

PENSKE AUTOMOTIVE GROUP, INC.

Form 10-Q

May 01, 2015

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from    to

Commission file number 1-12297

**Penske Automotive Group, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**22-3086739**  
(I.R.S. Employer  
Identification No.)

**2555 Telegraph Road,  
Bloomfield Hills, Michigan**  
(Address of principal executive offices)

**48302-0954**  
(Zip Code)

Registrant's telephone number, including area code:  
**(248) 648-2500**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 24, 2015, there were 90,243,407 shares of voting common stock outstanding.

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**PENSKE AUTOMOTIVE GROUP, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

	March 31, 2015	December 31, 2014
	(Unaudited)	
	(In millions, except share and per share amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 66.8	\$ 36.3
Accounts receivable, net of allowance for doubtful accounts of \$4.2 and \$3.5	746.4	701.4
Inventories	2,885.7	2,819.2
Other current assets	106.7	124.7
Assets held for sale	62.2	186.1
Total current assets	3,867.8	3,867.7
Property and equipment, net	1,326.6	1,328.8
Goodwill	1,271.1	1,266.3
Other indefinite-lived intangible assets	386.6	386.2
Equity method investments	350.9	352.8
Other long-term assets	24.6	26.4
Total assets	\$ 7,227.6	\$ 7,228.2
<b>LIABILITIES AND EQUITY</b>		
Floor plan notes payable	\$ 1,915.8	\$ 1,812.6
Floor plan notes payable non-trade	1,021.5	920.5
Accounts payable	454.1	417.6
Accrued expenses	342.9	310.3
Current portion of long-term debt	34.5	36.6
Liabilities held for sale	43.3	132.7
Total current liabilities	3,812.1	3,630.3
Long-term debt	1,174.1	1,316.0
Deferred tax liabilities	385.0	409.9
Other long-term liabilities	185.0	190.8
Total liabilities	5,556.2	5,547.0
Commitments and contingent liabilities (Note 9)		
<b>Equity</b>		
Penske Automotive Group stockholders' equity:		
Preferred Stock, \$0.0001 par value; 100,000 shares authorized; none issued and outstanding		
Common Stock, \$0.0001 par value, 240,000,000 shares authorized; 90,242,407 shares issued and outstanding at March 31, 2015; 90,244,840 shares issued and outstanding at December 31, 2014		
Non-voting Common Stock, \$0.0001 par value, 7,125,000 shares authorized; none issued and outstanding		
Class C Common Stock, \$0.0001 par value, 20,000,000 shares authorized; none issued and outstanding		
Additional paid-in-capital	680.3	690.7
Retained earnings	1,070.7	1,015.4
Accumulated other comprehensive income (loss)	(107.8)	(53.3)
Total Penske Automotive Group stockholders' equity	1,643.2	1,652.8
Non-controlling interest	28.2	28.4
Total equity	1,671.4	1,681.2
Total liabilities and equity	\$ 7,227.6	\$ 7,228.2

See Notes to Consolidated Condensed Financial Statements

Table of Contents**PENSKE AUTOMOTIVE GROUP, INC.****CONSOLIDATED CONDENSED STATEMENTS OF INCOME**

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	
	<b>(In millions, except per share amounts)</b>	
<b>Revenue:</b>		
Retail automotive dealership	\$ 4,175.0	\$ 3,919.2
Retail commercial truck dealership	192.7	
Commercial vehicle distribution and other	103.4	96.0
<b>Total revenues</b>	<b>\$ 4,471.1</b>	<b>\$ 4,015.2</b>
<b>Cost of sales:</b>		
Retail automotive dealership	3,546.9	3,321.5
Retail commercial truck dealership	159.9	
Commercial vehicle distribution and other	75.6	79.7
<b>Total cost of sales</b>	<b>3,782.4</b>	<b>3,401.2</b>
<b>Gross profit</b>	<b>688.7</b>	<b>614.0</b>
Selling, general and administrative expenses	534.5	477.2
Depreciation	18.6	16.1
Operating income	135.6	120.7
Floor plan interest expense	(10.1)	(11.1)
Other interest expense	(16.3)	(12.4)
Equity in earnings of affiliates	6.7	5.1
Income from continuing operations before income taxes	115.9	102.3
Income taxes	(38.8)	(34.7)
Income from continuing operations	77.1	67.6
Income (loss) from discontinued operations, net of tax	(1.2)	0.3
<b>Net income</b>	<b>75.9</b>	<b>67.9</b>
Less: Income attributable to non-controlling interests	0.7	0.4
<b>Net income attributable to Penske Automotive Group common stockholders</b>	<b>\$ 75.2</b>	<b>\$ 67.5</b>
<b>Basic earnings per share attributable to Penske Automotive Group common stockholders:</b>		
Continuing operations	\$ 0.85	\$ 0.74
Discontinued operations	\$ (0.01)	\$ 0.00
<b>Net income attributable to Penske Automotive Group common stockholders</b>	<b>\$ 0.83</b>	<b>\$ 0.75</b>
Shares used in determining basic earnings per share (Note 6)	90.3	90.4
<b>Diluted earnings per share attributable to Penske Automotive Group common stockholders:</b>		
Continuing operations	\$ 0.85	\$ 0.74
Discontinued operations	\$ (0.01)	\$ 0.00
<b>Net income attributable to Penske Automotive Group common stockholders</b>	<b>\$ 0.83</b>	<b>\$ 0.75</b>
Shares used in determining diluted earnings per share (Note 6)	90.3	90.5
<b>Amounts attributable to Penske Automotive Group common stockholders:</b>		
Income from continuing operations	\$ 77.1	\$ 67.6
Less: Income attributable to non-controlling interests	0.7	0.4
Income from continuing operations, net of tax	76.4	67.2
Income (loss) from discontinued operations, net of tax	(1.2)	0.3
<b>Net income attributable to Penske Automotive Group common stockholders</b>	<b>\$ 75.2</b>	<b>\$ 67.5</b>

See Notes to Consolidated Condensed Financial Statements



Table of Contents**PENSKE AUTOMOTIVE GROUP, INC.****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended March 31,</b>		
	<b>2015</b>	<b>(Unaudited) (In millions)</b>	<b>2014</b>
Net income	\$	75.9	\$ 67.9
Other comprehensive income:			
Foreign currency translation adjustment		(52.8)	9.3
Unrealized gain (loss) on interest rate swaps:			
Unrealized gain (loss) arising during the period, net of tax benefits			(0.2)
Reclassification adjustment for loss included in floor plan interest expense, net of tax provision of \$0.7			1.1
Unrealized gain (loss) on interest rate swaps, net of tax			0.9
Other adjustments to comprehensive income, net		(2.3)	(4.0)
Other comprehensive income (loss), net of taxes		(55.1)	6.2
Comprehensive income		20.8	74.1
Less: Comprehensive income attributable to non-controlling interests		0.1	0.2
Comprehensive income attributable to Penske Automotive Group common stockholders	\$	20.7	\$ 73.9

See Notes to Consolidated Condensed Financial Statements



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	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited) (In millions)</b>	
<b>Operating Activities:</b>		
Net income	\$ 75.9	\$ 67.9
Adjustments to reconcile net income to net cash from continuing operating activities:		
Depreciation	18.6	16.1
Earnings of equity method investments	(6.7)	(5.1)
(Income) loss from discontinued operations, net of tax	1.2	(0.3)
Deferred income taxes	(22.6)	(0.1)
Changes in operating assets and liabilities:		
Accounts receivable	(45.1)	(75.8)
Inventories	(19.7)	(0.8)
Floor plan notes payable	103.2	36.9
Accounts payable and accrued expenses	67.9	84.6
Other	20.9	9.1
Net cash provided by continuing operating activities	193.6	132.5
<b>Investing Activities:</b>		
Purchase of equipment and improvements	(33.6)	(39.8)
Acquisitions net, including repayment of sellers' floor plan notes payable of \$41.2 and \$22.4, respectively	(86.4)	(81.8)
Net cash used in continuing investing activities	(120.0)	(121.6)
<b>Financing Activities:</b>		
Proceeds from borrowings under U.S. credit agreement revolving credit line	398.9	323.0
Repayments under U.S. credit agreement revolving credit line	(398.9)	(313.0)
Repayment of U.S. commercial truck capital loan	(60.5)	
Net repayments of other long-term debt	(78.8)	(36.3)
Net borrowings of floor plan notes payable - non-trade	101.0	6.8
Payment of deferred financing fees	(1.2)	
Repurchases of common stock	(14.0)	
Dividends	(19.9)	(16.2)
Net cash used in continuing financing activities	(73.4)	(35.7)
<b>Discontinued operations:</b>		
Net cash provided by (used in) discontinued operating activities	13.6	(17.8)
Net cash provided by discontinued investing activities	105.4	33.6
Net cash (used in) provided by discontinued financing activities	(85.6)	13.8
Net cash provided by discontinued operations	33.4	29.6
Effect of exchange rate changes on cash and cash equivalents	(3.1)	
Net change in cash and cash equivalents	30.5	4.8
Cash and cash equivalents, beginning of period	36.3	50.3
Cash and cash equivalents, end of period	\$ 66.8	\$ 55.1
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for:		
Interest	\$ 13.6	\$ 17.6
Income taxes	13.3	9.2



Table of Contents**PENSKE AUTOMOTIVE GROUP, INC.****CONSOLIDATED CONDENSED STATEMENT OF EQUITY**

	<b>Common Stock Issued Shares</b>	<b>Amount</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Penske Automotive Group Stockholders Equity</b>	<b>Non-controlling Interest</b>	<b>Total Equity</b>
(Unaudited) (Dollars in millions)								
Balance, January 1, 2015	90,244,840	\$	\$ 690.7	\$ 1,015.4	\$ (53.3)	\$ 1,652.8	\$ 28.4	\$ 1,681.2
Equity compensation	280,567		3.6			3.6		3.6
Repurchase of common stock	(283,000)		(14.0)			(14.0)		(14.0)
Dividends				(19.9)		(19.9)		(19.9)
Distributions to non-controlling interests							(0.3)	(0.3)
Foreign currency translation					(52.2)	(52.2)	(0.6)	(52.8)
Other					(2.3)	(2.3)		(2.3)
Net income				75.2		75.2	0.7	75.9
Balance, March 31, 2015	90,242,407	\$	\$ 680.3	\$ 1,070.7	\$ (107.8)	\$ 1,643.2	\$ 28.2	\$ 1,671.4

See Notes to Consolidated Condensed Financial Statements

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**PENSKE AUTOMOTIVE GROUP, INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**(In millions, except per share amounts)**

**1. Interim Financial Statements**

***Business Overview***

Unless the context otherwise requires, the use of the terms PAG, we, us, and our in these Notes to the Consolidated Condensed Financial Statements refers to Penske Automotive Group, Inc. and its consolidated subsidiaries.

We are an international transportation services company that operates automotive and commercial truck dealerships principally in the United States and Western Europe, and distributes commercial vehicles, diesel engines, gas engines, power systems and related parts and services principally in Australia and New Zealand.

*Retail Automotive Dealership.* We believe we are the second largest automotive retailer headquartered in the U.S. as measured by the \$16.6 billion in total retail automotive dealership revenue we generated in 2014. As of March 31, 2015, we operated 328 automotive retail franchises, of which 180 franchises are located in the U.S. and 148 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In the three months ended March 31, 2015, we retailed and wholesaled more than 122,000 vehicles. We are diversified geographically, with 60% of our total retail automotive dealership revenues in the three months ended March 31, 2015 generated in the U.S. and Puerto Rico and 40% generated outside the U.S. We offer over 40 vehicle brands, with 72% of our retail automotive dealership revenue in the three months ended March 31, 2015 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offer a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products. We operate these dealerships under franchise agreements with a number of automotive manufacturers and distributors which are subject to certain rights and restrictions typical of the industry.

During the three months ended March 31, 2015, we acquired one U.S. retail automotive franchise, Land Rover Darien, in Connecticut which complements our existing franchises in Danbury, Fairfield and Greenwich, Connecticut.

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*Retail Commercial Truck Dealership.* In November 2014, we acquired a controlling interest (91%) in a heavy and medium duty truck dealership group located in Texas, Oklahoma and New Mexico, which we have renamed Penske Commercial Vehicles US ( PCV US ). Prior to this transaction, we held a 32% interest in PCV US and accounted for this investment under the equity method. PCV US operates sixteen locations, including ten full-service dealerships offering principally Freightliner, Western Star, and Sprinter-branded trucks. Two of these locations, Freightliner of Chattanooga and Freightliner of Knoxville, were acquired in February 2015. PCV US also offers a full range of used trucks available for sale as well as service and parts departments, many of which are open 24 hours a day, seven days a week.

*Commercial Vehicle Distribution.* Since August 2013, we have been the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of the Pacific. The business, known as Penske Commercial Vehicles Australia, distributes commercial vehicles and parts to a network of more than 70 dealership locations, including three company-owned retail commercial vehicle dealerships.

In October 2014, we acquired MTU Detroit Diesel Australia Pty Ltd., a leading distributor of diesel and gas engines and power systems, representing MTU, Detroit Diesel, Mercedes-Benz Industrial, Allison Transmission and MTU Onsite Energy. We have renamed this business Penske Power Systems. Penske Power Systems offers products across the on- and off-highway markets in Australia, New Zealand and the Pacific and supports full parts and aftersales service through a network of branches, field locations and independent dealers across the region. The on-highway portion of this business complements our existing Penske Commercial Vehicles Australia distribution business.

