

carsales.com Limited

ABN 91 074 444 018

Registered Office: Level 4, 449 Punt Road, Richmond, Victoria, 3121

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of carsales.com Limited will be held in Victoria on Friday, 26 October 2018, in the La Trobe Ballroom, Level 1, Sofitel Melbourne on Collins at 25 Collins Street, Melbourne, at 11:00 a.m. (**Melbourne time**).

Ordinary Business

Please note that the default option for receiving your Annual Report is now online. To access your online Annual Report please visit <http://shareholders.carsales.com.au> and click on 'Financial Reports' on the left hand side of the screen. You have the option of receiving, free of charge, a printed copy of the Annual Report. Please contact Computershare on 1300 651 575 (or outside Australia +613 9415 4694) or logon to www.investorcentre.com, click on 'Update My Details' then 'Communication Options' and complete your details to receive a printed copy of the Annual Report.

Financial Report and Directors' and Auditor's Reports

1. To receive, consider and adopt the Financial Report, including the Directors' declaration, the related Directors' Report and Auditor's Report of the Group for the year ended 30 June 2018 (contained in the 2018 Annual Report).

Remuneration Report

To receive, consider and adopt the Remuneration Report for the year ended 30 June 2018 (contained in the 2018 Annual Report) by passing the following resolution:

2. *"That the Remuneration Report that forms part of the Directors' Report of the Group for the financial year ended 30 June 2018 be adopted."*

Election and re-election of Directors

To consider and if thought fit, pass the following resolutions:

3. *"That Mr Patrick O'Sullivan, being a Director of the Company who retires by rotation, and being eligible under the Company's constitution, is re-elected as a Director of the Company."*
4. *"That Mr Kee Wong, who was appointed as a Director of the Company effective on 9 July 2018, and being eligible under the Company's constitution, be approved as a Director of the Company."*

Special Business

Chief Executive Remuneration: Grant of deferred short term incentive performance rights and long term incentive share options and performance rights to the Managing Director and Chief Executive Mr Cameron McIntyre

To consider and if thought fit, pass the following resolutions to be voted on separately:

5a. *“That, for the purpose of ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the grant of up to 25,146 Performance Rights over shares in the Company to Mr Cameron McIntyre, in accordance with the terms of the Company’s Option Plan and as set out in the Explanatory Memorandum below.”*

5b. *“That, for the purpose of ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the grant of up to 265,218 Options and Performance Rights over shares in the Company to Mr Cameron McIntyre, in accordance with the terms of the Company’s Option Plan and the Company’s long term incentive arrangements as set out in the Explanatory Memorandum below.”*

Other Business

To deal with any other business which may be brought forward in accordance with the Company’s Constitution and the Corporations Act.

During the Annual General Meeting, a presentation covering the status of the Group will be made by Mr Cameron McIntyre (Managing Director). Shareholders will be able to put questions to the Directors. Tea and coffee will be served from 10:30 a.m. (Melbourne time).

By order of the Board.



Nicole Birman
Company Secretary
25 September 2018

TERMS:

Capitalised terms used in this Notice of AGM (including those used in the items set out in this Notice of AGM) have, unless otherwise defined, the same meanings as set out in the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT:

1. Item 2

- (a) In accordance with the Corporations Act, a member of the Company’s KMP whose remuneration is included in the Remuneration Report, and closely related parties of a KMP, will not be eligible to vote on **Item 2**, except as provided in paragraph (b) below.
- (b) A person described in paragraph 1(a) may vote on Item 2 if the vote is not cast on behalf of a person described in that paragraph and the person –
 - (i) votes as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; **or**

- (ii) is the Chair of the Annual General Meeting, voting as a proxy for a person who is entitled to vote, and the appointment of the Chair as proxy:
 - (A) does not specify the way the proxy is to vote on the resolutions; **and**
 - (B) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Company's KMP.

2. Items 5a and 5b

In accordance with the ASX Listing Rules the Company will, except as provided in paragraph 3 below, disregard any votes cast in favour of **Items 5a** and **5b**, by the Managing Director, Mr Cameron McIntyre, or any associate of Mr Cameron McIntyre and any other Director and their respective associates (except if ineligible to participate in the employee incentive scheme in respect of which approval is sought). Mr Cameron McIntyre is the only Director currently eligible to participate in the Company's Option Plan.

