

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, 25 October 2019, 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 2019 (contained in the 2019 Annual Report).

Remuneration Report

To receive, consider and adopt the Remuneration Report for the year ended 30 June 2019 (contained in the 2019 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 2019 be adopted."*

Election and re-election of Directors

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

3. *"That Ms Kim Anderson, 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 Ms Edwina Gilbert, 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."*
5. *"That Mr David Wiadrowski, who was appointed as a Director of the Company effective on 23 May 2019, 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:

6a. *“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 25,078 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.”*

6b. *“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 222,283 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
26 September 2019

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 6a and 6b

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 6a** and **6b**, 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 6 (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 **7pm (Melbourne time) on Wednesday 23 October 2019 ("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.
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 **11am (Melbourne time) on Wednesday 23 October 2019**. 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 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: Ms Kim Anderson

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Ms Kim Anderson's position as Director requires confirmation. Accordingly, Ms Kim Anderson retires by rotation and being eligible, offers herself for re-election.

Ms Anderson has been a Director of the Company since 2010. She is a Non-Executive Director and Chair of the Remuneration Committee of ASX listed WPP AUNZ and Marley Spoon. Ms Anderson also holds position on non-listed Boards, and is currently Chair of fintech start up Beem It and acting Chair of The Sax Institute. Ms Anderson has more than 30 years' of experience in various advertising and media executive positions within companies such as Southern Star Entertainment, PBL and Ninemsn. She is the former CEO and founder of Reading Room Inc/Bookstr.com and a former Fellow of the University of Sydney. Ms Anderson holds a Bachelor of Arts from Sydney University and Post Graduate Diploma in Library and Information Science from UTS.

Ms Anderson is classified as an independent Director by the Company. Her knowledge of media, marketing and communications and insights into consumer trends are invaluable to the Company.

Directors' Recommendation

The Directors, other than Ms Anderson, recommend that Shareholders vote in favour of resolution 3. Ms Anderson makes no recommendation in relation to resolution 3.

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

Item 4 Re-election of Director: Ms Edwina Gilbert

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Ms Edwina Gilbert position as Director requires confirmation. Accordingly, Ms Edwina Gilbert by rotation and being eligible, offers herself for re-election.

Ms Gilbert has been a Director of the Company since 2016. Ms Gilbert holds a Bachelor of Laws and Bachelor of Arts from Sydney University and practiced commercial law before moving into the automotive industry in 2003. Ms Gilbert is currently Dealer Principal and a Director of the Phil Gilbert Motor Group, managing 200 staff representing Toyota, Hyundai and Kia in metropolitan Sydney. Ms Gilbert was the Chair of the Hyundai NSW Dealer Council and a member of the Hyundai National Dealer Council from 2010 – 2015, and re-engaged with Hyundai National Dealer Council effective 2018, as well as participating in Toyota Dealer Council Sub-Committees.

Ms Gilbert is classified as an independent Director by the Company. While Ms Gilbert is a Director and shareholder of automotive dealerships that acquire the Company's services, the dealerships interact with the Company on arm's length commercial terms that are no more favourable than other customers in the same circumstances. Ms Gilbert has voluntarily disclosed the total amount paid by dealerships of which she is a shareholder to carsales during the 2019 financial year in the Company's Annual Report. The Company has always considered it vital to have the perspective of its largest paying customer group, automotive dealers, represented on its Board and Ms Gilbert has consistently acted independently in her role as a Director of the Company.

Directors' Recommendation

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

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

Item 5 Approval of Director: Mr David Wiadrowski

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr David Wiadrowski's position as Director requires confirmation. Accordingly, Mr David Wiadrowski, who was appointed as a Director effective 23 May 2019, retires and being eligible, offers himself for re-election.

Mr Wiadrowski is a financial expert and was a partner at PricewaterhouseCoopers for 25 years, including 5 years as Chief Operating Officer of PwC Assurance, during which he was responsible for the day to day operations of the firm's largest business consisting of 160 partners and 1,800 staff. During his time at PwC, Mr Wiadrowski had a focus on technology, infocoms, entertainment and media, and was the lead audit partner for a number of the firm's major clients, including Network Ten, Seven West Media, APN News & Media and APN Outdoor. Mr Wiadrowski holds a Bachelor of Commerce from the University of NSW, is a Graduate of the AICD's Company Directors Course and is a Fellow of the Chartered Accountants of Australia and New Zealand. Mr Wiadrowski is currently a Non-Executive Director and Chair of the Audit and Risk Committee of ASX listed Vocus Group Limited and Life360.