*Penske Truck Leasing.* We hold a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ( PTL ), a leading provider of transportation and supply chain services.

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***Basis of Presentation***

The following unaudited consolidated condensed financial statements of PAG have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the SEC rules and regulations. The information presented as of March 31, 2015 and for the three month periods ended March 31, 2015 and 2014 is unaudited, but includes all adjustments which our management believes to be necessary for the fair presentation of results for the periods presented. We have changed the presentation of revenue and cost of sales within the Consolidated Condensed Statements of Income to reflect the addition of the retail commercial truck dealership business for the current and comparative periods presented. We have also identified the retail commercial truck dealership business as a new reportable segment and have retroactively presented the segment data for all periods presented within the segment information footnote. Additionally, the consolidated condensed financial statements for the prior periods have been revised for entities that have been treated as discontinued operations, and results for interim periods are not necessarily indicative of results to be expected for the year. These consolidated condensed financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014, which are included as part of our Annual Report on Form 10-K.

***Recent Accounting Pronouncements***

In April 2014, the Financial Accounting Standards Board ( FASB ) issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU No. 2014-08 changes the requirements for reporting discontinued operations to only allow presentation of a disposal of an entity or component of an entity as a discontinued operation if it represents a strategic shift that has (or will have) a major effect on an entity's operations or financial results. We adopted this accounting standard update effective January 1, 2015. See Assets Held for Sale and Discontinued Operations below for additional discussion.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. This ASU can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. In April 2015, the FASB proposed a one-year deferral of the effective date from January 1, 2017 to January 1, 2018 but would allow for early adoption as of January 1, 2017. We are currently assessing the impact the adoption of this update will have on our consolidated financial position, results of operations, and cash flows.

In April 2015, the FASB issued ASU No. 2015-03, Interest Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for us beginning after January 1, 2016. We are currently assessing the impact the adoption of this update will have on our consolidated financial position, results of operations, and cash flows.

***Assets Held for Sale and Discontinued Operations***

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We classify an entity as held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the entity;
- the entity is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- the sale is probable and transfer is expected to be completed within one year;
- the entity is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

As discussed previously, in April 2014, the FASB issued ASU No. 2014-08 that changes the definition of a discontinued operation to include only those disposals of components of an entity or components of an entity that are classified as held for sale that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. We adopted this accounting standard update effective January 1, 2015.

Prior to the adoption of ASU No. 2014-08, we accounted for dispositions as discontinued operations when it was evident that the operations and cash flows of an entity being disposed of would be eliminated from ongoing operations and we would not have any significant continuing involvement in its operations. The results of operations for those entities that were classified as discontinued operations prior to adoption of ASU No. 2014-08 are included in Income (loss) from discontinued operations in the accompanying Consolidated Condensed Statements of Income for all periods presented and will continue to be reported within discontinued operations in the future. Beginning with disposals or entities classified as held for sale subsequent to January 1, 2015, only those that represent a strategic shift that has, or will have, a major impact on our operations and financial results will be included in discontinued operations.

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We had no entities newly classified as held for sale during the three months ended March 31, 2015. As such, the combined financial information presented below represents only retail automotive dealerships and our car rental business that were classified as discontinued operations prior to adoption of ASU No. 2014-08:

	<b>Three Months Ended March 31,</b>			
	<b>2015</b>		<b>2014</b>	
Revenues	\$	40.3	\$	79.4
Pre-tax income (loss)	\$	(4.1)	\$	(10.0)
Pre-tax gain on disposal	\$	2.3	\$	14.8

	<b>March 31,</b>		<b>December 31,</b>	
	<b>2015</b>		<b>2014</b>	
Inventories	\$	33.6	\$	34.7
Other assets		28.6		151.4
Total assets	\$	62.2	\$	186.1
Floor plan notes payable (including non-trade)	\$	29.0	\$	27.9
Other liabilities		14.3		104.8
Total liabilities	\$	43.3	\$	132.7

***Divestitures***

In February 2015, we divested our car rental business which included Hertz car rental franchises in the Memphis, Tennessee market and certain markets throughout Indiana. We received proceeds of \$17.8 million from the sale excluding sales of car rental vehicles. The results of operations of our car rental business are included in discontinued operations for the three months ended March 31, 2015 and 2014.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts requiring the use of significant estimates include accounts receivable, inventories, income taxes, intangible assets and certain reserves.

***Fair Value of Financial Instruments***

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:



- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Our financial instruments consist of cash and cash equivalents, debt, floor plan notes payable, forward exchange contracts and interest rate swaps used to hedge future cash flows. Other than our fixed rate debt, the carrying amount of all significant financial instruments approximates fair value due either to length of maturity, the existence of variable interest rates that approximate prevailing market rates, or as a result of mark to market accounting.

Our fixed rate debt consists of amounts outstanding under our senior subordinated notes and mortgage facilities. We estimate the

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fair value of our senior unsecured notes using quoted prices for the identical liability (Level 2), and we estimate the fair value of our mortgage facilities using a present value technique based on our current market interest rates for similar types of financial instruments (Level 2). A summary of the carrying values and fair values of our 5.75% senior subordinated notes, 5.375% senior subordinated notes and our fixed rate mortgage facilities are as follows:

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.75% senior subordinated notes due 2022	\$ 550.0	\$ 580.3	\$ 550.0	\$ 558.4
5.375% senior subordinated notes due 2024	300.0	309.8	300.0	306.0
Mortgage facilities	170.5	173.7	169.7	171.6

**2. Inventories**

Inventories consisted of the following:

	March 31, 2015	December 31, 2014
Retail automotive new vehicles	\$ 1,814.3	\$ 1,792.5
Retail automotive used vehicles	670.2	639.9
Retail automotive parts, accessories and other	101.7	103.5
Commercial truck dealership vehicles and parts	119.5	85.5
Commercial vehicle distribution vehicles and parts	180.0	197.8
Total inventories	\$ 2,885.7	\$ 2,819.2

We receive credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to \$9.1 million and \$8.8 million during the three months ended March 31, 2015 and 2014, respectively.

**3. Business Combinations**

We acquired one retail automotive franchise and two retail commercial truck dealerships during the three months ended March 31, 2015. During the three months ended March 31, 2014, we acquired one retail automotive franchise as well as made an additional investment in an entity previously accounted under the equity method. Our financial statements include the results of operations of the acquired entities from the date of acquisition. The fair value of the assets acquired and liabilities assumed have been recorded in our consolidated condensed financial statements, and may be subject to adjustment pending completion of final valuation. A summary of the aggregate consideration paid and the aggregate amounts of the assets acquired and liabilities assumed for the three months ended March 31, 2015 and 2014 follows:

	March 31, 2015	March 31, 2014
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Accounts receivable	\$		\$	0.7
Inventory		46.8		27.2
Other current assets		0.2		1.1
Property and equipment		4.4		3.8
Indefinite-lived intangibles		38.8		54.5
Current liabilities		(1.2)		(2.0)
Non-current liabilities				(2.2)
Total consideration		89.0		83.1
Seller financed/assumed debt		(2.6)		(1.3)
Total cash used in acquisitions	\$	86.4	\$	81.8

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The following unaudited consolidated pro forma results of operations of PAG for the three months ended March 31, 2015 and 2014 give effect to acquisitions consummated during 2015 and 2014 as if they had occurred effective at the beginning of the periods:

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenues	\$ 4,497.8	\$ 4,345.8
Income from continuing operations	76.8	69.4
Net income	75.6	69.7
Income from continuing operations per diluted common share	\$ 0.85	\$ 0.77
Net income per diluted common share	\$ 0.84	\$ 0.77

**4. Intangible Assets**

Following is a summary of the changes in the carrying amount of goodwill and other indefinite-lived intangible assets during the three months ended March 31, 2015:

	<b>Goodwill</b>		<b>Other Indefinite-Lived Intangible Assets</b>	
Balance, January 1, 2015	\$ 1,266.3	\$ 386.2		
Additions	30.6	8.2		
Foreign currency translation	(25.8)	(7.8)		
Balance, March 31, 2015	\$ 1,271.1	\$ 386.6		

The additions during the three months ended March 31, 2015 were within our Retail Automotive and Retail Commercial Truck reportable segments. As of March 31, 2015, the goodwill balance within our Retail Automotive, Retail Commercial Truck, and Other reportable segments was \$1,040.9 million, \$147.3 million and \$82.9 million, respectively.

**5. Vehicle Financing**

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale and a portion of our used vehicle inventories for retail sale under floor plan and other revolving arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. We typically make monthly interest payments on the amount financed. Outside of the U.S., substantially all of the floor plan arrangements are payable on demand or have an original maturity of 90 days or less, and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity.

The agreements typically grant a security interest in substantially all of the assets of our dealership and distribution subsidiaries, and in the U.S., Australia and New Zealand are guaranteed or partially guaranteed by us. Interest rates under the arrangements are variable and increase or

decrease based on changes in the prime rate, defined London Interbank Offered Rate ( LIBOR ), the Finance House Bank Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate ( BBSW ). To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing. We also receive non-refundable credits from certain of our vehicle manufacturers, which are treated as a reduction of cost of sales as vehicles are sold.

The weighted average interest rate on floor plan borrowings was 1.4% for the three months ended March 31, 2015 and 1.7% for the three months ended March 31, 2014, including for 2014 the effect of the interest rate swap discussed in Note 8. We classify floor plan notes payable to a party other than the manufacturer of a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles, as floor plan notes payable non-trade on our consolidated balance sheets and classify related cash flows as a financing activity on our consolidated statements of cash flows.

## 6. Earnings Per Share

Basic earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, including outstanding unvested equity awards which contain rights to non-forfeitable dividends. Diluted earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, adjusted for any dilutive

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effects. A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 follows:

	Three Months Ended	
	March 31,	
	2015	2014
Weighted average number of common shares outstanding	90,252,488	90,437,732
Effect of non-participatory equity compensation	36,000	36,000
Weighted average number of common shares outstanding, including effect of dilutive securities	90,288,488	90,473,732

**7. Long-Term Debt**

Long-term debt consisted of the following:

	March 31, 2015	December 31, 2014
U.S. credit agreement revolving credit line	\$	\$
U.S. credit agreement term loan	88.0	88.0
U.K. credit agreement revolving credit line	54.8	121.5
U.K. credit agreement term loan	15.6	18.7
U.K. credit agreement overdraft line of credit		5.7
5.375% senior subordinated notes due 2024	300.0	300.0
5.75% senior subordinated notes due 2022	550.0	550.0
U.S. commercial truck capital loan		60.5
Australia working capital loan		
Mortgage facilities	170.5	169.7
Other	29.7	38.5
Total long-term debt	1,208.6	1,352.6
Less: current portion	(34.5)	(36.6)
Net long-term debt	\$ 1,174.1	\$ 1,316.0

***U.S. Credit Agreement***

On May 1, 2015, we amended and restated our U.S. credit agreement (the "U.S. credit agreement") with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, principally to increase the revolving borrowing capacity from \$450.0 million to \$700.0 million, to extend the term through September of 2018, and to eliminate the term loan. The amounts previously owing under the term loan have been repaid using the expanded revolving capacity.

As amended, the U.S. credit agreement provides for up to \$700.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, which includes \$250.0 million in revolving loans solely for future U.S.

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acquisitions. The loans mature on the termination date of the facility which is September 30, 2018. The revolving loans bear interest at LIBOR plus 2.00%, subject to an incremental 1.50% for uncollateralized borrowings in excess of a defined borrowing base.

The U.S. credit agreement is fully and unconditionally guaranteed on a joint and several basis by substantially all of our U.S. subsidiaries and contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial and other tests and ratios, each as defined in the U.S. credit agreement including: a ratio of current assets to current liabilities, a fixed charge coverage ratio, a ratio of debt to stockholders' equity and a ratio of debt to earnings before interest, taxes, depreciation and amortization ( EBITDA ). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed.

The U.S. credit agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Substantially all of our U.S. assets are subject to security interests granted to the lenders under the U.S. credit agreement. As of March 31, 2015, we had \$88.0 million outstanding under our prior term loan and no outstanding revolver borrowings under the U.S. credit agreement.

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***U.K. Credit Agreement***

Our subsidiaries in the U.K. (the U.K. subsidiaries ) are party to a revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional demand overdraft line of credit with RBS (collectively, the U.K. credit agreement ) to be used for working capital, acquisitions, capital expenditures, investments and general corporate purposes. In April 2015, we amended the U.K. credit agreement principally to increase the revolving borrowing capacity from £100.0 million to £150.0 million. The loans mature on the termination date of the facility, which is December 19, 2019. The revolving loans bear interest between defined LIBOR plus 1.35% and defined LIBOR plus 3.0% and the demand overdraft line of credit bears interest at the Bank of England Base Rate plus 1.75%. As of March 31, 2015, outstanding loans under the U.K. credit agreement amounted to £37.0 million (\$54.8 million).

The U.K. Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by our U.K. subsidiaries, and contains a number of significant covenants that, among other things, restrict the ability of our U.K. subsidiaries to pay dividends, dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, our U.K. subsidiaries are required to comply with defined ratios and tests, including: a ratio of earnings before interest, taxes, amortization, and rental payments ( EBITAR ) to interest plus rental payments, a measurement of maximum capital expenditures, and a debt to EBITDA ratio. A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of any amounts owed.

The U.K. credit agreement also contains typical events of default, including change of control and non-payment of obligations and cross-defaults to other material indebtedness of our U.K. subsidiaries. Substantially all of our U.K. subsidiaries' assets are subject to security interests granted to the lenders under the U.K. credit agreement.