As Mr Cameron McIntyre is a member of the Company's KMP, in accordance with the Corporations Act, a vote must not be cast on either of these resolutions by him or any other KMP, or a closely related party of Mr Cameron McIntyre or any other KMP, acting as a proxy if the proxy form does not specify the way the proxy is to vote on these resolutions. However, the Company will not disregard any proxy votes cast on either of these resolutions by a member of the Company's KMP if the KMP is the Chair of the Annual General Meeting acting as a proxy and the appointment expressly authorises the Chair to exercise the proxy even though these resolutions are connected with the remuneration of Mr Cameron McIntyre.

- 3. The Company will not disregard a vote if it is cast:
 - (a) by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) by the Chair of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
- 4. 'Closely related party' is defined in the Corporations Act and includes a spouse, dependent and certain other close family members, as well as any companies controlled by a KMP.

REQUIRED VOTING MAJORITY - CORPORATIONS ACT:

Items 2 to 5 (inclusive)

In accordance with section 249HA of the Corporations Act for each of these resolutions to be effective -

- not less than 28 days written notice specifying the intention to propose the resolutions has been given; and
- each resolution must be passed by more than 50% of all the votes cast by Shareholders entitled to vote on the resolutions (whether in person or by proxy, attorney or representative).

On a show of hands, every Shareholder has one vote and, on a poll, every Shareholder has one vote for each Ordinary Share held, subject to the voting exclusions set out in the Voting Exclusion Statement above.

NOTES:

Proxies and corporate representatives

1. Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register at **7:00pm (Melbourne time) on Wednesday, 24 October 2018 ("Effective Time")**.
2. All Shareholders at the Effective Time are entitled to attend the Annual General Meeting and may appoint a proxy for that purpose.
3. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment **does not** specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise one half of the Shareholder's votes. If the Shareholder appoints two proxies, neither may vote on a show of hands if both proxies are present at the Annual General Meeting.
4. A proxy need not be a Shareholder of the Company.
5. The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act 2001.
6. A corporation which is a Shareholder of the Company may appoint a representative to act on its behalf at the Annual General Meeting. Appointments of representatives must be received in accordance with paragraph 7 below at any time before the Annual General Meeting or at the meeting or any adjournment of the Annual General Meeting.
7. Proxies and powers of attorney granted by Shareholders must be received by the Company by no later than **11:00am (Melbourne time) on Wednesday, 24 October 2018**. To be valid, a duly completed proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be:
 - (a) given electronically, by visiting www.investorvote.com.au and following the instructions provided but a proxy cannot be appointed online if appointed under power of attorney or similar authority; **or**
 - (b) deposited with the Company's share registry, Computershare Investor Services GPO Box 242 Melbourne, VIC 3001; **or**
 - (c) successfully transmitted by facsimile to 1800 783 447 (within Australia), +613 9473 2555 (outside Australia); **or**
 - (d) deposited at the registered office of carsales.com Limited at Level 4, 449 Punt Road, Richmond, Vic, 3121; **or**
 - (e) given electronically by intermediary online custodians, by visiting www.intermediaryonline.com.
8. If a Shareholder has any specific questions in relation to the above, please contact the Shareholder information line on 1300 651 575 or from overseas +613 9415 4694 not later than 48 hours before the holding of the Annual General Meeting or any adjournment of that Annual General Meeting.

Explanatory Memorandum

This Explanatory Memorandum contains information relevant to the business referred to in the Notice of AGM of carsales.com Ltd ABN 91 074 444 018 (hereafter the “**Company**”). The Directors recommend that you read this document prior to the Annual General Meeting.

All capitalised terms used in this Explanatory Memorandum have the meanings set out in the Glossary of Terms located at the end of this document.

Further details relating to each of the resolutions is set out below.

Item 1 Financial Report and Directors’ and Auditor’s Reports

The Corporations Act requires the Financial Report, Directors’ Report and Auditor’s Report of the Group, prepared on a consolidated single entity basis, for the most recent financial year to be laid before the Annual General Meeting. While this item of business does not require a formal resolution to be put to Shareholders, the Chair will give Shareholders a reasonable opportunity to ask questions and make comments on these reports and on the business, operations and management of the Group.

In accordance with the Corporations Act, the Chair will also give Shareholders the opportunity to ask the Auditor questions relevant to the Auditor’s Report or conduct of the audit. If a Shareholder wishes to put written questions to the Auditor, a Shareholder is entitled to submit questions relevant to the content of the Auditor’s Report or the conduct of the audit, in writing, to the Company, up to five business days prior to the Annual General Meeting. The Company will pass the questions on to the Auditor prior to the Annual General Meeting. The Auditor may, but is not obligated to, answer any written or oral questions that are put to it by Shareholders.

A copy of the Financial Report, Directors’ Report and Auditor’s Report is available on the Company’s website, <http://shareholders.carsales.com.au>, by clicking “Financial Reports” on the left hand side of the screen. You have the option of receiving, free of charge, a printed copy of these reports. Please contact Computershare on 1300 651 575 (or from overseas +613 9415 4694) if you wish to receive a printed copy of these reports.

Item 2 Remuneration Report

The Remuneration Report (which forms part of the Director’s Report in the 2018 Annual Report) contains information in relation to a number of issues relating to the Company’s remuneration policies and their relationship to the Company’s performance. As required pursuant to the Corporations Act, a resolution will be put to Shareholders to adopt the Remuneration Report. Shareholders should be aware that the vote on this resolution is advisory *only* and is not binding on the Board.

If 25% or more of the votes cast on this resolution are against adoption of the Remuneration Report, the Company will be required to consider, and report to Shareholders on, what action (if any) has been taken to address Shareholders’ concerns at next year’s annual general meeting.

Directors’ Recommendation

The Directors unanimously recommend Shareholders vote in favour of adopting the Remuneration Report. As stated in the Notice of AGM, each of the KMPs whose remuneration is included in the Remuneration Report and closely related parties of those KMPs are not eligible to vote on this Resolution, except as stated in the Notice of AGM.

The Chair intends to vote all available proxies in favour of the adoption of the Remuneration Report.

Item 3 Re-election of Director: Mr Patrick O'Sullivan

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr Patrick O'Sullivan's position as Director requires confirmation. Accordingly, Mr O'Sullivan retires by rotation and being eligible, offers himself for re-election.

Mr O'Sullivan has been a Director of the Company since 2007 and was the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) a position he held from February 2006 until 29 June 2012. Mr O'Sullivan is a member of The Institute of Chartered Accountants in Ireland and Australia. He is a graduate of the Harvard Business School's Advanced Management Program. He also served as a Director and Company Secretary of Nine Entertainment Co Pty Limited and was Chair of Ninemsn. Mr O'Sullivan is currently a non-executive director of ASX listed companies iSentia, APN Outdoor and Marley Spoon.

Mr O'Sullivan brings immense financial and regulatory expertise to the Board, Chairing the Audit and Risk Management Committee. Mr O'Sullivan also provides the Company with invaluable insights relating to the operations of global companies.

Directors' Recommendation

The Directors, other than Mr O'Sullivan, recommend that Shareholders vote in favour of resolution 3. Mr O'Sullivan makes no recommendation in relation to Item 3.

The Chair intends to vote all available proxies in favour of the re-election of Mr O'Sullivan.

Item 4 Approval of Director: Mr Kee Wong

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr Kee Wong's position as Director requires confirmation. Accordingly, Mr Wong, who was appointed as a Director effective 9 July 2018, retires and being eligible, offers himself for re-election.

Mr Wong is an entrepreneur with a background in engineering, information technology and business. Since 1999, Mr Wong has started several businesses and has made investments across a number of industries including technology, services, retail, food and beverage, trading and property. Prior to this Mr Wong worked at a number of IT and management consulting firms and practiced as an IT/Management consultant. In 1994 Mr Wong joined global It company IBM as a senior executive running part of its e-business group in the Asia Pacific region, including Australia and New Zealand. In 1999, Mr Wong founded his first business, e-Centric Innovations – an IT/Management consulting firm that is still operating successfully in Australia, Malaysia and Singapore, serving large multinational enterprises and governments.