Mr Wiadrowski is classified as an independent Director by the Company. Mr Wiadrowski is a former partner of the Company's auditor PwC and is entitled to receive payments from PwC as part of a retirement plan. However, he did not have dealings with the Company in his role at PwC, and his ongoing payments from the firm are based on a set formula relating to his partnership and tenure. The amount is fixed and is not dependent on the revenues, profits or earnings of PwC.

Directors' Recommendation

The Directors, other than Mr David Wiadrowski, recommend that Shareholders vote in favour of resolution 5. Mr David Wiadrowski makes no recommendation in relation to Item 5.

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

Item 6 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

Resolutions 6a and 6b 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 244,739,378 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 0.10% of the current issued Shares.

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); and
- LTI (Options and Performance Rights based award) (35% of maximum remuneration).

Mr McIntyre currently holds 512,520 Options and Performance Rights issued under the Company's Option Plan and, directly and indirectly through entities associated with him, holds 230,985 Shares. At the date of the Notice of AGM, Mr McIntyre has a relevant interest in 0.09% 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 0.31% to 0.40%, 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. 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.

Since the Company’s 2018 annual general meeting, 177,632 Options and 70,334 Performance Rights have been issued to Mr McIntyre under the Option Plan for no consideration.

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 6a and 6b.

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 6a Chief Executive Remuneration - Short Term Incentive (“STI”) Performance Rights

Resolution 6a is seeking shareholder approval for the purposes of ASX Listing Rule 10.14 to issue Performance Rights under the Company’s Option Plan to Mr McIntyre as an STI under the Company’s Option Plan.

Under the STI component of the Company’s Option Plan, awards are paid in cash and Performance Rights. Of the award achieved (which is subject to 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 60% financial and 40% company-wide strategic, personal, and cultural objectives.

Category	Measures	Weighting
Financial	Look through revenue	30%
	Adjusted NPAT	30%
Non-financial	Strategic and personal objectives	30%
	People and culture metrics	10%

Financial Measures

The 60% financial component of the award will be measured against two separate financial metrics being look-through revenue and adjusted NPAT with each comprising 30% of the total STI award.

Look through revenue is defined as ordinary revenue from continuing operations 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 from continuing operations 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 an excellent reflection of the underlying trading performance of the Group and is an appropriate earnings metric to align to Shareholder value.

The Board has set the targets for each of the financial measures. If achievement is at or above the maximum target, the full 30% of the STI attributable to the measure will be awarded. For achievement below the maximum target, the award will vest on a straight line pro rata basis to the minimum target. In setting the financial objectives, the Board has taken into consideration the Company’s remuneration framework and plan for FY20 and forward looking market consensus for the relevant measures.

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 2020 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.

These are the same metrics used in the previous year’s STI component of the Option Plan approved by Shareholders in 2018. However, this year the Board has elected to reduce the weighting of the financial measures from 70% to 60% to better reflect the changing executive remuneration climate which seeks to achieve a better balance between financial and non-financial measures particularly following the Hayne Royal Commission.

Non-financial Measures

The 40% 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.

Achievement of non-financial measures will be rated by the Board on the following four point scale and corresponding award:

Performance rating	Vesting for the objective
Exceptional	100%
Above Expectation	75%
Satisfactory	50%
Not Satisfactory	0%

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

Terms of Performance Rights award – Mr McIntyre

If Shareholder approval is received, subject to the achievement of the performance criteria set for FY20, the Board will grant up to 25,078 Performance Rights to Mr McIntyre under the deferred equity portion of the STI after the release of the 2020 Annual Report and, in any event, no later than 12 months after the date of the AGM. No payment is required to be made by Mr McIntyre for the issue of the Performance Rights. Each Performance Right will also have a \$0 exercise price. The terms on which these Performance Rights will be issued to Mr McIntyre are further summarised below.