In 2012, our U.K. subsidiaries entered into a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30.0 million term loan which was used for working capital and an acquisition. The term loan is repayable in £1.5 million quarterly installments through 2015 with a final payment of £7.5 million due December 31, 2015. The term loan bears interest between 2.675% and 4.325%, depending on the U.K. subsidiaries' ratio of net borrowings to earnings before interest, taxes, depreciation and amortization (as defined). As of March 31, 2015, the amount outstanding under the U.K. term loan was £10.5 million (\$15.6 million).

***5.375% Senior Subordinated Notes***

In November 2014, we issued \$300.0 million in aggregate principal amount of 5.375% Senior Subordinated Notes due 2024 (the 5.375% Notes ). Interest on the 5.375% Notes is payable semi-annually on June 1 and December 1 of each year. The 5.375% Notes mature on December 1, 2024, unless earlier redeemed or purchased by us. The 5.375% Notes are unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing 100% owned U.S. subsidiaries. The 5.375% Notes also contain customary negative covenants and events of default.

On or after December 1, 2019, we may redeem the 5.375% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.375% Notes using the proceeds of specified equity offerings at any time prior to December 1, 2017 at a price specified in the indenture. If we experience certain change of control events specified in the indenture, holders of



the 5.375% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

***5.75% Senior Subordinated Notes***

In August 2012, we issued \$550.0 million in aggregate principal amount of 5.75% Senior Subordinated Notes due 2022 (the *5.75% Notes* ). Interest on the 5.75% Notes is payable semi-annually on April 1 and October 1 of each year. The 5.75% Notes mature on October 1, 2022, unless earlier redeemed or purchased by us. The 5.75% Notes are our unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing 100% owned U.S. subsidiaries. The 5.75% Notes also contain customary negative covenants and events of default.

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.75% Notes using the proceeds of specified equity offerings at any time prior to October 1, 2015 at a price specified in the indenture. If we experience certain change of control events specified in the indenture, holders of the 5.75% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such

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asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

***U.S. Commercial Truck Capital Loan***

The principal source of working capital of our PCV US business was a working capital loan agreement with Mercedes-Benz Financial Services USA LLC with an amount outstanding of \$60.5 million as of December 31, 2014. In February 2015, we repaid the outstanding principal balance using our U.S. revolving credit facility.

***Australia Working Capital Loan Agreement***

In December 2013, we entered into a working capital loan agreement with Mercedes-Benz Financial Services Australia Pty Ltd that provides us with up to AU \$28.0 million (\$21.3 million) of working capital availability. This agreement provides the lender with a secured interest in certain inventory and receivables of our commercial vehicle distribution business. The loan bears interest at the Australian BBSW 30-day Bill Rate plus 2.35%. As of March 31, 2015, no loans were outstanding under the working capital loan agreement.

***Mortgage Facilities***

We are party to several mortgages which bear interest at defined rates and require monthly principal and interest payments. These mortgage facilities also contain typical events of default, including non-payment of obligations, cross-defaults to our other material indebtedness, certain change of control events, and the loss or sale of certain franchises operated at the properties. Substantially all of the buildings and improvements on the properties financed pursuant to the mortgage facilities are subject to security interests granted to the lender. As of March 31, 2015, we owed \$170.5 million of principal under our mortgage facilities.

**8. Derivatives and Hedging**

Our commercial vehicle distribution business sells vehicles, engines, parts and other products purchased from manufacturers in the U.S., Germany, and the U.K. In order to protect against exchange rate movements, we enter into foreign exchange forward contracts against anticipated cash flows. The contracts are timed to mature when major shipments are scheduled to arrive in Australia and when receipt of payment from customers is expected. We classify our foreign exchange forward contracts as cash flow hedges and state them at fair value. We used Level 2 inputs to estimate the fair value of the foreign exchange forward contracts. The fair value of the contracts designated as hedging instruments was estimated to be an asset of \$1.5 million and \$1.1 million as of March 31, 2015 and December 31, 2014, respectively.

We previously were party to interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of \$300.0 million of our floating rate floor plan debt was fixed at a rate of 2.135% and \$100.0 million of our floating rate floor plan debt was fixed at a rate of 1.55%.

During the three months ended March 31, 2014, the swaps increased the weighted average interest rate on our floor plan borrowings by approximately 28 basis points. We are not party to any interest rate swap agreements as of March 31, 2015.

## 9. Commitments and Contingent Liabilities

We are involved in litigation which may relate to claims brought by governmental authorities, issues with customers, and employment related matters, including class action claims and purported class action claims. As of March 31, 2015, we were not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, financial condition or cash flows.

We have historically structured our operations so as to minimize ownership of real property. As a result, we lease or sublease substantially all of our facilities. These leases are generally for a period between five and 20 years, and are typically structured to include renewal options at our election. Pursuant to the leases for some of our larger facilities, we are required to comply with specified financial ratios, including a rent coverage ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require us to post collateral in the form of a letter of credit. A breach of the other lease covenants gives rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease.

We have sold a number of dealerships to third parties and, as a condition to certain of those sales, remain liable for the lease payments relating to the properties on which those businesses operate in the event of non-payment by the buyer. We are also party to lease agreements on properties that we no longer use in our retail operations that we have sublet to third parties. We rely on subtenants

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to pay the rent and maintain the property at these locations. In the event the subtenant does not perform as expected, we may not be able to recover amounts owed to us and we could be required to fulfill these obligations.

We hold a 9.0% ownership interest in PTL. Historically, General Electric Capital Corporation ( GECC ) provided PTL with a majority of its financing though PTL has refinanced all of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ( Holdings ), which, together with GECC, co-issued \$700.0 million of 3.8% senior unsecured notes due 2019 (the Holdings Bonds ). GECC agreed to be a co-obligor of the Holdings Bonds in order to achieve lower interest rates on the Holdings Bonds. Additional capital contributions from the members may be required to fund interest and principal payments on the Holdings Bonds to the extent Holdings is unable to pay those amounts. We have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay on these bonds and pay GECC an annual fee of approximately \$0.95 million for acting as obligor. The maximum amount of our obligations to GECC under this agreement is 9.0% of the required principal repayment due in 2019 (which is expected to be \$63.1 million) and 9.0% of interest payments under the Holdings Bonds, plus fees and default interest, if any.

In March 2015, Mitsui & Co. purchased a 20% ownership interest in PTL from GECC. PTL is currently owned 41.1% by Penske Corporation, 9.0% by us, 29.9% by GECC and 20.0% by Mitsui & Co.

Our floor plan credit agreement with Mercedes Benz Financial Services Australia ( MBA ) provides us revolving loans for the acquisition of commercial vehicles for distribution to our retail network. This facility includes a limited parent guarantee and a commitment to repurchase dealer vehicles in the event the dealer s floor plan agreement with MBA is terminated.

We have \$22.9 million of letters of credit outstanding as of March 31, 2015, and have posted \$14.3 million of surety bonds in the ordinary course of business.

## **10. Equity**

During the three months ended March 31, 2015, we repurchased 283,000 shares of our outstanding common stock for \$14.0 million, or an average of \$49.25 per share, under our securities repurchase program approved by our Board of Directors. As of March 31, 2015, our remaining authorization under the program was \$136.0 million.

## **11. Accumulated Other Comprehensive Income/(Loss)**

Changes in accumulated other comprehensive income/(loss) by component and the reclassifications out of accumulated other comprehensive income/(loss) during the three months ended March 31, 2015 and 2014, respectively, attributable to Penske Automotive Group common stockholders follows:

Three Months Ended March 31, 2015

	<b>Foreign Currency Translation</b>		<b>Other</b>		<b>Total</b>
Balance at December 31, 2014	\$ (51.7)	\$	(1.6)	\$	(53.3)
Other comprehensive income (loss) before reclassifications	(52.2)		(2.3)		(54.5)
Amounts reclassified from accumulated other comprehensive income - net of tax					
Net current-period other comprehensive income (loss)	(52.2)		(2.3)		(54.5)
Balance at March 31, 2015	\$ (103.9)	\$	(3.9)	\$	(107.8)

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	<b>Foreign Currency Translation</b>		<b>Other</b>		<b>Total</b>
Balance at December 31, 2013	\$ 11.4	\$	0.2	\$	11.6
Other comprehensive income (loss) before reclassifications	9.5		(4.2)		5.3
Amounts reclassified from accumulated other comprehensive income - net of tax			1.1		1.1
Net current-period other comprehensive income (loss)	9.5		(3.1)		6.4
Balance at March 31, 2014	\$ 20.9	\$	(2.9)	\$	18.0

Within the amounts reclassified from accumulated other comprehensive income during the three months ended March 31, 2014, amounts associated with Other relate to interest rate swaps and are included in floor plan interest expense.

**12. Segment Information**

Our operations are organized by management into operating segments by line of business and geography. We have determined that we have three reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail Automotive, consisting of retail automotive dealership operations, (ii) Retail Commercial Truck, consisting of our U.S. retail commercial truck dealership operations, and (iii) Other, consisting of our commercial vehicle distribution operations and our investments in non-automotive retail operations. The Retail Automotive reportable segment includes all automotive dealerships and all departments relevant to the operation of the dealerships and the retail automotive joint ventures. The individual dealership operations included in the Retail Automotive reportable segment have been grouped into four geographic operating segments: Eastern, Central, and Western United States and International. The geographic operating segments have been aggregated into one reportable segment as their operations (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). Revenue and segment income for the three months ended March 31, 2015 and 2014 follows:

Three Months Ended March 31

	<b>Retail Automotive</b>	<b>Retail Commercial Truck</b>	<b>Other</b>	<b>Intersegment Elimination</b>	<b>Total</b>
Revenues					
2015	\$ 4,175.0	\$ 192.7	\$ 103.7	\$ (0.3)	\$ 4,471.1
2014	3,919.2		96.7	(0.7)	4,015.2
Segment income					
2015	\$ 103.1	\$ 7.4	\$ 5.4		\$ 115.9

2014

93.9

0.6

7.8

102.3

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The following tables include condensed consolidating financial information as of March 31, 2015 and December 31, 2014 and for the three month periods ended March 31, 2015 and 2014 for Penske Automotive Group, Inc. (as the issuer of the 5.75% and 5.375% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing non-U.S. entities). Guarantor subsidiaries are directly or indirectly 100% owned by PAG, and the guarantees are full and unconditional, and joint and several. The guarantees may be released under certain circumstances upon resale, or transfer by us of the stock of the related guarantor or all or substantially all of the assets of the guarantor to a non-affiliate.

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**March 31, 2015**

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Cash and cash equivalents	\$ 66.8	\$	\$	\$	\$ 66.8
Accounts receivable, net	746.4	(415.0)	415.0	364.2	382.2
Inventories	2,885.7			1,488.4	1,397.3
Other current assets	106.7		5.3	27.4	74.0
Assets held for sale	62.2			28.2	34.0
Total current assets	3,867.8	(415.0)	420.3	1,908.2	1,954.3
Property and equipment, net	1,326.6		4.5	761.7	560.4
Intangible assets	1,657.7			834.2	823.5
Equity method investments	350.9		288.1		62.8
Other long-term assets	24.6	(2,014.8)	2,031.4	2.4	5.6
Total assets	\$ 7,227.6	\$ (2,429.8)	\$ 2,744.3	\$ 3,506.5	\$ 3,406.6
Floor plan notes payable	\$ 1,915.8	\$	\$	\$ 1,089.8	\$ 826.0
Floor plan notes payable non-trade	1,021.5		131.8	389.0	500.7
Accounts payable	454.1		2.2	149.1	302.8
Accrued expenses	342.9	(415.0)	0.9	162.9	594.1
Current portion of long-term debt	34.5			6.9	27.6
Liabilities held for sale	43.3			17.8	25.5
Total current liabilities	3,812.1	(415.0)	134.9	1,815.5	2,276.7
Long-term debt	1,174.1	(274.2)	938.0	112.6	397.7
Deferred tax liabilities	385.0			362.0	23.0
Other long-term liabilities	185.0			67.5	117.5
Total liabilities	5,556.2	(689.2)	1,072.9	2,357.6	2,814.9
Total equity	1,671.4	(1,740.6)	1,671.4	1,148.9	591.7
Total liabilities and equity	\$ 7,227.6	\$ (2,429.8)	\$ 2,744.3	\$ 3,506.5	\$ 3,406.6



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**CONDENSED CONSOLIDATING BALANCE SHEET**  
**December 31, 2014**

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Cash and cash equivalents	\$ 36.3	\$	\$	\$	\$ 36.3
Accounts receivable, net	701.4	(409.6)	409.6	392.6	308.8
Inventories	2,819.2			1,481.5	1,337.7
Other current assets	124.7		4.5	58.3	61.9
Assets held for sale	186.1			150.4	35.7
Total current assets	3,867.7	(409.6)	414.1	2,082.8	1,780.4
Property and equipment, net	1,328.8		4.3	754.6	569.9
Intangible assets	1,652.5			818.4	834.1
Equity method investments	352.8		285.5		67.3
Other long-term assets	26.4	(1,990.8)	2,005.0	4.4	7.8
Total assets	\$ 7,228.2	\$ (2,400.4)	\$ 2,708.9	\$ 3,660.2	\$ 3,259.5
Floor plan notes payable	\$ 1,812.6	\$	\$	\$ 1,102.0	\$ 710.6
Floor plan notes payable non-trade	920.5		86.8	398.1	435.6
Accounts payable	417.6		2.9	208.3	206.4
Accrued expenses	310.3	(409.6)		123.3	596.6
Current portion of long-term debt	36.6			4.6	32.0
Liabilities held for sale	132.7			105.9	26.8
Total current liabilities	3,630.3	(409.6)	89.7	1,942.2	2,008.0
Long-term debt	1,316.0	(247.0)	938.0	116.1	508.9
Deferred tax liabilities	409.9			385.6	24.3
Other long-term liabilities	190.8			66.9	123.9
Total liabilities	5,547.0	(656.6)	1,027.7	2,510.8	2,665.1
Total equity	1,681.2	(1,743.8)	1,681.2	1,149.4	594.4
Total liabilities and equity	\$ 7,228.2	\$ (2,400.4)	\$ 2,708.9	\$ 3,660.2	\$ 3,259.5