Mr Wong is a Fellow of the Australian Institute of Company Directors and Adjunct Professor of Engineering and IT at La Trobe University. Mr Wong has a Bachelor of Engineering (Hons.) and a Graduate Diploma in Computing from Monash University and an MBA from Monash University/Mount Eliza Business School.

Mr Wong's appointment enhances the Board's expertise in technology and product as well as provides insight into markets outside of Australian in which the Company operates.

Directors' Recommendation

The Directors, other than Mr Wong, recommend that Shareholders vote in favour of resolution 4. Mr Wong makes no recommendation in relation to Item 4.

The Chair intends to vote all available proxies in favour of the re-election of Mr Wong.

Item 5 Chief Executive Remuneration: Grant of deferred short term incentive Performance Rights and long term incentive Options and Performance Rights to the Chief Executive and Managing Director Mr Cameron McIntyre

Items 5a and 5b set out in the Notice of AGM seek Shareholder approval of the deferred equity portion of the short term incentive ("STI") and long term incentive ("LTI") awards for Mr Cameron McIntyre (being the Managing Director and Chief Executive Officer of the Company) under the rules of the Company's Option Plan for the purpose of ASX Listing Rule 10.14. These resolutions will be put to, and voted on, separately by Shareholders. Further details of these proposed individual grants are noted below. As stated in the Notice of AGM, Mr McIntyre is the only Director entitled to participate in the Option Plan.

There are currently 243,208,168 Shares on issue at the date of the Notice of AGM and the Options and Performance Rights proposed to be granted to Mr McIntyre, if approved by Shareholders, will represent approximately 0.12% of the current issued Shares.

Mr McIntyre currently holds 453,615 Options and Performance Rights issued under the Company's Option Plan and directly and indirectly, through entities associated with him, holds 202,500 Shares. At the date of the Notice of AGM, Mr McIntyre has a relevant interest in 0.1% of the total voting rights of the Company. If Shareholders approve the issue of these Options and Performance Rights to Mr McIntyre and all the currently held Options and Performance Rights issued to him vest and are exercised, Mr McIntyre's relevant interest in the Company will increase by approximately 0.3% to 0.4%, based on the issued capital of the Company as at the date of the Notice of AGM. No loans have been, or will be, granted to Mr McIntyre in relation to his participation in the STI and LTI arrangements and Mr McIntyre is prohibited from entering into hedging transactions or arrangements in respect of these Options and Performance Rights.

As at the date of the Notice of AGM, no other Director or associate of a Director is eligible to participate in the Option Plan and no other person who requires approval to participate in the Option Plan under ASX Listing Rule 10.14 has been, or will be, issued with Options or Performance Rights unless Shareholder approval is obtained.

Directors' Recommendation

The Directors, other than Mr McIntyre, considered the nature of Mr McIntyre's position in overseeing the management of the Group's operations and strategy and unanimously recommend that Shareholders vote in favour of Items 5a and 5b.

As stated in the Notice of AGM, Mr McIntyre, his associates and closely related parties, and each other KMP and their respective closely related parties are not eligible to vote on this resolution, except as stated in the Notice of AGM.

The Chair intends to vote all available proxies in favour of the grant of Options and Performance Rights to Mr McIntyre.

Item 5a Chief Executive Remuneration - Short Term Incentive ("STI")

The structure of Mr McIntyre's remuneration package includes the following components:

- Base Salary (including superannuation and other allowances) (35% of maximum remuneration)
- STI (cash and Performance Rights based award) (30% of maximum remuneration)
- LTI (Options and Performance Rights based award) (35% of maximum remuneration)

Under the Company's STI plan, awards are paid in cash and Performance Rights. Of the award achieved (which is subject to the achievement of performance conditions as set out below), 75% will be paid as a cash payment and the remaining 25% will be awarded in equity, vesting of which will be deferred for an additional 12 months subject to a continued service condition. The performance conditions attached to the STI award are 70% financial and 30% company-wide strategic, personal, and cultural objectives.