The number of Performance Rights granted to Mr McIntyre will be based on 25% of the total STI achievement for the FY20 financial year. The maximum value of the award is \$308,850 (being 25% of the FY20 STI cap for Mr McIntyre of \$1,235,400).

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.

In accordance with ASX Listing Rule 10.15, the key terms of these Performance Rights proposed to be awarded to Mr McIntyre, subject to Shareholder approval, are as follows:

- (a) The Performance Rights will be issued to Mr McIntyre for no cash consideration following the release of the 2020 Annual Report once the achievement of the FY20 STI performance conditions have been determined by the Remuneration Committee (but, in any event, no later than 12 months after the Annual General Meeting).
- (b) The vesting of the 25,078 Performance Rights is subject to the achievement of the FY20 look through revenue, adjusted NPAT and other strategic and cultural objectives summarised above.
- (c) The Company will publish in the FY20 Annual Report the performance conditions that were applicable to the STI, along with the actual performance against those conditions achieved by the Company.
- (d) The exercise price of a Performance Right is \$0.
- (e) The number of Performance Rights awarded will be determined by multiplying the notional cash value of the STI award achieved for the FY20 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 2020.
- (f) Subject to the performance conditions being satisfied, unless otherwise waived by the Board, Performance Rights will vest after the Board releases the 2021 Annual Report to the ASX.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.

Item 6b Chief Executive Remuneration - Long Term Incentive ("LTI") – Performance Rights and Options

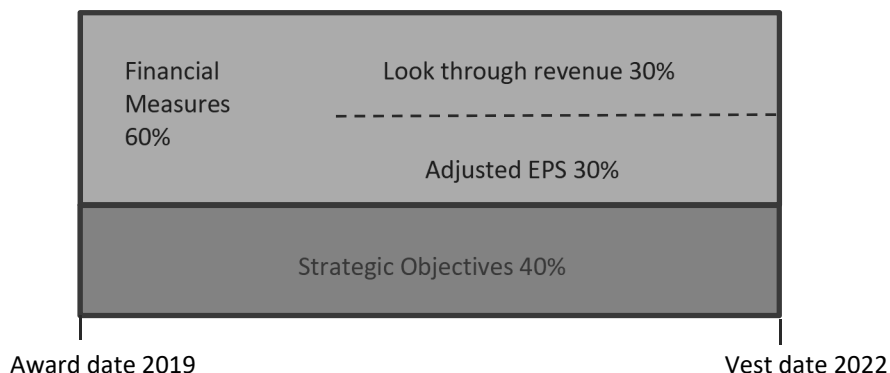
If resolution 6b is approved by Shareholders, the Board will grant up to 148,871 Options and 73,412 Performance Rights to Mr McIntyre as an LTI under the Company's Option Plan.

Under the FY20 LTI component of the Company's Option Plan, 60% of the award will be determined by financial measures comprising look through revenue and adjusted earnings per share (EPS). The Board believes that the selected financial measures recognise 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.

As with the STI, the weighting of financial measures has been reduced from 70% to 60% for the FY20 award.

The remaining 40% of the award will be determined by reference to achievement of clearly identified strategic milestones. The performance period for the LTI remains at three years.

As in the FY19 plan, 70% of the total award achieved will be paid in Performance Rights, and the remaining 30% will be paid in Options.



Financial Measures

60% of the LTI award is based on achievement of financial measures comprised in equal parts of Cumulative Annual Growth Rate (**CAGR**) for look through revenue and Adjusted EPS over the testing period. Please see above for an explanation of look through revenue under Item 6a.

Adjusted EPS is defined as earnings per share from continuing operations calculated by dividing the adjusted net profit after tax from continuing operations 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 in the explanation above in respect of Item 6a. 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.

In determining the financial measures 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. Based on these factors, the Board believes that the growth targets that have been set are appropriate in all the circumstances.

Look through revenue

Achievement of the look through revenue measure allows the Senior Executive to achieve 30% of his LTI cap.