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**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**Three Months Ended March 31, 2015**

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	\$ 4,471.1	\$	\$	\$ 2,348.3	\$ 2,122.8
Cost of sales	3,782.4			1,971.6	1,810.8
Gross profit	688.7			376.7	312.0
Selling, general and administrative expenses	534.5		6.7	293.2	234.6
Depreciation	18.6		0.4	10.2	8.0
Operating income	135.6		(7.1)	73.3	69.4
Floor plan interest expense	(10.1)		(0.7)	(5.2)	(4.2)
Other interest expense	(16.3)		(9.8)	(1.3)	(5.2)
Equity in earnings of affiliates	6.7		5.8		0.9
Equity in earnings of subsidiaries		(127.0)	127.0		
Income from continuing operations before income taxes	115.9	(127.0)	115.2	66.8	60.9
Income taxes	(38.8)	42.8	(38.8)	(28.3)	(14.5)
Income from continuing operations	77.1	(84.2)	76.4	38.5	46.4
(Loss) income from discontinued operations, net of tax	(1.2)	1.2	(1.2)	(1.1)	(0.1)
Net income	75.9	(83.0)	75.2	37.4	46.3
Other comprehensive income (loss), net of tax	(55.1)	52.3	(55.1)		(52.3)
Comprehensive income	20.8	(30.7)	20.1	37.4	(6.0)
Less: Comprehensive income attributable to non-controlling interests	0.1	0.6	(0.6)		0.1
Comprehensive income attributable to Penske Automotive Group common stockholders	\$ 20.7	\$ (31.3)	\$ 20.7	\$ 37.4	\$ (6.1)

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**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**Three Months Ended March 31, 2014**

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	\$ 4,015.2	\$	\$	\$ 2,157.8	\$ 1,857.4
Cost of sales	3,401.2			1,811.0	1,590.2
Gross profit	614.0			346.8	267.2
Selling, general and administrative expenses	477.2		5.8	277.4	194.0
Depreciation	16.1		0.3	8.9	6.9
Operating income	120.7		(6.1)	60.5	66.3
Floor plan interest expense	(11.1)		(2.4)	(5.0)	(3.7)
Other interest expense	(12.4)		(7.1)	(0.5)	(4.8)
Equity in earnings of affiliates	5.1		4.2		0.9
Equity in earnings of subsidiaries		(113.4)	113.4		
Income from continuing operations before income taxes	102.3	(113.4)	102.0	55.0	58.7
Income taxes	(34.7)	38.6	(34.8)	(24.6)	(13.9)
Income from continuing operations	67.6	(74.8)	67.2	30.4	44.8
(Loss) income from discontinued operations, net of tax	0.3	(0.3)	0.3	5.8	(5.5)
Net income	67.9	(75.1)	67.5	36.2	39.3
Other comprehensive income (loss), net of tax	6.2	(6.8)	6.2	(2.4)	9.2
Comprehensive income	74.1	(81.9)	73.7	33.8	48.5
Less: Comprehensive income attributable to non-controlling interests	0.2	0.2	(0.2)		0.2
Comprehensive income attributable to Penske Automotive Group common stockholders	\$ 73.9	\$ (82.1)	\$ 73.9	\$ 33.8	\$ 48.3

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**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**Three Months Ended March 31, 2015**

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	(In millions)			
Net cash provided by (used in) continuing operating activities	\$ 193.6	\$ (10.6)	\$ 17.1	\$ 187.1
Investing activities:				
Purchase of equipment and improvements	(33.6)	(0.5)	(19.2)	(13.9)
Acquisitions, net	(86.4)		(21.7)	(64.7)
Net cash used in continuing investing activities	(120.0)	(0.5)	(40.9)	(78.6)
Financing activities:				
Net repayments of long-term debt	(139.3)		(1.3)	(138.0)
Net borrowings (repayments) of floor plan notes payable non-trade	101.0	45.0	(9.1)	65.1
Payment of deferred financing fees	(1.2)			(1.2)
Repurchases of common stock	(14.0)	(14.0)		
Dividends	(19.9)	(19.9)		
Distributions from (to) parent			1.2	(1.2)
Net cash (used in) provided by continuing financing activities	(73.4)	11.1	(9.2)	(75.3)
Net cash provided by discontinued operations	33.4		33.0	0.4
Effect of exchange rate changes on cash and cash equivalents	(3.1)			(3.1)
Net change in cash and cash equivalents	30.5			30.5
Cash and cash equivalents, beginning of period	36.3			36.3
Cash and cash equivalents, end of period	\$ 66.8	\$	\$	\$ 66.8

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**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**Three Months Ended March 31, 2014**

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	(In millions)			
Net cash provided by continuing operating activities	\$ 132.5	\$ 9.7	\$ 109.8	\$ 13.0
Investing activities:				
Purchase of equipment and improvements	(39.8)	(0.3)	(28.0)	(11.5)
Acquisitions, net	(81.8)		(80.0)	(1.8)
Net cash used in continuing investing activities	(121.6)	(0.3)	(108.0)	(13.3)
Financing activities:				
Net (repayments) borrowings of long-term debt	(26.3)	10.0	(5.3)	(31.0)
Net borrowings (repayments) of floor plan notes payable non-trade	6.8	(3.2)	(29.4)	39.4
Dividends	(16.2)	(16.2)		
Distributions from (to) parent			0.5	(0.5)
Net cash (used in) provided by continuing financing activities	(35.7)	(9.4)	(34.2)	7.9
Net cash provided by discontinued operations	29.6		27.2	2.4
Net change in cash and cash equivalents	4.8		(5.2)	10.0
Cash and cash equivalents, beginning of period	50.3		13.1	37.2
Cash and cash equivalents, end of period	\$ 55.1	\$	\$ 7.9	\$ 47.2

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those discussed in Forward-Looking Statements. We have acquired and initiated a number of businesses during the periods presented and addressed in this Management's Discussion and Analysis of Financial Condition and Results of Operations. Our financial statements include the results of operations of those businesses from the date acquired or when they commenced operations. This Management's Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the revision of our financial statements for entities which have been treated as discontinued operations.*

**Overview**

We are an international transportation services company that operates automotive and commercial truck dealerships principally in the United States and Western Europe, and distributes commercial vehicles, diesel engines, gas engines, power systems and related parts and services principally in Australia and New Zealand. We employ approximately 22,000 people worldwide.

In the first quarter of 2015, our business generated \$4.5 billion in total revenue which is comprised of \$4.2 billion from retail automotive dealerships, \$192.7 million from retail commercial truck dealerships and \$103.4 million from commercial vehicle distribution and other operations.

*Retail Automotive Dealership.* We believe we are the second largest automotive retailer headquartered in the U.S. as measured by the \$16.6 billion in total retail automotive dealership revenue we generated in 2014. As of March 31, 2015, we operated 328 automotive retail franchises, of which 180 franchises are located in the U.S. and 148 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In the three months ended March 31, 2015, we retailed and wholesaled more than 122,000 vehicles. We are diversified geographically, with 60% of our total retail automotive dealership revenues in the three months ended March 31, 2015 generated in the U.S. and Puerto Rico and 40% generated outside the U.S. We offer over 40 vehicle brands, with 72% of our retail automotive dealership revenue in the three months ended March 31, 2015 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offer a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products.

Retail automotive dealerships represented 93% of our total revenues and 91% of our total gross profit in the three months ended March 31, 2015.

*Retail Commercial Truck Dealership.* In November 2014, we acquired a controlling interest (91%) in a heavy and medium duty truck dealership group located in Texas, Oklahoma and New Mexico, which we have renamed Penske Commercial Vehicles US (PCV US). Prior to this transaction, we held a 32% interest in PCV US and accounted for this investment under the equity method. PCV US operates sixteen locations, including ten full-service dealerships offering principally Freightliner, Western Star, and Sprinter-branded trucks. Two of these locations, Freightliner of Chattanooga and Freightliner of Knoxville, were acquired in February 2015. PCV US also offers a full range of used trucks available for sale as well as service and parts departments, many of which are open 24 hours a day, seven days a week.

Retail commercial truck dealerships represented 4.3% of our total revenues and 4.8% of our total gross profit in the three months ended March 31, 2015.

*Commercial Vehicle Distribution.* Since August 2013, we have been the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of the Pacific. The business, known as Penske Commercial Vehicles Australia, distributes commercial vehicles and parts to a network of more than 70 dealership locations, including three company-owned retail commercial vehicle dealerships.

In October 2014, we acquired MTU Detroit Diesel Australia Pty Ltd., a leading distributor of diesel and gas engines and power systems, representing MTU, Detroit Diesel, Mercedes-Benz Industrial, Allison Transmission and MTU Onsite Energy. We have renamed this business Penske Power Systems. Penske Power Systems offers products across the on- and off-highway markets in Australia, New Zealand and the Pacific and supports full parts and aftersales service through a network of branches, field locations and dealers across the region. The on-highway portion of this business complements our existing Penske Commercial Vehicles Australia distribution business.

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Our commercial vehicle distribution business represented 2.3% of our total revenues and 3.9% of our total gross profit in the three months ended March 31, 2015.

*Penske Truck Leasing.* We hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. ( PTL ), a leading provider of transportation and supply chain services. PTL operates and maintains approximately 215,000 vehicles and serves customers in North America, South America, Europe, Australia and Asia and is one of the largest purchasers of commercial trucks in North America. Product lines include full-service truck leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. In March 2015, Mitsui & Co. purchased a 20% ownership interest in PTL from General Electric Capital Corporation ( GECC ). PTL is currently owned 41.1% by Penske Corporation, 9.0% by us, 29.9% by GECC and 20.0% by Mitsui & Co. We account for our investment in PTL under the equity method, and we therefore record our share of PTL 's earnings on our statements of income under the caption Equity in earnings of affiliates , which also includes the results of our other investments.

**Outlook**

The level of new automotive unit sales in our markets affects our results. The new vehicle market continues to perform well and for the three months ended March 31, 2015, the U.S. light vehicle retail market grew 5.6% to 3.95 million units. Based upon the current economic environment, generally strong credit availability, the age of vehicles on the road, new model introductions planned by many different OEM s, and the decline in oil prices contributing to lower consumer fuel costs, there are expectations for continued growth in the new light vehicle sales market in 2015.

During the first three months of 2015, U.K. new vehicle registrations increased 6.8% from 2014 to 734,588 registrations. Based on industry forecasts from entities such as the Society of Motor Manufacturers and Traders ([www.smmmt.co.uk](http://www.smmmt.co.uk)), we believe the U.K. market will maintain current registration levels as a result of continued positive conditions in the U.K. economy, improving new car efficiency, the latest technologically advanced vehicles, particularly in the area of premium brand sales, and attractive financing offers.

During the first three months of 2015, North America sales of Class 5-8 medium and heavy-duty trucks, the principal vehicles for our PCV US business, were approximately 119,700 units, an increase of 14.8% from 2014. The largest market, Class 8 heavy-duty trucks, increased 19.5% to 69,700 units from 58,300 units in 2014. Based on a growing economy, the strength of the order backlog, strong freight metrics, the drop in oil prices which may help trucking profitability and boost discretionary spending, there are expectations for continued strength in the Class 5-8 medium and heavy-duty truck market in 2015.

Our commercial vehicle distribution business, including the on-highway portion of our Penske Power Systems business, operates principally in the Australian and New Zealand heavy and medium duty truck markets. For the three months ended March 31, 2015, the Australian heavy duty truck market reported sales of 2,041 units representing a decrease of 14.3% from the same period in 2014. For the three months ended March 31, 2015, the New Zealand market reported sales of 766 units representing an increase of 9.0% from the same period in 2014. The brands we represent in Australia hold a 10.1% market share in the heavy duty truck market, while the brands we represent in New Zealand hold a 6.7% market share. We expect the Australian commercial vehicle market to lag behind historical sales levels in part because of difficult macro-economic conditions resulting in part from lower commodity prices in these markets. The commercial parts distribution portion of our business has been increasing and we expect the parts distribution business will continue to be resilient as a result of the increasing average fleet age in Australia to approximately 14 years combined with the delayed vehicle replacement cycle as a result of the difficult macro-economic conditions.



We expect PTL to benefit from continued strong economic conditions in the United States and in particular that PTL will be favorably impacted by increased demand for freight movement and increased costs of owning and maintaining fleet vehicles due in part to increasingly advanced vehicle technology and regulatory requirements.

As described in our Forward-Looking Statements, there are a number of factors that could cause actual results to differ materially from our expectations.

### **Operating Overview**

Automotive and commercial truck dealerships represent the majority of our results of operations. New and used vehicle revenues include sales to retail customers and to leasing companies providing consumer leasing. We generate finance and insurance revenues from sales of third-party extended service contracts, sales of third-party insurance policies, commissions relating to the sale of finance and lease contracts to third parties and the sales of certain other products. Service and parts revenues include fees paid by customers for repair, maintenance and collision services, and the sale of replacement parts and other aftermarket accessories as well as warranty repairs which are reimbursed directly by various OEMs.

Our gross profit tends to vary with the mix of revenues we derive from the sale of new vehicles, used vehicles, finance and insurance products, and service and parts transactions. Our gross profit varies across product lines, with vehicle sales usually resulting in lower gross profit margins and our other revenues resulting in higher gross profit margins. Factors such as inventory and vehicle

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availability, customer demand, consumer confidence, unemployment, general economic conditions, seasonality, weather, credit availability, fuel prices and manufacturers' advertising and incentives also impact the mix of our revenues, and therefore influence our gross profit margin.

Aggregate revenue and gross profit increased \$455.9 million and \$74.7 million, or 11.4% and 12.2%, respectively, during the three months ended March 31, 2015 compared to the same period in 2014. The increases are largely attributable to same-store increases in new and used vehicle, finance and insurance and service and parts revenue and gross profit in addition to our acquisitions of PCV US and Penske Power Systems in the fourth quarter of 2014. Additionally, as exchange rates fluctuate, our revenue and results of operations as reported in U.S. Dollars fluctuate. For example, if the British Pound were to strengthen against the U.S. Dollar, our U.K. results of operations would translate into more U.S. Dollar reported results. The British Pound weakened against the U.S. Dollar by 8.5% during the three months ended March 31, 2015 as compared to the same period in 2014 which negatively impacted our reported results of operations. Foreign currency fluctuations decreased revenue and gross profit by \$184.7 million and \$27.0 million, respectively, and reduced earnings per share from continuing operations by approximately \$0.05 per share. Excluding the impact of foreign currency fluctuations, revenue and gross profit increased 16.0% and 16.6% during the three months ended March 31, 2015.

The results of our commercial vehicle distribution business in Australia and New Zealand are principally driven by the number and types of products and vehicles ordered by our customers.

Our selling expenses consist of advertising and compensation for sales personnel, including commissions and related bonuses. General and administrative expenses include compensation for administration, finance, legal and general management personnel, rent, insurance, utilities and other expenses. As the majority of our selling expenses are variable, and we believe a significant portion of our general and administrative expenses are subject to our control, we believe our expenses can be adjusted over time to reflect economic trends.

Floor plan interest expense relates to financing incurred in connection with the acquisition of new and used vehicle inventories that is secured by those vehicles. Other interest expense consists of interest charges on all of our interest-bearing debt, other than interest relating to floor plan financing and includes interest relating to our retail commercial truck dealership and commercial vehicle distribution operations. The cost of our variable rate indebtedness is based on the prime rate, defined London Interbank Offered Rate ( LIBOR ), the Bank of England Base Rate, the Finance House Base Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate (BBSW). Our floor plan interest expense decreased during 2015 primarily as a result of the expiration of our interest rate swaps. Our other interest expense has increased during the three months ended March 31, 2015 primarily due to an increased level of borrowing relating to the issuance of our \$300.0 million 5.375% senior subordinated notes in November 2014.

Equity in earnings of affiliates represents our share of the earnings from our investments in joint ventures and other non-consolidated investments, including PTL. Because PTL is engaged in different businesses than we are, its operating performance may vary significantly from ours.

During the first quarter of 2015, we divested our car rental business which included Hertz car rental franchises in the Memphis, Tennessee market and certain markets throughout Indiana in light of our perceived inability to grow that business. The results of operations of our car rental business are included in discontinued operations for the three months ended March 31, 2015 and 2014.

The future success of our business is dependent upon, among other things, general economic and industry conditions, our ability to consummate and integrate acquisitions, the level of vehicle sales in the markets where we operate, our ability to increase sales of higher margin products, especially service and parts services, our ability to realize returns on our significant capital investment in new and upgraded dealership facilities, our ability to integrate acquisitions, the success of our distribution of commercial vehicles, engines, and power systems and the return realized from our investments in various joint ventures and other non-consolidated investments. See [Forward-Looking Statements](#) below.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the application of accounting policies that often involve making estimates and employing judgments. Such judgments influence the assets, liabilities, revenues and expenses recognized in our financial statements. Management, on an ongoing basis, reviews these estimates and assumptions. Management may determine that modifications in assumptions and estimates are required, which may result in a material change in our results of operations or financial position.

The following are the accounting policies applied in the preparation of our financial statements that management believes are most dependent upon the use of estimates and assumptions.

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***Revenue Recognition***

***Dealership Vehicle, Parts and Service Sales.*** We record revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is completed and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursements of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under certain manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award was received, or upon attainment of the particular program goals if not associated with individual vehicles. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue). During the three months ended March 31, 2015 and 2014, we earned \$144.8 million, and \$134.5 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which \$141.5 million, and \$131.3 million, respectively, was recorded as a reduction of cost of sales. The remaining \$3.3 million and \$3.2 million was recorded as a reduction of selling, general and administrative expenses.

***Dealership Finance and Insurance Sales.*** Subsequent to the sale of a vehicle to a customer, we sell installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. We receive a commission from the lender equal to either the difference between the interest rate charged to the customer and the interest rate set by the financing institution or a flat fee. We also receive commissions for facilitating the sale of various products to customers, including guaranteed vehicle protection insurance, vehicle theft protection and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions we received may be charged back based on the terms of the contracts. The revenue we record relating to these transactions is net of an estimate of the amount of chargebacks we will be required to pay. Our estimate is based upon our historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were \$26.2 million and \$25.8 million as of March 31, 2015 and December 31, 2014, respectively.

***Commercial Vehicle Distribution.*** Revenue from the distribution of vehicles, engines, power systems and parts is recognized at the time of delivery of goods to the independent retailer or the ultimate customer.

***Impairment Testing***

Other indefinite-lived intangible assets are assessed for impairment annually on October 1 and upon the occurrence of an indicator of impairment through a comparison of its carrying amount and estimated fair value. An indicator of impairment exists if the carrying value exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value is determined using a discounted cash flow approach, which includes assumptions about revenue and profitability growth, profit margins, and the cost of capital. We also evaluate in connection with the annual impairment testing whether events and circumstances continue to support our assessment that the other indefinite-lived intangible assets continue to have an indefinite life.

Goodwill impairment is assessed at the reporting unit level annually on October 1 and upon the occurrence of an indicator of impairment. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have three

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reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail Automotive, consisting of our retail automotive dealership operations, (ii) Retail Commercial Truck, consisting of our U.S. retail commercial truck dealership operations, and (iii) Other, consisting of our commercial vehicle distribution operations and our investments in non-automotive retail operations. We have determined that the dealerships in each of our operating segments within the Retail Automotive reportable segment are components that are aggregated into four geographical reporting units for the purpose of goodwill impairment testing, as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The geographic reporting units are Eastern, Central, and Western United States and International. The goodwill included in our Other reportable segment relates to our commercial vehicle distribution operating segment.

An indicator of goodwill impairment exists if the carrying amount of the reporting unit, including goodwill, is determined to exceed its estimated fair value. We estimate the fair value of our reporting units using an income valuation approach. The income valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using the weighted average cost of capital as the discount rate. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization. We believe this reconciliation process is consistent with a market participant perspective. This consideration would also include a control premium that represents the estimated amount

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an investor would pay for our equity securities to obtain a controlling interest, and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and the cost of capital.

***Investments***

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee's income each period. The net book value of our investments was \$350.9 million and \$352.8 million as of March 31, 2015 and December 31, 2014, respectively, including \$281.9 million relating to PTL as of March 31, 2015. Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment is identified, management estimates the fair value of the investment using a discounted cash flow approach, which includes assumptions relating to revenue and profitability growth, profit margins, and our cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments' carrying value to fair value.

***Self-Insurance***

We retain risk relating to certain of our general liability insurance, workers' compensation insurance, vehicle physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance and employee medical benefits in the U.S. As a result, we are likely to be responsible for a significant portion of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and, for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above the pre-determined loss limits are paid by third-party insurance carriers. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were \$26.3 million and \$24.6 million as of March 31, 2015 and December 31, 2014, respectively. Changes in the reserve estimate during 2015 relate primarily to our workers compensation programs.

***Income Taxes***

Tax regulations may require items to be included in our tax returns at different times than the items are reflected in our financial statements. Some of these differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as the timing of depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that will be used as a tax deduction or credit in our tax returns in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax returns that have not yet been recognized as expense in our financial statements. We establish valuation allowances for our deferred tax assets if the amount of expected future taxable income is not likely to allow for the use of the deduction or credit.

***Classification in Continuing and Discontinued Operations***

We classify the results of our operations in our consolidated financial statements based on generally accepted accounting principles relating to discontinued operations, which requires judgments, including whether a business will be divested, the period required to complete the divestiture, the likelihood of changes to the divestiture plans, and whether the divestiture represents a strategic shift that has, or will have, a major impact on our operations. If we determine that a business should be either reclassified from continuing operations to discontinued operations or from discontinued operations to continuing operations, our consolidated financial statements for prior periods are revised to reflect such reclassification. Refer to the disclosures provided under **Assets Held for Sale and Discontinued Operations** in Part I, Item 1, Note 1 of the Notes to our Consolidated Condensed Financial Statements for a detailed description of the factors we consider for classification in discontinued operations.

### ***Recent Accounting Pronouncements***

Please see the disclosures provided under **Recent Accounting Pronouncements** in Part I, Item 1, Note 1 of the Notes to our Consolidated Condensed Financial Statements which are incorporated by reference herein.

### **Results of Operations**

The following tables present comparative financial data relating to our operating performance in the aggregate and on a same-store basis. Dealership results are included in same-store comparisons when we have consolidated the acquired entity during the entirety of both periods being compared. As an example, if a dealership was acquired on January 15, 2013, the results of the acquired entity would be included in annual same-store comparisons beginning with the year ended December 31, 2015 and in quarterly same store comparisons beginning with the quarter ended June 30, 2014.

Table of Contents*Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014***Retail Automotive Dealership New Vehicle Data****(In millions, except unit and per unit amounts)**

New retail unit sales	53,293	49,994	3,299	6.6%
Same-store new retail unit sales	52,384	49,857	2,527	5.1%
New retail sales revenue	\$ 2,136.3	\$ 2,017.3	\$ 119.0	5.9%
Same-store new retail sales revenue	\$ 2,093.0	\$ 2,010.0	\$ 83.0	4.1%
New retail sales revenue per unit	\$ 40,086	\$ 40,350	\$ (264)	(0.7)%
Same-store new retail sales revenue per unit	\$ 39,956	\$ 40,316	\$ (360)	(0.9)%
Gross profit new	\$ 167.6	\$ 156.4	\$ 11.2	7.2%
Same-store gross profit new	\$ 164.9	\$ 155.8	\$ 9.1	5.8%
Average gross profit per new vehicle retailed	\$ 3,146	\$ 3,127	\$ 19	0.6%
Same-store average gross profit per new vehicle retailed	\$ 3,148	\$ 3,126	\$ 22	0.7%
Gross margin % new	7.8%	7.8%	0.0%	0.0%
Same-store gross margin % new	7.9%	7.8%	0.1%	1.3%

**Units**

Retail unit sales of new vehicles increased from 2014 to 2015, including a 5.6% increase in the U.S. and an 8.6% increase internationally. The increase is due to a 2,527 unit, or 5.1%, increase in same-store new retail unit sales, coupled with a 772 unit increase from net dealership acquisitions. Same-store units increased 3.6% in the U.S. and 7.8% internationally due in part to more favorable macro-economic conditions in the U.S. and in the U.K. The overall same-store increase was driven by an 8.3% increase in our premium brands. Overall, we believe our premium and volume non-U.S. brands are being positively impacted by favorable market conditions including credit availability, pent-up demand, and the introduction of new models.

**Revenues**

New vehicle retail sales revenue increased from 2014 to 2015 due to an \$83.0 million, or 4.1%, increase in same-store revenues, coupled with a \$36.0 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store new retail revenue increased 8.4%. Same-store new retail revenue increased 5.8% in the U.S. and 1.5% internationally due in part to more favorable macro-economic conditions in the U.S. and in the U.K. The same-store revenue increase is due to the increase in same-store new retail unit sales, which increased revenue by \$100.9 million, somewhat offset by a decrease in comparative average selling prices per unit as a result of foreign currency fluctuations, which decreased revenue by \$17.9 million.



*Gross Profit*

Retail gross profit from new vehicle sales increased from 2014 to 2015 due to a \$9.1 million, or 5.8%, increase in same-store gross profit, coupled with a \$2.1 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store gross profit increased 10.8%. The increase in same-store gross profit is due to the increase in same-store new retail unit sales, which increased gross profit by \$8.0 million, coupled with an increase in the average gross profit per new vehicle retailed, which increased gross profit by \$1.1 million.

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(In millions, except unit and per unit amounts)

	2015	2014	2015 vs. 2014	
			Change	% Change
Used retail unit sales	48,057	45,028	3,029	6.7%
Same-store used retail unit sales	47,364	44,976	2,388	5.3%
Used retail sales revenue	\$ 1,276.1	\$ 1,195.2	\$ 80.9	6.8%
Same-store used retail sales revenue	\$ 1,259.5	\$ 1,193.5	\$ 66.0	5.5%
Used retail sales revenue per unit	\$ 26,554	\$ 26,544	\$ 10	0.0%
Same-store used retail sales revenue per unit	\$ 26,591	\$ 26,537	\$ 54	0.2%
Gross profit used	\$ 84.5	\$ 86.5	\$ (2.0)	(2.3)%
Same-store gross profit used	\$ 83.5	\$ 86.4	\$ (2.9)	(3.4)%
Average gross profit per used vehicle retailed	\$ 1,758	\$ 1,922	\$ (164)	(8.5)%
Same-store average gross profit per used vehicle retailed	\$ 1,763	\$ 1,921	\$ (158)	(8.2)%
Gross margin % used	6.6%	7.2%	(0.6)%	(8.3)%
Same-store gross margin % used	6.6%	7.2%	(0.6)%	(8.3)%

**Units**

Retail unit sales of used vehicles increased from 2014 to 2015, including a 2.7% increase in the U.S. and a 14.6% increase internationally. The increase is due to a 2,388 unit, or 5.3%, increase in same-store used retail unit sales, coupled with a 641 unit increase from net dealership acquisitions. Same-store units increased 1.1% in the U.S. and 13.4% internationally. The overall same-store increase was driven by a 7.3% increase in premium brands. Overall, we believe that our same-store used vehicle sales are being positively impacted by our retail first initiative which focuses on reducing the number of vehicles we wholesale to third parties by offering and promoting these vehicles for retail sale in our dealerships, favorable market conditions including credit availability, pent-up demand, an increase in trade-in units due to an increase in new unit sales, and an increase in lease returns.

**Revenues**

Used vehicle retail sales revenue increased from 2014 to 2015 due to a \$66.0 million, or 5.5%, increase in same-store revenues, coupled with a \$14.9 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store used retail revenue increased 10.4%. Same-store used retail revenue increased 3.6% in the U.S. and 7.7% internationally. The same-store revenue increase is due to the increase in same-store used retail unit sales, which increased revenue by \$63.6 million, coupled with an increase in comparative average selling prices per unit, which increased revenue by \$2.4 million.

**Gross Profit**

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Retail gross profit from used vehicle sales decreased from 2014 to 2015 due to a \$2.9 million, or 3.4%, decrease in same-store gross profit, somewhat offset by a \$0.9 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store gross profit increased 0.8%. The decrease in same-store gross profit is due to a decrease in average gross profit per used vehicle retailed, which decreased gross profit by \$7.1 million, somewhat offset by the increase in same-store used retail unit sales, which increased gross profit by \$4.2 million. We believe the decline in average gross profit per unit and gross margin of used vehicles is due to an increasing availability of lower mileage, late model used vehicles, the relative affordability of new vehicles when compared to used vehicles and a reduction of manufacturer incentives on used vehicles in the U.K.

### Retail Automotive Dealership Finance and Insurance Data

(In millions, except unit and per unit amounts)

	2015	2014	2015 vs. 2014	
			Change	% Change
Total retail unit sales	101,350	95,022	6,328	6.7%
Total same-store retail unit sales	99,748	94,833	4,915	5.2%
Finance and insurance revenue	\$ 111.1	\$ 104.5	\$ 6.6	6.3%
Same-store finance and insurance revenue	\$ 109.7	\$ 104.3	\$ 5.4	5.2%
Finance and insurance revenue per unit	\$ 1,096	\$ 1,099	\$ (3)	(0.3)%
Same-store finance and insurance revenue per unit	\$ 1,100	\$ 1,100		0.0%

Finance and insurance revenue increased from 2014 to 2015 due to a \$5.4 million, or 5.2%, increase in same-store revenues, coupled with a \$1.2 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store finance and insurance revenue increased 8.9%. The same-store revenue increase is due to the increase in same-store retail unit sales, which increased revenue by \$5.4 million. Finance and insurance revenue per unit increased 5.3% to \$1,105 per unit in the U.S. but decreased

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9.6% to \$1,081 per unit internationally due primarily to foreign currency fluctuations. We believe the overall increase is due to our efforts to increase finance and insurance revenue, which include adding resources to drive additional training, product penetration and targeting underperforming locations.

**Retail Automotive Dealership Service and Parts Data**

(In millions)

	2015		2014		2015 vs. 2014		
					Change	% Change	
Service and parts revenue	\$	437.3	\$	415.4	\$	21.9	5.3%
Same-store service and parts revenue	\$	429.2	\$	414.2	\$	15.0	3.6%
Gross profit service and parts	\$	260.3	\$	246.0	\$	14.3	5.8%
Same-store gross profit service and parts	\$	255.9	\$	245.4	\$	10.5	4.3%
Gross margin % service and parts		59.5%		59.2%		0.3%	0.5%
Same-store gross margin % service and parts		59.6%		59.2%		0.4%	0.7%

**Revenues**

Service and parts revenue increased from 2014 to 2015, including an 8.2% increase in the U.S. offset by a 1.2% decrease internationally due to foreign currency fluctuations. The overall increase in service and parts revenue is due to a \$15.0 million, or 3.6%, increase in same-store revenues during the period, coupled with a \$6.9 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store service and parts revenue increased 6.7%. The increase in same-store revenue is due to a \$14.4 million, or 16.4%, increase in warranty revenue, and a \$0.6 million, or 1.8%, increase in vehicle preparation and body shop revenue. Overall, we believe that our service and parts business is being positively impacted by increasing units in operation due to increasing new vehicle sales in recent years and recall activity as a result of manufacturer initiated programs to correct safety related issues.

**Gross Profit**

Service and parts gross profit increased from 2014 to 2015 due to a \$10.5 million, or 4.3%, increase in same-store gross profit during the period, coupled with a \$3.8 million increase from net dealership acquisitions. Excluding foreign currency fluctuations, same-store gross profit increased 7.4%. The same-store gross profit increase is due to the increase in same-store revenues, which increased gross profit by \$9.0 million, coupled with a 0.7% increase in gross margin, which increased gross profit by \$1.5 million. The same-store gross profit increase is comprised of a \$7.9 million, or 17.1%, increase in warranty gross profit, a \$2.6 million, or 6.5%, increase in vehicle preparation gross profit, a \$0.3 million, or 0.2%, increase in customer pay gross profit, all offset by a \$0.3 million, or 1.6%, decrease in body shop gross profit.

**Retail Commercial Truck Dealership Data**

(In millions, except unit and per unit amounts)

During the three months ended March 31, 2015, the U.S. retail commercial truck dealership business generated \$192.7 million of revenue and \$32.8 million of gross profit principally through the retail sale of 1,335 new and used medium and heavy-duty trucks and service and parts sales.

<b>New Commercial Truck Data</b>		<b>2015</b>
New retail unit sales		1,039
New retail sales revenue	\$	102.2
New retail sales revenue per unit	\$	98,345
Gross profit new	\$	4.9
Average gross profit per new truck retailed	\$	4,691
Gross margin % new		4.8%

During the three months ended March 31, 2015, we generated \$102.2 million of new commercial truck retail sales revenue and \$4.9 million of gross profit through the sale of 1,039 new commercial trucks. As discussed previously in the Outlook section, we see continued strength in the North American medium and heavy duty Class 5 – 8 truck market which will positively impact our new truck retail sales.

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<b>Used Commercial Truck Data</b>	<b>2015</b>	
Used retail unit sales		296
Used retail sales revenue	\$	15.9
Used retail sales revenue per unit	\$	53,700
Gross profit used	\$	1.7
Average gross profit per used truck retailed	\$	5,882
Gross margin % used		10.7%

During the three months ended March 31, 2015, we generated \$15.9 million of used commercial truck retail sales revenue and \$1.7 million of gross profit through the sale of 296 used commercial trucks. We believe there is opportunity to grow used truck sales partially due to the continued strength of the North American medium and heavy duty Class 5 – 8 truck market combined with e-commerce initiatives aimed at expanding our remarketing efforts.

<b>Service and Parts Data</b>	<b>2015</b>	
Service and parts revenue	\$	63.1
Gross profit service and parts	\$	23.4
Gross margin % service and parts		37.1%

During the three months ended March 31, 2015, we generated \$63.1 million of service and parts revenue and \$23.4 million of gross profit. We generate service and parts revenue in connection with warranty and non-warranty work ( customer pay ) performed at each of our truck dealerships and through retail sales of parts and accessories. Customer pay work represents approximately 86% of our service and parts revenue. We expect the strength of the North American economy coupled with the current strength of the Class 5 – 8 medium and heavy duty truck market will favorably impact our service and parts revenue and gross profit.

**Commercial Vehicle Distribution Data**

Our commercial vehicle distribution business is comprised of our Penske Commercial Vehicles Australia business and our Penske Power Systems business which we acquired on August 30, 2013 and October 1, 2014, respectively. During the three months ended March 31, 2015, Penske Commercial Vehicles Australia generated \$56.3 million of revenue and \$9.6 million of gross profit through the distribution and retail sale of 348 vehicles and parts. During the three months ended March 31, 2014, this business generated \$94.5 million of revenue and \$16.0 million of gross profit through the distribution and retail sale of 442 vehicles and parts. We believe the decline in revenue and gross profit from 2014 is due to lagging sales levels attributable to difficult macro-economic conditions resulting from the declining price of commodities such as copper, iron ore and oil. Penske Power Systems generated \$44.0 million of revenue and \$17.4 million of gross profit during the three months ended March 31, 2015.

Table of Contents**Selling, General and Administrative Data****(In millions)**

	2015		2014		2015 vs. 2014		
					Change	% Change	
Personnel expense	\$	307.4	\$	266.9	\$	40.5	15.2%
Advertising expense	\$	22.6	\$	21.3	\$	1.3	6.1%
Rent & related expense	\$	71.4	\$	65.5	\$	5.9	9.0%
Other expense	\$	133.1	\$	123.5	\$	9.6	7.8%
Total SG&A expenses	\$	534.5	\$	477.2	\$	57.3	12.0%
Same-store SG&A expenses	\$	486.3	\$	475.4	\$	10.9	2.3%
Personnel expense as % of gross profit		44.6%		43.5%		1.1%	2.5%
Advertising expense as % of gross profit		3.3%		3.5%		(0.2)%	(5.7)%
Rent & related expense as % of gross profit		10.4%		10.7%		(0.3)%	(2.8)%
Other expense as % of gross profit		19.3%		20.1%		(0.8)%	(4.0)%
Total SG&A expenses as % of gross profit		77.6%		77.7%		(0.1)%	(0.1)%
Same-store SG&A expenses as % of same-store gross profit		77.4%		77.7%		(0.3)%	(0.4)%

Selling, general and administrative expenses ( SG&A ) increased from 2014 to 2015 due to a \$10.9 million, or 2.3%, increase in same-store SG&A, coupled with a \$46.4 million increase from net acquisitions. Excluding foreign currency fluctuations, same-store SG&A increased 5.9%. The increase in same-store SG&A is due primarily to a net increase in variable personnel expenses, as a result of the 3.7% increase in same-store retail gross profit versus the prior year. SG&A as a percentage of gross profit was 77.6%, an improvement of 10 basis points compared to 77.7% in the prior year. SG&A expenses as a percentage of total revenue was 12.0% and 11.9% in the three months ended March 31, 2015 and 2014, respectively.

**Depreciation****(In millions)**

	2015		2014		2015 vs. 2014		
					Change	% Change	
Depreciation	\$	18.6	\$	16.1	\$	2.5	15.5%

The increase in depreciation from 2014 to 2015 is due to a \$1.0 million, or 6.2%, increase in same-store depreciation, coupled with a \$1.5 million increase from net acquisitions. The same-store increase is primarily related to our ongoing facility improvement and expansion programs.

**Floor Plan Interest Expense****(In millions)**

	2015		2014		2015 vs. 2014	
					Change	% Change
Floor plan interest expense	\$	10.1	\$	11.1	\$ (1.0)	(9.0)%

The decrease in floor plan interest expense from 2014 to 2015 is primarily due to the expiration of our interest rate swaps resulting in a decrease of approximately \$1.8 million of floor plan interest expense compared to 2014. This decrease is somewhat offset by a \$0.3 million, or 3.4%, increase in same-store floor plan interest expense, coupled with a \$0.5 million increase from net dealership acquisitions. The same-store increase is primarily due to increases in the amounts outstanding under floor plan arrangements.



Table of Contents**Other Interest Expense****(In millions)**

			2015 vs. 2014	
	2015	2014	Change	% Change
Other interest expense	\$ 16.3	\$ 12.4	\$ 3.9	31.5%

The increase in other interest expense from 2014 to 2015 is primarily due to an increased level of borrowing in 2015 relating to the issuance of our \$300.0 million 5.375% senior subordinated notes in November 2014 and additional interest expense attributable to previous borrowings of our PCV US business which we acquired in the fourth quarter of 2014. These increases are somewhat offset by a decrease in outstanding revolver borrowings under the U.S. credit agreement during the three months ended March 31, 2015 compared to the same period in 2014.

**Equity in Earnings of Affiliates****(In millions)**

			2015 vs. 2014	
	2015	2014	Change	% Change
Equity in earnings of affiliates	\$ 6.7	\$ 5.1	\$ 1.6	31.4%

The increase in equity in earnings of affiliates from 2014 to 2015 is primarily attributable to an increase in equity in earnings from our investment in PTL somewhat offset by a reduction in equity in earnings in 2015 related to our investment in PCV US due to the consolidation of this entity during the fourth quarter of 2014 as a result of our acquisition of a controlling interest.

**Income Taxes****(In millions)**

			2015 vs. 2014	
	2015	2014	Change	% Change
Income taxes	\$ 38.8	\$ 34.7	\$ 4.1	11.8%

Income taxes increased from 2014 to 2015 due to an overall increase in our pre-tax income compared to the prior year and a higher mix of U.S. income in 2015 which is taxed at higher rates.

**Liquidity and Capital Resources**

Our cash requirements are primarily for working capital, inventory financing, the acquisition of new businesses, the improvement and expansion of existing facilities, the purchase or construction of new facilities, debt service and repayments, dividends and potential repurchases of our outstanding securities under the program discussed below. Historically, these cash requirements have been met through cash flow from operations, borrowings under our credit agreements and floor plan arrangements, the issuance of debt securities, sale-leaseback transactions, mortgages, dividends and distributions from joint venture investments or the issuance of equity securities.

We have historically expanded our operations through organic growth and the acquisition of dealerships and other businesses. We believe that cash flow from operations, dividends and distributions from our joint venture investments and our existing capital resources, including the liquidity provided by our credit agreements and floor plan financing arrangements, will be sufficient to fund our operations and commitments for at least the next twelve months. In the event we pursue significant other acquisitions, other expansion opportunities, significant repurchases of our outstanding securities, or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings, which sources of funds may not necessarily be available on terms acceptable to us, if at all. In addition, our liquidity could be negatively impacted in the event we fail to comply with the covenants under our various financing and operating agreements or in the event our floor plan financing is withdrawn.

As of March 31, 2015, we had working capital of \$55.7 million, including \$66.8 million of cash available to fund our operations and capital commitments. In addition, we had \$450.0 million, £73.0 million (\$108.2 million), and AU \$28.0 million (\$21.3 million) available for borrowing under our U.S. credit agreement, U.K. credit agreement, and Australian working capital loan agreement, respectively.

Table of Contents***Securities Repurchases***

From time to time, our Board of Directors has authorized securities repurchase programs pursuant to which we may, as market conditions warrant, purchase our outstanding common stock or debt on the open market, in privately negotiated transactions, via a tender offer, or through a pre-arranged trading plan. We have historically funded any such repurchases using cash flow from operations, borrowings under our U.S. credit facility, and borrowings under our U.S. floor plan arrangements. The decision to make repurchases will be based on factors such as the market price of the relevant security versus our view of its intrinsic value, the potential impact of such repurchases on our capital structure, and our consideration of any alternative uses of our capital, such as for acquisitions and strategic investments in our current businesses, in addition to any then-existing limits imposed by our finance agreements and securities trading policy. As of March 31, 2015, we have \$136.0 million in repurchase authorization under the existing securities repurchase program. Refer to the disclosures provided in Part I, Item 1, Note 10 of the Notes to our Consolidated Condensed Financial Statements for a summary of shares repurchased under our securities repurchase program during the three months ended March 31, 2015.

***Dividends***

We paid the following cash dividends on our common stock in 2014 and 2015:

**Per Share Dividends****2014**

First Quarter	\$	0.18
Second Quarter		0.19
Third Quarter		0.20
Fourth Quarter		0.21

**2015**

First Quarter	\$	0.22
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Future quarterly or other cash dividends will depend upon a variety of factors considered relevant by our Board of Directors which may include our earnings, capital requirements, restrictions relating to any then-existing indebtedness, financial condition and other factors.

***Vehicle Financing***

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale and a portion of our used vehicle inventories for retail sale under floor plan and other revolving arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. We typically make monthly

interest payments on the amount financed. Outside of the U.S., substantially all of our floor plan arrangements are payable on demand or have an original maturity of 90 days or less, and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity.

The agreements typically grant a security interest in substantially all of the assets of our dealership and distribution subsidiaries, and in the U.S., Australia and New Zealand are guaranteed or partially guaranteed by us. Interest rates under the arrangements are variable and increase or decrease based on changes in the prime rate, defined LIBOR, Finance House Base Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing. We also receive non-refundable credits from certain of our vehicle manufacturers, which are treated as a reduction of cost of sales as vehicles are sold.

Table of Contents**Long-term Debt Obligations**

As of March 31, 2015, we had the following long-term debt obligations outstanding:

<b>(In millions)</b>	<b>March 31, 2015</b>
U.S. credit agreement revolving credit line	\$
U.S. credit agreement term loan	88.0
U.K. credit agreement revolving credit line	54.8
U.K. credit agreement term loan	15.6
U.K. credit agreement overdraft line of credit	
5.375% senior subordinated notes due 2024	300.0
5.75% senior subordinated notes due 2022	550.0
Australia working capital loan	
Mortgage facilities	170.5
Other	29.7
<b>Total long-term debt</b>	<b>1,208.6</b>

As of March 31, 2015, we were in compliance with all covenants under our credit agreements and we believe we will remain in compliance with such covenants for the next twelve months. Refer to the disclosures provided in Part I, Item 1, Note 7 of the Notes to our Consolidated Condensed Financial Statements for a detailed description of our long-term debt obligations.

**Short-term Borrowings**

We have four principal sources of short-term borrowings: the revolving portion of the U.S. credit agreement, the revolving portion of the U.K. credit agreement, our Australian working capital loan agreement and the floor plan agreements that we utilize to finance our vehicle inventories. We are able to access availability under the floor plan agreements to fund our cash needs, including payments made relating to our higher interest rate revolving credit agreements.

During the first quarter of 2015, outstanding revolving commitments varied between \$0 million and \$216.5 million under the U.S. credit agreement and between £19.0 million and £90.0 million (\$28.2 million and \$133.4 million) under the U.K. credit agreement's revolving credit line (excluding the overdraft facility), and the amounts outstanding under our floor plan agreements varied based on the timing of the receipt and expenditure of cash in our operations, driven principally by the levels of our vehicle inventories.

**Operating Leases**

Refer to the disclosures provided in Part I, Item 1, Note 9 of the Notes to our Consolidated Condensed Financial Statements for a detailed description of our operating leases. As of March 31, 2015, we were in compliance with all covenants under these leases, and we believe we will

remain in compliance with such covenants for the next twelve months.

***Sale/Leaseback Arrangements***

We have in the past and may in the future enter into sale-leaseback transactions to finance certain property acquisitions and capital expenditures, pursuant to which we sell property and/or leasehold improvements to third parties and agree to lease those assets back for a certain period of time. Such sales generate proceeds which vary from period to period.

***Off-Balance Sheet Arrangements***

Refer to the disclosures provided in Part I, Item 1, Note 9 of the Notes to our Consolidated Condensed Financial Statements for a detailed description of our off-balance sheet arrangements which include lease obligations, indemnification to GECC related to PTL senior unsecured notes, and a limited parent guarantee related to our floor plan credit agreement with Mercedes Benz Financial Services Australia.

**Cash Flows**

Cash and cash equivalents increased by \$30.5 million and \$4.8 million during the three months ended March 31, 2015 and 2014, respectively. The major components of these changes are discussed below.

Table of Contents***Cash Flows from Continuing Operating Activities***

Cash provided by continuing operating activities was \$193.6 million and \$132.5 million during the three months ended March 31, 2015 and 2014, respectively. Cash flows from continuing operating activities includes net income, as adjusted for non-cash items and the effects of changes in working capital.

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale, and a portion of our used vehicle inventories for retail sale under revolving floor plan arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. We retain the right to select which, if any, financing source to utilize in connection with the procurement of vehicle inventories. Many vehicle manufacturers provide vehicle financing for the dealers representing their brands; however, it is not a requirement that we utilize this financing. Historically, our floor plan finance source has been based on aggregate pricing considerations.

In accordance with generally accepted accounting principles relating to the statement of cash flows, we report all cash flows arising in connection with floor plan notes payable with the manufacturer of a particular new vehicle as an operating activity in our statement of cash flows, and all cash flows arising in connection with floor plan notes payable to a party other than the manufacturer of a particular new vehicle, all floor plan notes payable relating to pre-owned vehicles, and all floor plan notes payable related to our commercial vehicles in Australia and New Zealand as a financing activity in our statement of cash flows. Currently, the majority of our non-trade vehicle financing is with other manufacturer captive lenders. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing.

We believe that changes in aggregate floor plan liabilities are typically linked to changes in vehicle inventory and, therefore, are an integral part of understanding changes in our working capital and operating cash flow. As a result, we prepare the following reconciliation to highlight our operating cash flows with all changes in vehicle floor plan being classified as an operating activity for informational purposes:

(In millions)	Three Months Ended March 31,	
	2015	2014
Net cash from continuing operating activities as reported	\$ 193.6	\$ 132.5
Floor plan notes payable non-trade as reported	101.0	6.8
Net cash from continuing operating activities including all floor plan notes payable	\$ 294.6	\$ 139.3

***Cash Flows from Continuing Investing Activities***

Cash used in continuing investing activities was \$120.0 million and \$121.6 million during the three months ended March 31, 2015 and 2014, respectively. Cash flows from continuing investing activities consist primarily of cash used for capital expenditures and net expenditures for acquisitions and other investments. Capital expenditures were \$33.6 million and \$39.8 million during the three months ended March 31, 2015 and 2014, respectively. Capital expenditures relate primarily to improvements to our existing dealership facilities, the construction of new facilities, the acquisition of the property or buildings associated with existing leased facilities, and the acquisition of land for future development. We currently expect to finance our retail automotive segment and retail commercial truck segment capital expenditures with operating cash flows or borrowings under our U.S. or U.K. credit facilities. Cash used in acquisitions and other investments, net of cash acquired, was \$86.4 million and \$81.8 million during the three months ended March 31, 2015 and 2014, respectively, and included cash used to repay sellers floor plan liabilities in such business acquisitions of \$41.2 million and \$22.4 million, respectively.

*Cash Flows from Continuing Financing Activities*

Cash used in continuing financing activities was \$73.4 million and \$35.7 million during the three months ended March 31, 2015 and 2014, respectively. Cash flows from continuing financing activities include net borrowings or repayments of long-term debt, issuance and repurchases of long-term debt, repurchases of common stock, net borrowings or repayments of floor plan notes payable non-trade, payment of deferred financing costs, and dividends.

We had net repayments of long-term debt of \$139.3 million and \$26.3 million during the three months ended March 31, 2015 and 2014, respectively, and paid \$1.2 million of deferred financing fees. We had net borrowings of floor plan notes payable non-trade of \$101.0 million and \$6.8 million during the three months ended March 31, 2015 and 2014, respectively. We repurchased common stock for a total of \$14.0 million during the three months ended March 31, 2015. We also paid cash dividends to our stockholders of \$19.9 million and \$16.2 million during the three months ended March 31, 2015 and 2014, respectively.



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*Cash Flows from Discontinued Operations*

Cash flows relating to discontinued operations are not currently considered, nor are they expected to be, material to our liquidity or our capital resources. Management does not believe that there are any material past, present or upcoming cash transactions relating to discontinued operations.

**Related Party Transactions**

*Stockholders Agreement*

Several of our directors and officers are affiliated with Penske Corporation or related entities. Roger S. Penske, our Chairman of the Board and Chief Executive Officer, is also Chairman of the Board and Chief Executive Officer of Penske Corporation, and through entities affiliated with Penske Corporation, our largest stockholder owning approximately 35% of our outstanding common stock. Mitsui & Co., Ltd. and Mitsui & Co. (USA), Inc. (collectively, Mitsui) own approximately 17% of our outstanding common stock. Mitsui, Penske Corporation and certain other affiliates of Penske Corporation are parties to a stockholders agreement pursuant to which the Penske affiliated companies agreed to vote their shares for up to two directors who are representatives of Mitsui. In turn, Mitsui agreed to vote their shares for up to fourteen directors voted for by the Penske affiliated companies. This agreement terminates in March 2024, upon the mutual consent of the parties, or when either party no longer owns any of our common stock.

*Other Related Party Interests and Transactions*

Roger S. Penske is also a managing member of Transportation Resource Partners, an organization that invests in transportation-related industries. Robert H. Kurnick, Jr., our President and a director, is also the President and a director of Penske Corporation. Greg Penske, one of our directors, is the son of our chairman and is also a board member of Penske Corporation. Kanji Sasaki, one of our directors and officers, is also an employee of Mitsui & Co.

We sometimes pay to and/or receive fees from Penske Corporation, its subsidiaries, and its affiliates for services rendered in the ordinary course of business, or to reimburse payments made to third parties on each other's behalf. These transactions are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties.

As discussed above, we hold a 9.0% ownership interest in PTL, a leading provider of transportation and supply chain services. PTL is owned 41.1% by Penske Corporation, 9.0% by us, 29.9% by GECC and 20.0% by Mitsui & Co. Among other things, the relevant agreements provide us with specified distribution and governance rights and restrict our ability to transfer our interests.

We have also entered into other joint ventures with certain related parties as more fully discussed below.

**Joint Venture Relationships**

We are party to a number of joint ventures pursuant to which we own and operate automotive dealerships together with other investors. We may provide these dealerships with working capital and other debt financing at costs that are based on our incremental borrowing rate. As of March 31, 2015, our retail automotive joint venture relationships included:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	82.19%(A) (C)
Greenwich, Connecticut	Mercedes-Benz	80.00%(B) (C)
Northern Italy	BMW, MINI, Maserati	70.00%(C)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(D)
Frankfurt, Germany	Lexus, Toyota, Volkswagen	50.00%(D)
Aachen, Germany	Audi, Citroën, Kia, Maserati, SEAT, Skoda,	
	Toyota, Volkswagen	50.00%(D)
Barcelona, Spain	BMW, MINI	50.00%(D)

(A) As of March 31, 2015, an entity controlled by one of our directors, Lucio A. Noto (the Investor), owns a 17.81% interest in this joint venture which entitles the Investor to 20% of the joint venture's operating profits. In addition, the Investor has an option to purchase up to a 20% interest in the joint venture for specified amounts.

(B) An entity controlled by one of our directors, Lucio A. Noto (the Investor), owns a 20% interest in this joint venture.

(C) Entity is consolidated in our financial results.

(D) Entity is accounted for using the equity method of accounting.

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Additionally, we are party to non-automotive joint ventures including our investments in Max Cycles (50%), Penske Commercial Leasing Australia (45%), Penske Vehicle Services (31%), and National Powersport Auctions (7%) that are accounted for under the equity method, and our controlling interests in PCV US (91%) and i.M. Branded (90%) that are consolidated in our financial statements.

## **Cyclicality**

Unit sales of motor vehicles, particularly new vehicles, have been cyclical historically, fluctuating with general economic cycles. During economic downturns, the automotive and truck retailing industry tends to experience periods of decline and recession similar to those experienced by the general economy. We believe that the industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, fuel prices, interest rates, and credit availability.

## **Seasonality**

*Dealership.* Our business is modestly seasonal overall. Our U.S. operations generally experience higher volumes of vehicle sales in the second and third quarters of each year due in part to consumer buying trends and the introduction of new vehicle models. Also, vehicle demand, and to a lesser extent demand for service and parts, is generally lower during the winter months than in other seasons, particularly in regions of the U.S. where dealerships may be subject to severe winters. Our U.K. operations generally experience higher volumes of vehicle sales in the first and third quarters of each year, due primarily to vehicle registration practices in the U.K.

*Commercial Vehicle Distribution.* Our commercial vehicle distribution business generally experiences higher sales volumes during the second quarter of the year which is primarily attributable to commercial vehicle customers completing annual capital expenditures before their fiscal year-end, which is typically June 30 in Australia and New Zealand.

## **Effects of Inflation**

We believe that inflation rates over the last few years have not had a significant impact on revenues or profitability. We do not expect inflation to have any near-term material effects on the sale of our products and services; however, we cannot be sure there will be no such effect in the future. We finance substantially all of our inventory through various revolving floor plan arrangements with interest rates that vary based on various benchmarks. Such rates have historically increased during periods of increasing inflation.

## **Forward-Looking Statements**

Certain statements and information set forth herein, as well as other written or oral statements made from time to time by us or by our authorized officers on our behalf, constitute forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of

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1995. Words such as anticipate, believe, estimate, expect, intend, may, goal, plan, seek, project, continue, will, would, words and similar expressions are intended to identify such forward-looking statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this report or when made and we undertake no duty of obligation to update or revise our forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements include, without limitation, statements with respect to:

- our future financial and operating performance;
- future acquisitions and dispositions;
- future potential capital expenditures and securities repurchases;
- our ability to realize cost savings and synergies;
- our ability to respond to economic cycles;
- trends in the automotive retail industry and commercial vehicles industries and in the general economy in the various countries in which we operate;
- our ability to access the remaining availability under our credit agreements;
- our liquidity;
- performance of joint ventures, including PTL;

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- future foreign exchange rates;
- the outcome of various legal proceedings;
- results of self insurance plans;
- trends affecting our future financial condition or results of operations; and
- our business strategy.

Forward-looking statements involve known and unknown risks and uncertainties and are not assurances of future performance. Actual results may differ materially from anticipated results due to a variety of factors, including the factors identified in our 2014 annual report on Form 10-K filed February 26, 2015. Important factors that could cause actual results to differ materially from our expectations include the following:

- our business and the automotive retail and commercial vehicles industries in general are susceptible to adverse economic conditions, including changes in interest rates, foreign exchange rates, customer demand, customer confidence, fuel prices, unemployment rates and credit availability;
- the number of new and used vehicles sold in our markets;
- vehicle manufacturers exercise significant control over our operations, and we depend on them and continuation of our franchise and distribution agreements in order to operate our business;
- we depend on the success, popularity and availability of the brands we sell, and adverse conditions affecting one or more vehicle manufacturers, including the adverse impact on the vehicle and parts supply chain due to natural disasters or other disruptions that interrupt the supply of vehicles and parts to us, may negatively impact our revenues and profitability;
- we are subject to the risk that a substantial number of our new or used inventory may be unavailable due to recall or other reasons;

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- the success of our commercial vehicle distribution and engine and power systems distribution operations depends upon continued availability of the vehicles, engines, power systems, and other parts we distribute, demand for those vehicles, engines, power systems, and parts and general economic conditions in those markets;
- a restructuring of any significant vehicle manufacturers or suppliers;
- our operations may be affected by severe weather or other periodic business interruptions;
- we have substantial risk of loss not covered by insurance;
- we may not be able to satisfy our capital requirements for acquisitions, facility renovation projects, financing the purchase of our inventory, or refinancing of our debt when it becomes due;
- our level of indebtedness may limit our ability to obtain financing generally and may require that a significant portion of our cash flow be used for debt service;
- non-compliance with the financial ratios and other covenants under our credit agreements and operating leases;
- higher interest rates may significantly increase our variable rate interest costs and, because many customers finance their vehicle purchases, decrease vehicle sales;
- our operations outside of the U.S. subject our profitability to fluctuations relating to changes in foreign currency values;
- import product restrictions and foreign trade risks that may impair our ability to sell foreign vehicles profitably;
- with respect to PTL, changes in the financial health of its customers, labor strikes or work stoppages by its employees, a reduction in PTL's asset utilization rates and industry competition which could impact distributions to us;
- we are dependent on continued availability of our information technology systems;

- if we lose key personnel, especially our Chief Executive Officer, or are unable to attract additional qualified personnel;

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- new or enhanced regulations relating to automobile dealerships including those that may be issued by the Consumer Finance Protection Bureau in the U.S. or the Financial Conduct Authority in the U.K. restricting automotive financing;
- changes in tax, financial or regulatory rules or requirements;
- we could be subject to legal and administrative proceedings which, if the outcomes are adverse to us, could have a material adverse effect on our business;
- if state dealer laws in the U.S. are repealed or weakened, our automotive dealerships may be subject to increased competition and may be more susceptible to termination, non-renewal or renegotiation of their franchise agreements; some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests; and
- shares of our common stock eligible for future sale may cause the market price of our common stock to drop significantly, even if our business is doing well.

We urge you to carefully consider these risk factors in evaluating all forward-looking statements regarding our business. Readers of this report are cautioned not to place undue reliance on the forward-looking statements contained in this report. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Except to the extent required by the federal securities laws and the Securities and Exchange Commission's rules and regulations, we have no intention or obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

*Interest Rates.* We are exposed to market risk from changes in the interest rates on a significant portion of our outstanding debt. Outstanding revolving balances under our credit agreements bear interest at variable rates based on a margin over defined LIBOR or the Bank of England Base Rate. Based on the amount outstanding under these facilities as of March 31, 2015, a 100 basis point change in interest rates would result in an approximate \$1.4 million change to our annual other interest expense. Similarly, amounts outstanding under floor plan financing arrangements bear interest at a variable rate based on a margin over the prime rate, defined LIBOR, the Finance House Base Rate, or the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate (BBSW).

Based on an average of the aggregate amounts outstanding under our floor plan financing arrangements subject to variable interest payments during the trailing twelve months ended March 31, 2015, a 100 basis point change in interest rates would result in an approximate \$23.0 million change to our annual floor plan interest expense.



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We evaluate our exposure to interest rate fluctuations and follow established policies and procedures to implement strategies designed to manage the amount of variable rate indebtedness outstanding at any point in time in an effort to mitigate the effect of interest rate fluctuations on our earnings and cash flows. These policies include:

- the maintenance of our overall debt portfolio with targeted fixed and variable rate components;
- the use of authorized derivative instruments;
- the prohibition of using derivatives for trading or other speculative purposes; and
- the prohibition of highly leveraged derivatives or derivatives which we are unable to reliably value, or for which we are unable to obtain a market quotation.

Interest rate fluctuations affect the fair market value of our fixed rate debt, mortgages, and certain seller financed promissory notes, but, with respect to such fixed rate debt instruments, do not impact our earnings or cash flows.

*Foreign Currency Exchange Rates.* As of March 31, 2015, we had consolidated operations in the U.K., Germany, Italy, Australia and New Zealand. In each of these markets, the local currency is the functional currency. In the event we change our intent with respect to the investment in any of our international operations, we would expect to implement strategies designed to manage those risks in an effort to mitigate the effect of foreign currency fluctuations on our earnings and cash flows. A ten percent change in average exchange rates versus the U.S. Dollar would have resulted in an approximate \$176.5 million change to our revenues for the three months ended March 31, 2015.

We purchase certain of our new vehicles, parts and other products from non-U.S. manufacturers. Although we purchase the majority of our inventories in the local functional currency, our business is subject to certain risks, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions and foreign

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exchange rate volatility which may influence such manufacturers' ability to provide their products at competitive prices in the local jurisdictions. Our future results could be materially and adversely impacted by changes in these or other factors.

**Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including the principal executive and financial officers, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive and financial officers, to allow timely discussions regarding required disclosure.

Based upon this evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, we maintain internal controls designed to provide us with the information required for accounting and financial reporting purposes. There were no changes in our internal control over financial reporting that occurred during the most recent quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are involved in litigation which may relate to claims brought by governmental authorities, customers, vendors, or employees, including class action claims and purported class action claims. We are not a party to any legal proceedings, including class action lawsuits, that individually or in the aggregate, are reasonably expected to have a material adverse effect on us. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In the fourth quarter of 2014, our Board of Directors authorized an increase in our authority to repurchase up to \$150.0 million of our outstanding common stock or debt on the open market, in privately negotiated transactions, via a tender offer, or through a pre-arranged trading plan. The program has an indefinite duration. Our prior authorization at that time was \$77.6 million. As of March 31, 2015, our remaining authorization under the program was \$136.0 million.

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<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program (in millions)</b>
January 1 to January 31, 2015				\$ 150.0
February 1 to February 28, 2015	24,700	\$ 48.81	24,700	\$ 148.8
March 1 to March 31, 2015	258,300	\$ 49.29	258,300	\$ 136.0
	283,000		283,000	

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**Item 5. Other Information**

On May 1, 2015, we amended and restated our Credit Agreement with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, principally to increase the revolving borrowing capacity from \$450.0 million to \$700.0 million, to extend the term through September of 2018, and to eliminate the term loan. The amounts previously owing under the term loan have been repaid using the expanded revolving capacity.

As amended, the Credit Agreement provides for up to \$700.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, which includes \$250.0 million in revolving loans solely for future U.S. acquisitions. The loans mature on the termination date of the facility which is September 30, 2018. The revolving loans bear interest at LIBOR plus 2.00%, subject to an incremental 1.50% for uncollateralized borrowings in excess of a defined borrowing base.

Substantially all of our U.S. assets are subject to security interests granted to the lenders under the Credit Agreement. In addition, the Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by substantially all of our U.S. subsidiaries and contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. We are also required to comply with specified tests and ratios defined in the Credit Agreement, including a current ratio, fixed charge coverage ratio, debt to equity ratio, debt to EBITDA ratio and specified minimum stockholders' equity. The Credit Agreement also contains typical events of default including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Upon the occurrence of an event of default, we could be required to immediately repay the amounts outstanding under the Credit Agreement.

These changes are further described in the Fifth Amended and Restated Credit Agreement, which is filed as Exhibit 4.1 to this Form 10-Q and incorporated herein by reference. We purchase motor vehicles from Daimler AG and Toyota Motor Corporation, affiliates of the respective lenders under the Agreement, for sale at certain of our dealerships. The lenders also provide us with real estate financing, vehicle financing, and other financing and provide consumer financing to our customers.

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**Item 6. Exhibits**

- 4.1 Fifth Amended and Restated Credit Agreement dated May 1, 2015 among Penske Automotive Group, Inc., Mercedes-Benz Financial Services USA LLC, and Toyota Motor Credit Corporation.
- 4.2 Amended and Restated Credit Agreement, dated April 2, 2015, by and among our U.K. Subsidiaries, Royal Bank of Scotland plc, and BMW Financial Services (GB) Limited.
- 10.1 Fifth Amended and Restated Agreement of Limited Partnership of Penske Truck Leasing Co., L.P. dated March 18, 2015 by and among Penske Truck Leasing Corporation, PTL GP LLC, GE Capital Truck Leasing Holding Corp., Logistics Holding Corp., General Electric Credit Corporation of Tennessee, MBK Commercial Vehicles Inc., MBK USA Commercial Vehicles Inc., and us.
- 10.2 Amended and Restated Rights Agreement dated March 17, 2015 by and between Penske Automotive Group, Inc. and Penske Truck Leasing Corporation.
- 10.3 Second Amended and Restated Limited Liability Company Agreement of LJ VP Holdings LLC dated March 17, 2015 by and among Penske Truck Leasing Corporation, GE Capital Memco, LLC, and us.
- 10.4 Amended and Restated Co-obligation Fee, Indemnity and Security Agreement dated March 17, 2015 between General Electric Capital Corporation and us.
- 12 Computation of Ratio of Earnings to Fixed Charges
- 31.1 Rule 13(a)-14(a)/15(d)-14(a) Certification.
- 31.2 Rule 13(a)-14(a)/15(d)-14(a) Certification.
- 32 Section 1350 Certification.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase.
- 101.LAB XBRL Taxonomy Extension Label Linkbase.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PENSKE AUTOMOTIVE GROUP, INC.

By: */s/ Roger S. Penske*  
Roger S. Penske  
*Chief Executive Officer*

Date: May 1, 2015

By: */s/ David K. Jones*  
David K. Jones  
*Chief Financial Officer*

Date: May 1, 2015

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