Category	Measures	Weighting
Financial	Look through revenue	35%
	Adjusted NPAT	35%
Non-financial	Strategic and personal objectives	20%
	People and culture metrics	10%

Financial Measures

The 70% financial component of the award will be measured against two separate financial metrics being look-through revenue and adjusted NPAT with each comprising 35% of the total STI award. For each measure there will be a minimum threshold – if this is not achieved, no award will be granted for that portion of the STI.

Look through revenue is defined as ordinary revenue reported for the consolidated Group adjusted for the ownership percentage held for the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.

Adjusted NPAT is defined as the Group net profit after tax and non-controlling interests and excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs as determined by the Board, consistent with the adjusted NPAT that is disclosed when reporting the Company's annual results. The Board also retains discretion to alter the adjusted NPAT hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's control that would materially affect adjusted NPAT. The Board believes this metric gives the best reflection of the underlying trading performance of the Group and is an appropriate earnings metric to align to Shareholder value.

Both the look through revenue and adjusted NPAT metrics exclude any corporate activity (such as acquisitions) made after the date of this notice, with the exception that should the Group dispose of any Group businesses or acquire additional equity stakes in any existing Group businesses the targets for both look through revenue and adjusted NPAT will be altered to maintain the underlying growth rates targeted for the 2019 financial year. The Board also retains discretion to adjust the growth rates to include the impact of any strategically important acquisitions made during the performance period such that management is not materially advantaged or disadvantaged from entering into further acquisitions where it is in Shareholders' interests to do so.

Non-financial Measures

The 30% Non-financial measures portion of the STI will be measured against:

- successful project delivery recognising the importance of strategic projects which may not have an immediate financial impact on the Company;
- individual goals of the executive recognising the unique role each play in the Company's operations; and
- achievement of people and culture targets recognising the vital role the Company's culture plays in its success.

The Board believes that the combination of performance measures for the STI plan are the most effective measures to ensure alignment with the interests of Shareholders and the long term growth of the company.

If Shareholder approval is received, subject to the achievement of the performance criteria set for FY19, the Board will grant up to 25,146 Performance Rights to Mr McIntyre under the deferred equity portion of the STI after the release of the 2019 Annual Report. Each Performance Right will have a \$0 exercise price. The terms on which these Performance Rights will be issued to Mr McIntyre are summarised below.

The number of Performance Rights granted to Mr McIntyre will be based on 25% of the total STI achievement for the FY19 financial year. The maximum value of the award is \$293,625 (being 25% of the FY19 STI cap for Mr McIntyre of \$1,174,500).

The Board believes the proposed grant of the Performance Rights to Mr McIntyre is consistent with the Company's remuneration policies and objectives, reflects good market practice in remuneration and effectively aligns the interests of Mr McIntyre with those of the Company and its Shareholders.

The key terms of these Performance Rights award, subject to Shareholder approval, are summarised as follows:

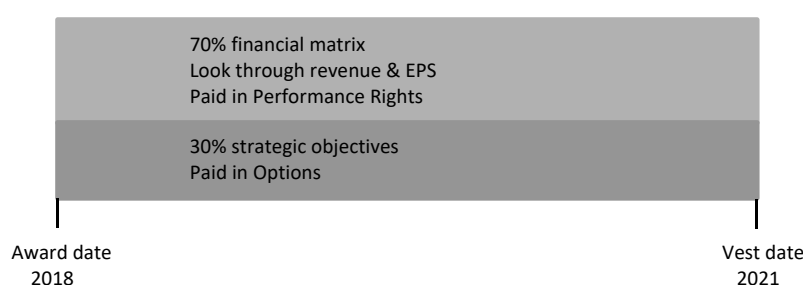
- (a) The Performance Rights will be issued to Mr McIntyre for no cash consideration following the release of the 2019 Annual Report once the achievement of the FY19 STI performance conditions have been determined by the Remuneration Committee (but no later than 12 months after the Annual General Meeting).
- (b) The vesting of the 25,146 Performance Rights is subject to the achievement of the financial year ending 30 June 2019 look through revenue, adjusted NPAT and other strategic and cultural objectives.
- (c) The minimum and maximum performance conditions for the Performance Rights to vest have been set by the Board. In setting the financial targets, the Board has considered the historical earnings performance of the Company, forward looking market consensus earnings expectations, the overall purpose of the award and the long term best interests of the Company. The Board believes that the growth target that has been set is appropriate.
- (d) The Company will publish in the FY19 Annual Report the performance conditions that were applicable to the STI, along with the actual performance against those conditions achieved by the Company.
- (e) Performance Rights will not be granted to Mr McIntyre unless the minimum performance conditions attached to the STI have been achieved.
- (f) The exercise price of a Performance Right is \$0.
- (g) The number of performance rights awarded will be determined by multiplying the notional cash value of the STI award achieved for the FY19 year by 25% and then divided by the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2019.
- (h) Subject to the performance conditions being satisfied, unless otherwise waived by the Board, Performance Rights will vest after the Board releases the 2020 Annual Report to the ASX.
- (i) Performance Rights which have not vested, will, subject to the Board's discretion, automatically lapse if Mr McIntyre ceases to be employed by the Company.
- (j) Any Shares issued on the vesting of these Performance Rights will be held in trust by the trustee of the carsales.com Employee Share Trust ("**Trust**"), CPU Share Plans Pty Limited, on the terms and conditions of the Plan and the trust deed establishing the Trust.
- (k) Shares to be allocated to Mr McIntyre on vesting of any of these Performance Rights may be satisfied by the issue of new Shares or acquired on market. All new Shares issued will rank, in all respects, equally with all other Shares and the Company will apply for quotation of the new Shares on ASX.
- (l) If there is a reorganisation of the Company's capital, the Performance Right terms will be adjusted, pursuant to the ASX Listing Rules, to the extent necessary to reflect the effects of the reorganisation.
- (m) The STI financial performance metrics exclude any corporate activity associated with mergers and acquisitions, corporate or capital reorganisations completed after the issue of this notice.

Item 5b Chief Executive Remuneration - Long Term Incentive ("LTI")

If Shareholder approval is received, the Board will grant up to 201,667 Options and 63,551 Performance Rights to Mr McIntyre.

Under the FY19 LTI plan, 70% of the award will be determined by a matrix comprising look through revenue and adjusted earnings per share (EPS) and will be awarded in Performance Rights. The Board believes that the matrix recognises both the importance of growing revenue and earnings at all controlled companies and equity accounted associates throughout the Group and also the level of influence over each of those businesses where they are not 100% owned by the Group.

The remaining 30% of the award will be determined by reference to achievement of clearly identified strategic milestones and will be awarded in Options. The performance period for the LTI remains at three years.



The key general terms of these Options and Performance Rights, subject to Shareholder approval, are summarised as follows:

- The performance conditions applying to the Options and Performance Rights will be tested at 30 June 2021.
- The exercise price of each vested Option is \$14.87 being the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2018. The exercise price of each Performance Right is \$0.
- Subject to the performance conditions being satisfied, Options and Performance Rights may, unless otherwise waived by the Board, be exercised after the Board releases the 2021 Annual Report to the ASX.
- Vested and unexercised Options, and Options and Performance Rights which have not vested will, subject to the Board's discretion, automatically lapse if Mr McIntyre ceases to be employed by the Company.
- Any Shares issued on the vesting and exercise of these Options and Performance Rights will be held in trust by the trustee of the Trust, CPU Share Plans Pty Limited, on the terms and conditions of the Option Plan and the trust deed establishing the Trust.
- Shares to be allocated to Mr McIntyre on vesting and exercise of any Options and Performance Rights may be satisfied by the issue of new Shares, Shares acquired on market or in specific circumstances in cash. All new Shares issued will rank, in all respects, equally with all other Shares and the Company will apply for quotation of the new Shares on ASX.
- If there is a reorganisation of the Company's capital, the Options and Performance Rights terms will be adjusted, pursuant to the ASX Listing Rules, to the extent necessary to reflect the effects of the reorganisation.
- The Options and Performance Rights will be issued to Mr McIntyre for no cash consideration as soon as possible after the Annual General Meeting (but no later than 12 months after the Annual General Meeting).
- The Options have an expiry date of 15 years after vesting.