The Board has set a target of 10% CAGR growth in look through revenue over the 3 year period to 30 June 2022. The percentage of the total award that will vest based on the achievement of the look through revenue measure will be determined as follows:

- 0% CAGR growth for look through revenue will result in 0% payout for the measure;
- 10% CAGR growth for look through revenue will result in a payout of 100% for the measure, equating to 30% of the Senior Executive’s LTI cap;

- growth between 0% and 10% will result in an award determined on a linear basis between 0% and 30% of the LTI cap for the Senior Executive.

Adjusted EPS

Achievement of the adjusted EPS measure allows the eligible Senior Executive to achieve 30% of his LTI cap.

The Board has set a target of 10% CAGR growth in EPS over the 3 year period to 30 June 2022. The percentage of the total award that will vest based on the achievement of the look through revenue measure will be determined as follows:

- 0% CAGR growth for look through revenue will result in 0% payout for the measure;
- 10% CAGR growth for look through revenue will result in a payout of 100% for the measure, equating to 30% of the Senior Executive’s LTI cap; and
- growth between 0% and 10% will result in an award determined on a linear basis between 0% and 30% of the LTI cap for the eligible Senior Executive.

The Board believes by structuring the financial hurdles and vesting conditions in this way, Senior Executives are incentivised to maximise growth at every stage of the award, aligning the objectives of Senior Executives with the Company’s Shareholders.

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 2022 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.

Strategic Milestone Measures

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 milestones include objectives in the following areas:

- international business performance metrics that reflect the strategic importance of this segment to the Group as a whole;
- trust and brand metrics that represent the importance of reputation to the Group’s success; and
- domestic business milestones that indicate successful implementation of the Group’s strategic roadmap.

Achievement of each of the strategic milestone measures will be assessed by the Board on the following three point scale and corresponding award:

Rating	Vesting for the objective
Not achieved	0%
Partially achieved	50%
Fully achieved	100%

Terms of award – Mr McIntyre

The value of the Performance Rights to be granted to Mr McIntyre, should resolution 6b be approved by shareholders, 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 2019 of \$13.54.

The value of Options the Company is proposing to issue to Mr McIntyre, subject to shareholder approval, are calculated using the Black-Scholes option pricing model which takes into account certain facts and makes certain assumptions as explained on page 147 of the Annual Report. The assumption inputs used in the Black-Scholes model are reviewed annually by an independent external consultant.

The maximum value of Mr McIntyre's LTI award, comprising 148,871 Options and 73,412 Performance Rights, is \$1,420,000.

In accordance with ASX Listing Rule 10.15, the key general terms of these Options and Performance Rights proposed to be issued to Mr McIntyre, subject to Shareholder approval, are as follows:

- (a) The vesting of up to 73,412 Performance Rights and 148,871 Options is subject to the achievement of financial and strategic milestone measures summarised above.
- (b) The Company will publish in the 2022 Annual Report the 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.
- (c) The performance conditions applying to the Options and Performance Rights will be tested at 30 June 2022.
- (d) The exercise price of each vested Option is \$13.54 being the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2019. The exercise price of each Performance Right is \$0.
- (e) 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 2022 Annual Report to the ASX.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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, in any event, no later than 12 months after the Annual General Meeting).
- (k) The Options and Performance Rights have an expiry date of 15 years after vesting.

Glossary of Terms

Annual General Meeting	means the Annual General Meeting of the Company to be held at 11.00 a.m. (Melbourne time), Friday, 25 October, 2019 and " AGM " has the same meaning.
Annual Report	means the 2019 annual report of the Company accompanying this notice of AGM.
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 Time	means 7:00pm (Melbourne time) on Wednesday 23 October 2019.
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 2019.
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.

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 a.m. (Melbourne time) Wednesday 23 October 2019.**

Proxy Form

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

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

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

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 182776

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



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

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, 25 October 2019 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, 6a and 6b (except where I/we have indicated a different voting intention in step 2) even though Items 2, 6a and 6b 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, 6a and 6b by marking the appropriate box in step 2.

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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Director - Ms Kim Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Re-election of Director - Ms Edwina Gilbert	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Election of Director - Mr David Wiadrowski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6a Chief Executive Remuneration - Short Term Incentive ("STI")	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6b Chief Executive Remuneration - Long Term Incentive ("LTI")	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically