than in previous years despite an increasingly competitive market, growing 4% to £23.3m (2015: £22.5m). Whilst we benefited from a greater proportion of our customers opting to take higher yielding premium packages to increase the prominence of their advert, we also saw strong volumes, particularly in the second half of the year. Increased audience growth enabled us to deliver more leads to our partners resulting in an 8% growth in motoring services revenue to £7.0m (2015: £6.5m). Overall we anticipate consumer services revenue will continue to grow moderately.

Display advertising revenue increased by 23% to £14.9m (2015: £12.1m). An increase in average yield resulted from a greater demand for premium and bespoke products, with manufacturers and their agencies recognising the value in reaching our audience. Homepage takeovers increased in volume by over 75% in the year. Premium products accounted for 69% of revenue, up 3 percentage points on the previous year. Looking ahead to the opportunities the Group has in this area, the expectation is for continued revenue growth at recent levels.

Underlying operating profit

Underlying operating profit increased by 19% to £171.3m (2015: £144.1m) with Underlying operating profit margin improving by 5 percentage points to 61% (2015: 56%).

The Group reports non-underlying items in the income statement to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. These include exceptional items, IFRS 2 charges in respect of share-based payments (and associated NI) and costs related to management incentive schemes linked to the previous private ownership of the Group.

In order to provide comparability of results from period to period, and with listed peer companies, the Directors consider Underlying operating profit to be the most appropriate indicator of the performance of the business.

Adjusted underlying EBITDA was previously used to reflect the underlying performance of the business as it reflected both the impact of non-underlying items and the change in approach to technology development implemented in September 2013. This resulted in less of the Group's expenditure on internal development salaries meeting the requirements for capitalisation. As this approach to technology development has been consistent in both the current and prior periods, there is no need to make an adjustment for the change in approach to technology development. Adjusted underlying EBITDA continues to be used to calculate two of the Group's key performance indicators: cash conversion and leverage; the former in order to be consistent with past reporting and the latter to match the definition of leverage in the Group's Senior Facilities Agreement.

In its first full year as a listed company, the Group has implemented a Share Incentive Plan ('SIP'), its first Sharesave plan ('SAYE') and a Performance Share Plan ('PSP'). As the Directors intend to implement additional PSP schemes in the future, the share-based payment charge is likely to increase year-on-year until a steady state of three PSP schemes is reached. Therefore, the Directors consider it appropriate to make an adjustment for IFRS 2 charges and the associated national insurance costs until the steady state is reached, most likely in 2018.

Management incentive plans and share-based payment schemes implemented under the previous private ownership have been disclosed as non-underlying in the prior year.

The table below provides a reconciliation from operating profit to Underlying operating profit and to Adjusted underlying EBITDA.

	2016 £m	2015 £m
Operating profit	**169.6**	133.1
Share-based payments and associated NI	**2.5**	3.7
Management incentive plans	**–**	1.9
Exceptional items	**(0.8)**	5.4
Underlying operating profit	**171.3**	144.1
Depreciation and amortisation	**10.6**	12.5
Adjusted underlying EBITDA	**181.9**	156.6

Underlying administrative expenses (defined as administrative expenses before share-based payments and associated national insurance, management incentive plans and exceptional items) reduced by 1% to £110.3m (2015: £111.8m) as the business continues to realise operating efficiencies.

People costs comprise staff costs of £51.1m (2015: £50.3m) and third-party contractor costs of £0.4m (2015: £1.4m). Redundancy and staff related restructuring costs are also included in people costs, other than those classified as exceptional items. Overall, people costs decreased by £0.2m to £51.5m (2015: £51.7m) with the full year effect of the office centralisation project leading to a 6% decrease in average FTEs (including contractors) to 859. Further large scale restructuring is not expected in the foreseeable future so changes in FTE levels will be more organic and steady rather than the step changes we have seen in the past. The decrease in people costs resulting from reduced FTE levels was offset in part by an increase in the average cost per FTE as we continue to recognise the importance of attracting and retaining high calibre employees who are fluent in digital.

Targeted marketing campaigns together with a shift towards product advertising contributed to audience growth in the year with cross platform visits up 3% to 47.9m supported by marketing spend 2% higher. However, spend as a proportion of revenue fell in the year to 5.6% (2015: 6.0%).

Depreciation and amortisation decreased by 15% to £10.6m (2015: £12.5m) as past development costs became fully amortised in the year.

With our cost base well under control and further reduction in depreciation and amortisation, we expect total underlying administrative expenses to continue to decline modestly next year and our Underlying operating profit margin to improve further.

Share-based payments

The Group has implemented a number of share schemes during the year and, in accordance with IFRS 2, has recognised a non-cash charge of £2.3m. National insurance costs of £0.2m have been accrued, where applicable, on the potential employee gains on share-based incentives granted.

In April 2015, all eligible employees were offered free shares under the SIP, valued at £3,600 each at the time of the award, and the Company also implemented a SAYE scheme for the benefit of Group employees with the grant made in September 2015. In June 2015, the Executive Directors and a number of senior management were granted nil cost options under the PSP.

The implementation of additional PSP schemes in the future, combined with implementation of the SAYE scheme only part way through 2016, means that the charge for share-based payments is likely to at least double in financial year 2017.

Exceptional items

In the previous year, the Group centralised into two offices and made provisions for future lease and dilapidation costs for a number of offices which were vacated. Following an initiative to exit these properties early, and to secure cash discounts where possible, the Group has successfully ended its commitment on seven properties in the period at a cost below that originally anticipated. As a result, an exceptional credit of £0.8 million has been recognised in the income statement following the release of provisions no longer required.

Profit before tax

Profit before tax increased to £155.0m (2015: £10.9m) reflecting the reported Operating profit performance whilst net finance costs decreased by £107.6m to £14.6m (2015: £122.2m). The substantial reduction in finance costs was the result of non-recurrence of a significant exceptional item and the change in capital structure in the previous year that allowed the Group to operate with a lower level of less expensive debt.

Taxation

The Group tax charge of £28.3m represents an effective tax rate of 18% (2015: 22%) which is lower than the average standard UK rate of 20% (2015: 21%). The principal reason for the difference was the release of a £2.0m historic current tax provision that is no longer required.

Earnings per share

Basic earnings per share from continuing operations was 12.67 pence (2015: 0.85 pence).

Adjusted basic earnings per share from continuing operations increased to 12.86 pence (2015: 4.12 pence). The table below shows the effect on the Group's earnings from continuing operations of share-based payments and associated NI, management incentive plans and exceptional items.

Continuing operations	2016 £m	2015 £m
Profit from continuing operations	**126.7**	8.5
Share-based payments and associated NI	**2.5**	3.7
Management incentive plans	**–**	1.9
Exceptional items	**(0.8)**	5.4
Exceptional finance cost	**–**	29.4
Tax effect	**0.2**	(7.7)
Total adjusted profit from continuing operations	**128.6**	41.2
Weighted average number of ordinary shares in issue (assumed to be shares in issue at 29 March 2015 year end for the comparative period) (millions)	**1,000**	1,000
Adjusted earnings per share from continuing operations	**12.86p**	4.12p

Cash flow and net external debt

2016 saw another year of growth in cash generation with operating cash flows from continuing operations 30% higher at £177.0m (2015: £135.8m), resulting in cash conversion of 97% (2015: 87%).

	2016 £m	2015 £m
Underlying operating profit	**171.3**	144.1
Depreciation and amortisation	**10.6**	12.5
Adjusted underlying EBITDA	**181.9**	156.6
Movement in working capital	**2.5**	(1.9)
Exceptional items (excluding IPO costs)	**(4.3)**	(9.8)
Continuing capital expenditure	**(3.1)**	(9.1)
Operating cash flow from continuing operations	**177.0**	135.8
Operating cash conversion	**97%**	87%

Exceptional cash outflows (excluding IPO costs) decreased by £5.5m to £4.3m (2015: £9.8m) as the restructuring and office centralisation project started in prior years were concluded. Investment in capital expenditure decreased by £6.0m to £3.1m (2015: £9.1m), as 2015 required £6.1m of fit-out costs for the new properties in Manchester and London.

Net external debt decreased in the year to £392.6m (2015: £527.9m) whilst our leverage ratio of net external debt to Adjusted underlying EBITDA decreased significantly to 2.2x, due to operating performance, improvement in cash conversion and reduced interest costs, offset by higher tax payable. During the year £147m of debt repayments were made using excess cash in order to reduce indebtedness and the cost of servicing debt.

Capital structure and dividends

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

In line with the previously stated policy, the Directors are recommending a final dividend for the year of 1.0 pence per ordinary share, which together with the interim dividend makes a total dividend of 1.5 pence per share, amounting to £15.0m. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 22 September 2016, the final dividend will be paid on 30 September 2016 to shareholders on the register of members at the close of business on 2 September 2016.

Since the end of the year, the Group has achieved net external debt leverage of circa 2.0x and so, in line with previous guidance, we expect to increase the future total annual dividend to circa 1/3 of net income. The Group will continue to invest in the business but given that our strategy is focused on organic growth, the Board's intention is to use the majority of surplus cash, after taking account of dividends, to fund a rolling programme of share buy-backs, starting imminently. The expectation is that some surplus cash will be used to further reduce indebtedness.

At the 2015 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 100,105,169 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2016 AGM and the Directors intend to seek a similar general authority from shareholders at the 2016 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 and Chapter 12 of the UKLA Listing Rules.

Sean Glithero
Finance Director
9 June 2016

Understanding and managing our principal risks and uncertainties

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth.

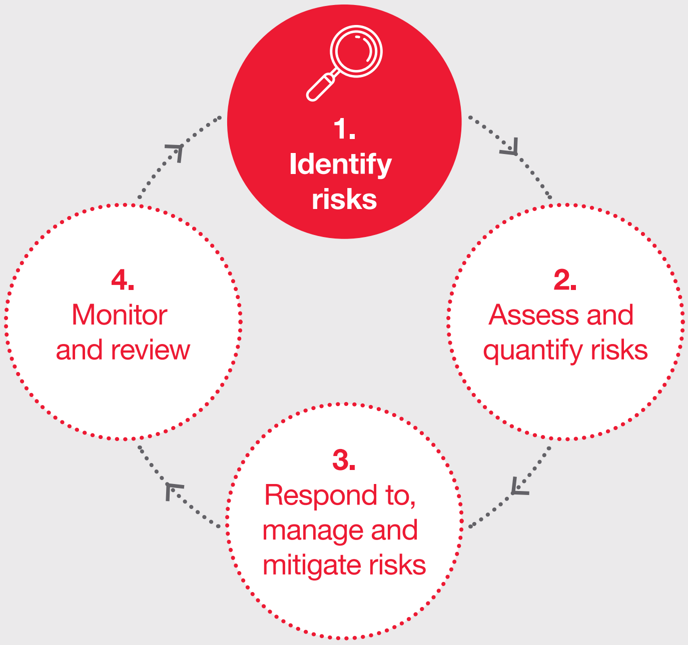
The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Group risk register was reviewed by the Board, including an assessment of the likelihood and impact of each risk and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk. Recognising the value that our people bring to the business, the risks associated with the retention of employees was elevated this year.

The principal risks and uncertainties identified are detailed on pages 36 to 37.

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. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:



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

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

- Economy, market and business environment.
- Financial and compliance risk.
- Asset risk.
- Operational risk.
- Competitive risk.
- Product specific risk.

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

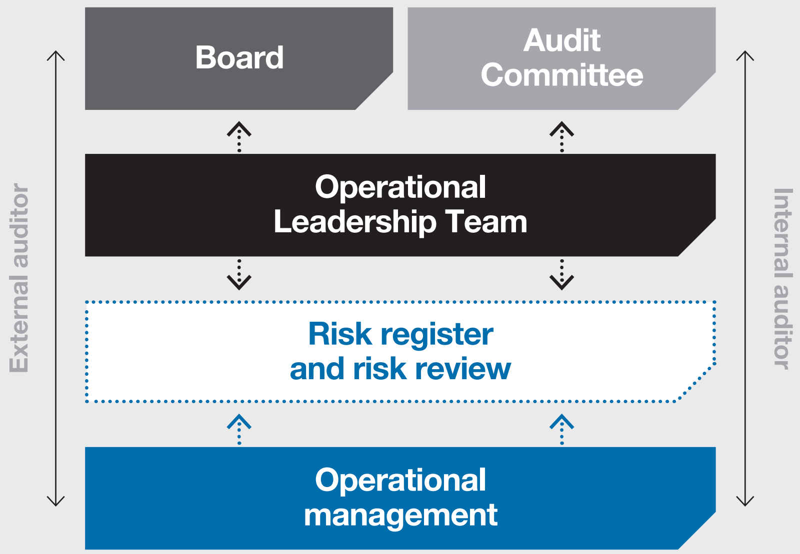
4. Monitor and review
The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme in conjunction with Deloitte.

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

Read more

Our framework

Risks are highlighted through a number of different reviews and culminate in a risk register, which identifies 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.



Risk governance and responsibilities

The Board's responsibilities	– Overall responsibility for risk management.
The Audit Committee's responsibilities	– Assess the scope and effectiveness of risk management processes and internal control systems.
Operational Leadership Team responsibilities	– Identify, assess, monitor, manage and mitigate risks and exploit opportunities; – Ensure appropriate internal controls are in place; – Ensure the risk register is properly maintained; and – Embed risk management as business as usual.
Operational management and internal controls	– Embed and manage internal controls and risk management day to day as part of business as usual.
Oversight functions and internal audit	– Aid in setting appropriate policies, provide guidance, advice and direction on implementation of those policies and monitor the first line of defence.
Additional line of defence	– External auditor.

Viability statement

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

Assessment of prospects

Auto Trader is the UK's leading digital automotive marketplace and it is the Group's clear focus to maintain this position by relentlessly focusing on improving the process of buying and selling vehicles. During the year ended 27 March 2016 the Group generated a profit before tax of £155.0m and was highly cash generative with operating cash flow from continuing operations amounting to £177.0m. Taking into account the Group's current position and its principal risks and uncertainties as described on pages 36 to 37, the Directors have assessed the Group's prospects and viability.

The strategy and business model as set out on pages 17 to 19 are central to an understanding of its prospects. These factors provide a framework for the rolling three-year plan which is developed as part of the annual budget process and reviewed by the Board to assess the Group's prospects.

The three-year timeframe for assessing both prospects and viability is considered to be appropriate due to the following:

- it is consistent with the Group's rolling three-year strategic planning process;
- projections looking out further than three years become significantly less meaningful in the context of the fast moving nature of the market; and
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models.

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

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

Detailed financial forecasts that consider profit, cash flow, funding arrangements and key financial ratios have been prepared for the three-year period to March 2019. The first year of the financial forecasts form the Group's 2017 budget and is subject to a re-forecast process at the half-year. The second and third years are prepared in detail, and are flexed based on the actual results in year one.

Assessment of viability

The Board's assessment of the Group's prospects, as described above, has been made with reference to current market conditions and known risk factors. The principal risks and uncertainties facing the Group are outlined on pages 36 to 37.

Given the Group's financial performance in 2016 and over recent years, the Board considers that the key factor which would prejudice the delivery of the Group's financial objectives is a severe weakening of Auto Trader's marketplace proposition and its leading market position. This could be caused by a loss of audience which results in a reduction in retailers and the level of stock listed on the marketplace or by a reduction in the number of retailers and stock which could then result in a loss of audience.

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

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

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 2019.

Going concern

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

Identify, evaluate and manage risks facing the Group

The principal risks and uncertainties which are considered to have a potentially material impact on the Group's long-term performance and achievement of strategy are set out in the following table. External and internal risk factors have been considered.

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.

Principal risk	Description
Macroeconomic risks	
1. Economy, market and business environment	If the UK car market contracts this could result in a reduction in new and used car transactions which could result in a reduction in the number of retailers or reduce retailers' desire to advertise their vehicles in the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising on the marketplace.
Competitive risks	
2. Increased competition	Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.
3. Brand	Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.
4. New or disruptive technologies and changing consumer behaviours	Failure to innovate and develop new technologies or products, to execute product launches and improvements or to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.
Operational risks	
5. IT systems	Failure in one system as a result of malicious attack, our own failures or those of third-party suppliers, could disrupt others and could impact the availability or performance of Group platforms and could cause reputational damage with consumers and/or customers.
6. Employee retention	Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce. Failure to do so could result in the loss of key talent.

Operating priorities relevant to our risks

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

Read more on page 17

Key mitigations	Operating priorities	Change
• Regular review of market conditions • Resilient business model	1 3	↗
• Demonstration of value to customers • Regular review of audience data • Maintain investment in products and in marketing campaigns • Resilient business model	1 3 4	↗
• Maintain investment in marketing campaigns • Clear and open culture	1 2 3 4 5	–
• Monitor audience figures and consumer functionality relative to competitors • Continuous investment in technology • Focus on retaining key developers and attracting new talent	1 3 4 5	↗
• Adherence to strict industry standards • Internal team focused on mitigating security threat • Maintenance of a business continuity plan	1 2 3 4 5 6	–
• Long-term incentive plans for key senior staff • Active succession planning and career development plans • Employee engagement surveys	4 5 6	↗

Making a difference

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

Overview

Across the business, we are led by a sense of purpose and a set of principles that foster an environment of trust, within which challenge and debate are encouraged and talent is recognised and nurtured. People are the Group's most valuable resource and the success of the Group is to the credit of all its employees; this helps drive one of our strategic priorities of building a digital culture that is values-driven, customer-focused and data-oriented.

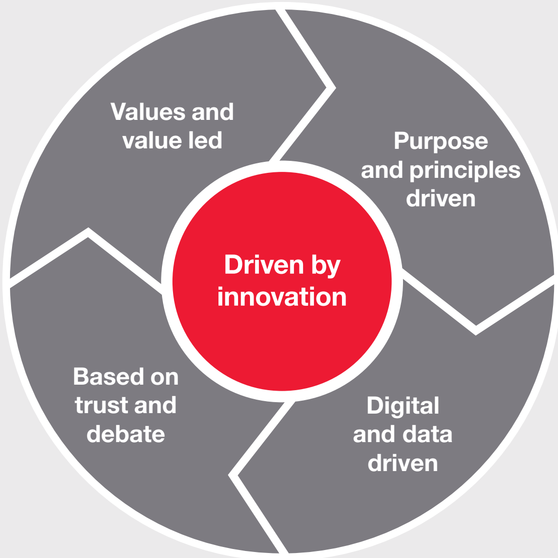
Corporate social responsibility ('CSR') at Auto Trader is driven by our values and culture and is focused on making a difference. It comprises employee engagement, people development, health and safety, environmental impact, sustainability and energy efficient operations.

Auto Trader is a responsible employer and we are keen to give back to the local communities in which we operate, as well as supporting charities and causes that are close to our employees' hearts.

The ways in which we wish to make a difference in our community are focused on four areas: employees' individual charitable efforts, customer charitable causes, local charitable support and community engagement through education and business mentoring. Auto Trader views these responsibilities as things that should be embedded in how we operate our business on a daily basis.

Our culture

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



Our values

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

Be determined

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

Be inspirational

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

Be reliable

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

Be humble

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

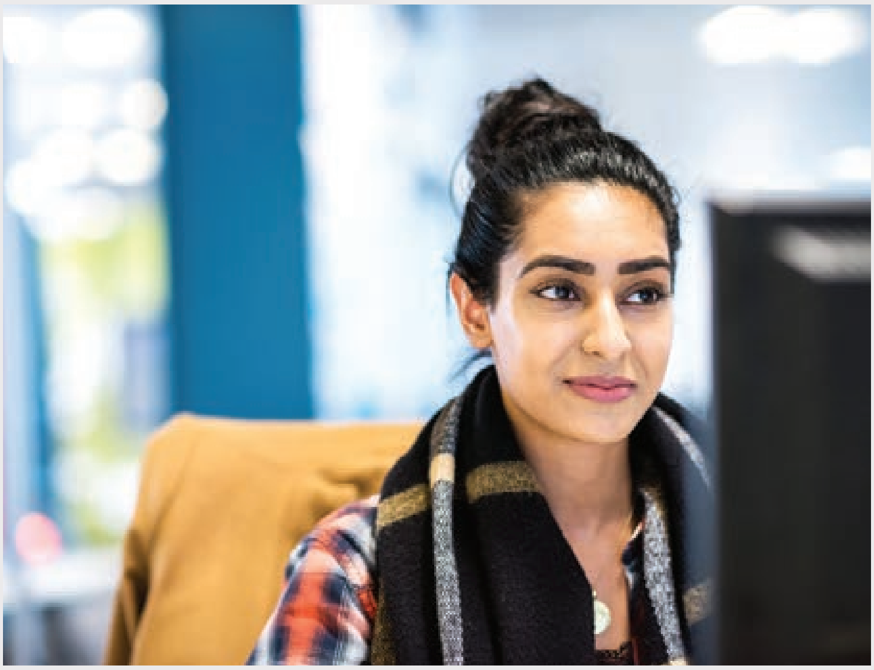
Be curious

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

Gender diversity

As at 27 March 2016	Male	Female	Total
All employees	546	301	**847**
Senior managers (being the members of the Operational Leadership Team)	9	5	**14**
Directors of Auto Trader Group plc	4	2	**6**

Employee engagement and rewards



79%

Employee engagement

Figure calculated via Culture Amp. Engagement is defined as 'The level of connection, motivation and commitment a person feels for the place they work'.

To help us achieve our mission of leading the future of the digital automotive marketplace, we have built a fast-paced culture that has innovation at its heart and is based around a strong set of core values. Our teams are focused on continually developing our site to ensure consumers get a great user experience as well as developing innovative products that will add value to our retailers.

We value our people and their opinions. We organise an annual Employee Conference and hold regular business updates throughout the year to update employees on the Group's performance and operating priorities as well as giving them an opportunity to ask questions.

Following the all-employee share incentive plan ('SIP') launched after our stock market flotation, a share save scheme ('SAYE') for the benefit of Group employees was implemented which not only recognises and rewards employees, but also promotes a culture of shared ownership.

This year the Company launched "Incredible Benefits", a new way for employees to access all the benefits offered at Auto Trader in one place, enabling them to tailor their benefits package to meet their own specific needs. As well as our Company funded benefits, we offer a wide range of voluntary benefits, including childcare vouchers, health cash plan and critical illness insurance, that are proving popular amongst our employees.

In recognition of our commitment to rewarding our employees, Auto Trader was voted number 13 in the UK for pay and benefits by Glassdoor, the UK's fastest growing jobs and recruitment platform. The Group continues to focus on its highly engaged workforce, and on attracting and retaining the most talented individuals in the market. As part of the Group's shift to a digital culture, the Group has not only been able to reduce its headcount (March 2016: 847 vs March 2015: 876) but also retain a more technology and ideas-focused team.

People development and training

Auto Trader is committed to investing in its employees through extensive training and leadership programmes that are designed to equip all employees with the necessary skills to help them perform to the best of their ability as well as to foster a culture of highly engaged employees committed to achieving the Group's mission.

We continue to deliver our three-day induction programme for all new starters that allows them to understand the core values of our business and help achieve a one team culture at Auto Trader. We have launched a "Learning Hub" which supports our people in driving their own development through a wide range of learning opportunities using masterclasses, bitesize sessions and online learning.

The Graduate, The Practical People Leader and Leadership Development Programme operate throughout the year including external away days that allow participants to fully appreciate and utilise each other's strengths and capabilities no matter where they operate in the business.

Human rights and inclusion

Human rights policy: living our values

At Auto Trader we aspire to be the UK's most admired digital business and we want that admiration to come from employees, suppliers and customers alike. Being admired is not an end in itself. But it matters because 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.

Whether you're in the workplace or away from the office on company business we all must behave professionally, ethically and legally, treating people with decency and respect.

Equal opportunities

The Group is committed to treating all of its employees and job applicants fairly and equally. It is our policy not to discriminate on the basis of 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.

Employees with disabilities

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

We are also taking part in the "Change 100" internship programme organised by Leonard Cheshire Disability offering one talented student with a disability a summer placement in our Manchester head office.

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

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

Making a difference in the community

Each year we assign a fundraising budget which allows employees the opportunity to request funds for causes that are close to their hearts. This allows us to help a wide range of organisations and offers employees a variety of ways to get involved.

Donations from Auto Trader directly to charities totalled £44,000 last year and our employees raised additional funds with fundraising activities across the year.

However, being a good corporate citizen is not just about fundraising; our community involvement policy supports employees who wish to work with communities across the UK, either as private individuals or as employees of Auto Trader. Our community sponsorship programme provides employees with a bursary to support local initiatives or clubs that they are involved with. It can be not only about making a monetary donation but also about offering our time and expertise whilst maximising the take-up of volunteering days, one of our Incredible Benefits.

We have formed a strategic partnership with Forever Manchester which will help us to make a difference in the communities in which we operate. The 2016 Auto Trader Community Fund will offer sponsorship of up to £1,000 to many local charities and community groups aimed at really making a difference in the lives of people across the region.

Leading up to Christmas last year approximately one hundred elderly visitors from local community centres near the Manchester and London offices joined us to share a Christmas dinner and festive entertainment with some of our employees.

During the last year we have also supported or sponsored Code Club in two schools in Greater Manchester, teaching young students how to code. We have also been a corporate partner for HOME, the largest art centre outside London, and the Manchester International Festival, the world's first festival of original, new work and special events.

Christmas lunch at the London office for the St Pancras Community Association

We have formed a strategic partnership with Forever Manchester which will help us to make a difference in the communities in which we operate.

Health and safety

We are committed to maintaining a safe workplace for our employees, customers, visitors, contractors and anyone affected by our business 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.

Environment

We are mindful of the effects of our business on our environment and continue to support energy efficiency throughout our business activities. As an internet-based Group with most staff employed in two office locations, we believe our own environmental footprint is small. We encourage our employees to take steps to address our environmental responsibilities. For instance we operate recycling schemes which were established with local authorities and recycling partners. There are no waste bins at desks in our offices which encourages the amount of recycling we do.

1,297

trees planted by Fruitful Office on Auto Trader's behalf

Both offices are graded highly by the BREEAM standard, specifically the Kings Cross office is rated 'Outstanding' and the Manchester office is rated 'Excellent'. The Kings Cross office is linked to the site-wide district heating network. This network will provide close to 100% of the development's heating and hot water needs. The building has been designed to maximise the environmental benefits of its location. Orientation, solar shading, the use of thermal mass for cooling and passive ventilation systems all contribute to energy efficiency.

We use Fruitful Office to deliver fruit to both offices each week. For every fruit basket our employees receive, the Fruitful Office plants a fruit tree in Malawi to help mitigate the effect of global warming, deforestation and providing an income to support the local communities. This year, the scheme has planted 1,297 trees on Auto Trader's behalf.

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) 2004. Emission factors used are from UK government ('DEFRA') conversion factor guidance current for the year reported.

The report includes the 'Scope 1' (combustion of fuel) and 'Scope 2' (purchased electricity and gas) emissions associated with our offices. 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 tCO_2 is due to the centralisation of our offices part way through 2015.

	2016	2015
Absolute carbon emissions (tCO_2)	**445**	793
Revenue (£m)	**281.6**	255.9
Carbon intensity[1]	**1.6**	3.1
Year-on-year change	**-49%**	

1 Absolute carbon emissions divided by revenue in millions.

The Company's Strategic report is set out on pages 2 to 43. Approved by the Board on 9 June 2016 and signed on its behalf by:

Sean Glithero
Company Secretary
9 June 2016