Financial Measures for Performance Rights Award

The 70% of the LTI award to be satisfied through Performance Rights is subject to a look through revenue and adjusted EPS matrix. A minimum 'gate' threshold for both these metrics must be achieved in the performance period prior to any Performance Rights vesting, which ensures that Senior Executives are incentivised to grow both earnings and revenue, and not sacrifice one over the other. Similarly, it aligns the objectives of management with those of the Company's Shareholders. Therefore, if the minimum target for either look through revenue or adjusted EPS is not achieved then no Performance Rights will vest.

The matrix is based on achieving a Cumulative Annual Growth Rate (CAGR) for each of look through revenue and adjusted EPS over the 3 year period to 30 June 2021 which is set by the Board. The minimum and maximum CAGR targets for each metric are as follows:

	Minimum CAGR	Maximum CAGR
Look through revenue	5%	10%
Adjusted EPS	5%	10%

Please see explanation of look through revenue under Item 5a.

Adjusted EPS is defined as earnings per share calculated by dividing the adjusted net profit after tax attributable to equity holders of the Company during the relevant period by the weighted average number of Ordinary Shares outstanding during the relevant period. Adjusted net profit after tax is defined under Item 5a. The Board also retains discretion to alter the adjusted EPS hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's control that would materially affect adjusted EPS. The Board believes this metric gives the best reflection of the underlying trading performance of the group and is an appropriate earnings metric to align to Shareholder value.

Both the look through revenue and adjusted EPS metrics exclude any corporate activity (such as acquisitions) made after the date of this notice, with the exception that should the Group dispose of any Group businesses or acquire additional equity stakes in any existing Group businesses the targets for both look through revenue and adjusted EPS will be altered to maintain the underlying CAGR growth rates targeted for the 2021 financial year. The Board also retains discretion to adjust the CAGR growth rates to include the impact of any strategically important acquisitions made during the performance period such that management is not materially advantaged or disadvantaged from entering into further acquisitions where it is in Shareholders' interests to do so.

The value of the Performance Rights are calculated using the face value method, being the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2018 of \$14.87. The maximum value of this award is \$945,000.

The key terms of this measure are summarised as follows:

- (a) The vesting of up to 63,551 Performance Rights is subject to the achievement of the look through revenue CAGR target and the EPS CAGR target.
- (b) The minimum and maximum CAGR targets for both look-through revenue and EPS in order for Performance Rights to vest have been set by the Board. In determining the targets, the Board has considered the historical revenue and earnings performance of the Company, forward looking market consensus revenue and earnings expectations, the overall purpose of the award and the long term best interests of the Company. The Board believes that the growth targets that have been set are appropriate in all the circumstances.
- (c) The Company will publish in the 2021 Annual Report both the minimum and maximum CAGR targets for look through revenue and adjusted EPS that was applicable to the grant, and the actual look through revenue and adjusted EPS achieved by the Company in that relevant year.

- (d) Performance Rights will not be capable of exercise if at the testing date (referred to below) the minimum CAGR targets have not been achieved for both look through revenue CAGR and adjusted EPS CAGR.
- (e) The look through revenue CAGR and adjusted EPS CAGR each make up 50% of the targets for the Performance Rights to vest. The Performance Rights will be capable of vesting and exercise if at the testing date the look through revenue and adjusted EPS CAGR targets have been achieved or exceeded as follows:
 - If either the look through revenue or adjusted EPS CAGR minimum targets are not achieved, then no Performance Rights will be capable of exercise.
 - If the minimum target is achieved for both measures, 30% of the Performance Rights will vest.
 - If the maximum target is achieved or exceeded for both measures, 100% of the Performance Rights will vest.
 - Provided the minimum of both targets are met, then there will be a pro-rata allocation of Performance Rights between the minimum of 30% and the maximum of 100% according to the results achieved for each target.

Strategic Milestone Measures for Options Award

The inclusion of strategic milestones recognises that there are important projects the Company is undertaking to promote future sustainability and growth, and these should not be sacrificed for short term return. The fact that the award for the successful completion of the strategic milestones will be paid in Options aligns with the expected long term benefit of these projects.

The milestones include objectives in the following areas:

- growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole;
 - growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set; and
 - achieve specified milestones which relate to projects that address the development of the automotive industry.
- (a) Each objective above will make up 10% of the overall value of the LTI (30% in total). The options for each objective will be capable of vesting and exercise if at the testing date the objectives have been achieved or exceeded as follows:
 - If the objective is not achieved, then no Options will be capable of exercise.
 - If the objective is partly achieved, then 50% of the Options for that objective will be capable of exercise (5% of the total LTI value); and
 - If the objective is fully achieved, then 100% of the Options for that objective will be capable of exercise (10% of the total LTI value).
 - (b) The achievement of the objectives is determined by the Board.

The value of the Options are calculated using the Black-Scholes option pricing model which takes into account certain facts and makes certain assumptions as explained on page 140 of the 2018 Annual Report. The assumption inputs used in the Black-Scholes model are reviewed annually by an independent external consultant. The maximum value of this award is \$405,000.

Glossary of Terms

Annual General Meeting	means the Annual General Meeting of the Company to be held at 11.00a.m. (Melbourne time), Friday, 26 October, 2018 and " AGM " has the same meaning.
ASX Listing Rules	means the listing rules of the ASX Limited ACN 008 624 691 (also referred to as " ASX "), as amended from time to time.
Auditor	means PricewaterhouseCoopers.
Auditor's Report	means the report of the Auditor regarding its audit of the Group which accompanies the Financial Report.
Board	means the board of Directors of the Company.
Chair	means the individual acting as chair of the AGM.
Company	means carsales.com Limited (ABN 91 074 444 018).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Directors' Report	means the report of the Directors of the Company accompanying the Notice of AGM.
Effective Times	means 7:00pm (Melbourne time) on Wednesday, 24 October 2018.
Explanatory Memorandum	means this memorandum which provides details of the business to be heard at the Annual General Meeting.
Financial Report	means the annual financial report of the Group for the year ending on 30 June 2018.
Group	means the Company and its controlled entities.
KMP	has the meaning given to that term in the Financial Report.
Notice of AGM	means the notice of the Annual General Meeting of the Company accompanying this Explanatory Memorandum (and the term "Notice" has the same meaning).
Option Plan	means the option plan of the Company.
Option	means the right to acquire an Ordinary Share, subject to satisfaction of performance hurdles and other vesting conditions as determined by the Board, in accordance with the terms of the Option Plan.
Ordinary Share	means a fully paid ordinary share in the capital of the Company.
Performance Right	means the right to acquire an Ordinary Share, subject to satisfaction of performance hurdles and other vesting conditions as determined by the Board, in accordance with the terms of the Option Plan.
Remuneration Report	means the remuneration report of the Group that forms part of the Directors' Report accompanying the Notice of AGM.
Shareholder	means a holder of one or more Shares.
Shares	means fully paid ordinary shares in the capital of the Company.

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 651 575
(outside Australia) +61 (3) 9415 4694

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 181755

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00 a.m (Melbourne time) on Wednesday, 24 October 2018**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark  to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of carsales.com Limited hereby appoint

☐ the Chair of the Meeting **OR**

 **PLEASE NOTE:** Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of carsales.com Limited to be held in the La Trobe Ballroom, Level 1, Sofitel Melbourne on Collins at 25 Collins Street, Melbourne on Friday, 26 October 2018 at 11:00 a.m. (Melbourne time) and at any adjournment or postponement of that Meeting.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Items 2, 5a & 5b (except where I/we have indicated a different voting intention below) even though Items 2, 5a & 5b are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

Important Note: If the Chair of the Meeting is (or becomes) your proxy you can direct the Chair to vote for or against or abstain from voting on Items 2, 5a & 5b by marking the appropriate box in step 2 below.

STEP 2 Items of Business

 **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 2	Remuneration Report	☐	☐	☐
Item 3	Re-election of Director - Mr Patrick O'Sullivan	☐	☐	☐
Item 4	Approval of Director - Mr Kee Wong	☐	☐	☐
Item 5a	Chief Executive Remuneration - Short Term Incentive ("STI")	☐	☐	☐
Item 5b	Chief Executive Remuneration - Long Term Incentive ("LTI")	☐	☐	☐

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /