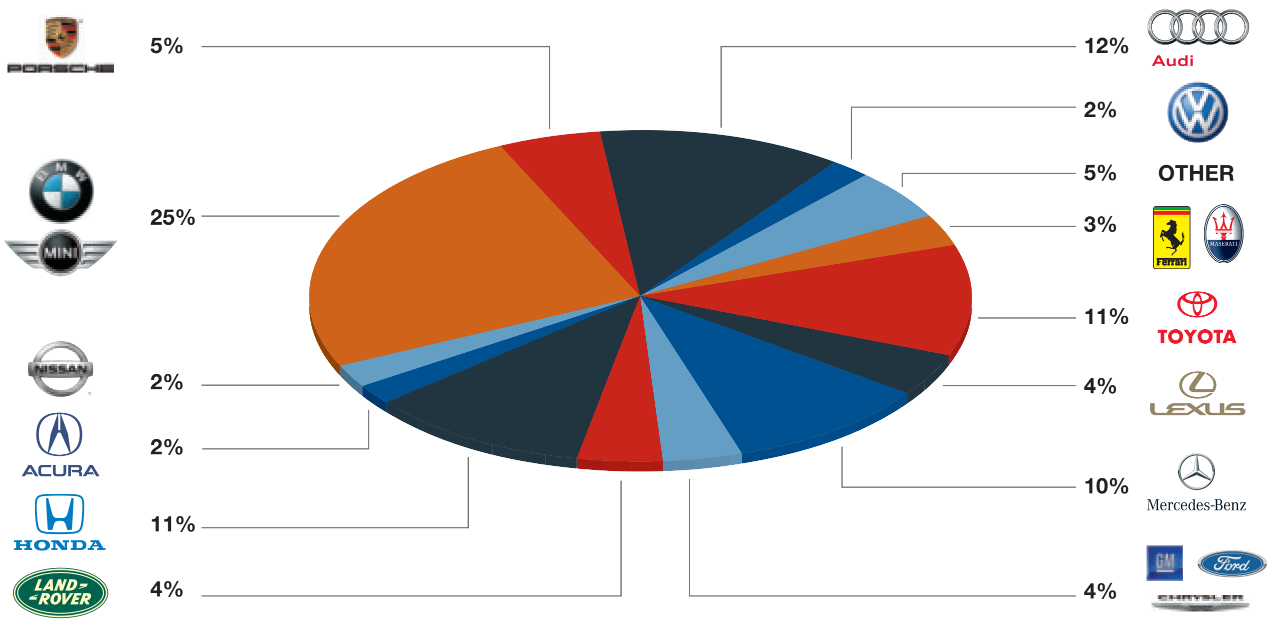
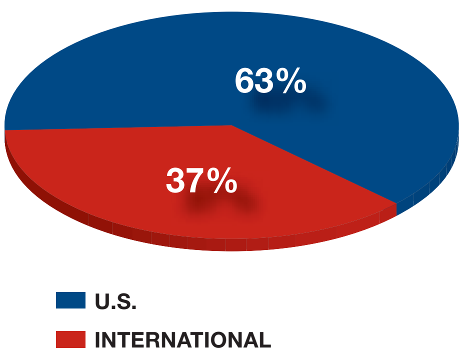
PENSKE Automotive

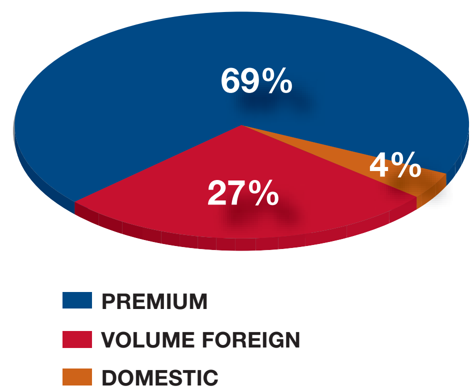
2011 ANNUAL REPORT

BEST IN CLASS BRAND MIX

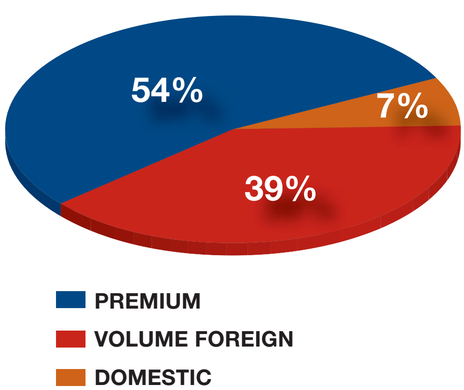


WORLDWIDE REVENUE

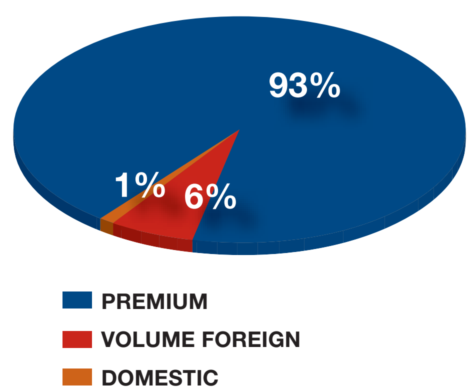




U.S. REVENUE



INTERNATIONAL REVENUE



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

☐ **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)

Delaware	**22-3086739**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2555 Telegraph Road Bloomfield Hills, Michigan	**48302-0954**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Voting Common Stock, par value $0.0001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (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 ☒

The aggregate market value of the voting common stock held by non-affiliates as of June 30, 2011 was $1,005,976,827. As of February 15, 2012, there were 90,277,356 shares of voting common stock outstanding.

Documents Incorporated by Reference

Certain portions, as expressly described in this report, of the registrant's proxy statement for the 2012 Annual Meeting of the Stockholders to be held May 9, 2012 are incorporated by reference into Part III, Items 10-14.

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PART I

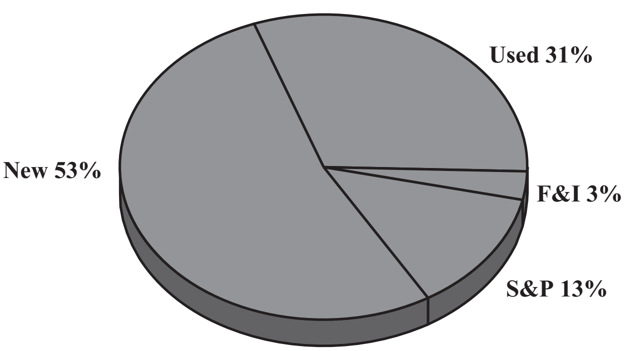
Item 1. *Business*

We are the second largest automotive retailer headquartered in the U.S. as measured by the $11.6 billion in total revenue we generated in 2011. As of December 31, 2011, we operated 320 retail automotive franchises, of which 166 franchises are located in the U.S. and 154 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2011, we retailed and wholesaled more than 348,000 vehicles. We are diversified geographically, with 63% of our total revenues in 2011 generated in the U.S. and Puerto Rico and 37% generated outside the U.S. We offer approximately 40 vehicle brands, with 96% of our total retail revenue in 2011 generated from brands of non-U.S. based manufacturers, and 69% generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offers 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 higher-margin products, such as third-party finance and insurance products, third-party extended service contracts and replacement and aftermarket automotive products.

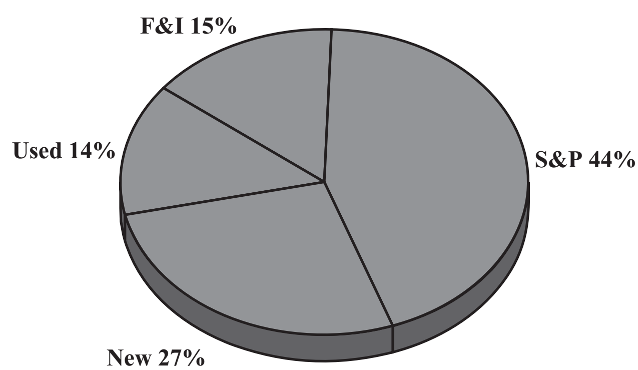
We also own a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider. PTL leases, rents and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia and is the largest purchaser of commercial trucks in North America through its approximately 1,000 corporate and 1,900 agent locations. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which, together with other wholly-owned subsidiaries of Penske Corporation, owns 41.1% of PTL. The remaining 49.9% of PTL is owned by General Electric Capital Corporation.

We believe our diversified income streams help to mitigate the historical cyclicality found in some elements of the automotive sector. Revenues from higher margin service and parts sales are typically less cyclical than retail vehicle sales, and generate the largest part of our gross profit. The following graphic shows the percentage of our retail revenues by product area (new vehicle, used vehicle, service and parts, and finance and insurance) and their respective contribution to our overall gross profit in 2011:

Revenue Mix



Gross Profit Mix



Industry and Outlook

The majority of our revenues are generated in the U.S., which in 2010 was the world's second largest automotive retail market. In 2011 sales of cars and light trucks were approximately 12.8 million units, which represents an increase of 10% over 2010. The majority of automotive retail sales in the U.S. are generated at approximately 17,700 franchised dealerships as of January 1, 2011, which generated revenues of approximately $512 billion in 2010, including 53% from new vehicle sales, 33% from used vehicle sales and 14% from service and parts sales. Dealerships also offer a wide range of higher-margin products and services, including extended service contracts, financing arrangements and credit insurance. The National Automobile Dealers Association figures noted above include finance and insurance revenues within either new or used vehicle sales, as sales of these products are usually incremental to the sale of a vehicle.

We also operate in Germany and the U.K., which represented the first and third largest automotive retail markets, respectively, in Western Europe in 2011, and accounted for approximately 40% of the total vehicle sales in Western Europe. Unit sales of automobiles in Western Europe were approximately 12.8 million in 2011, a 1% decrease compared to 2010. In Germany and the U.K., new car sales were approximately 3.2 million and 1.9 million units, respectively, in 2011.

In the U.S., publicly held automotive retail groups account for less than 10% of total industry revenue. Although significant consolidation has already taken place, the industry remains highly fragmented, with more than 90% of the U.S. industry's market share remaining in the hands of smaller regional and independent players. The Western European retail automotive market is similarly fragmented. We believe that further consolidation in these markets is probable due to the significant capital requirements of maintaining manufacturer facility standards, the limited number of viable alternative exit strategies for dealership owners and the impact of the current economic and industry environment on smaller, less well capitalized dealership groups.

Generally, new vehicle unit sales are cyclical and, historically, fluctuations have been influenced by factors such as manufacturer incentives, interest rates, fuel prices, unemployment, inflation, weather, the level of personal discretionary spending, credit availability, consumer confidence and other general economic factors. However, from a profitability perspective, automotive retailers have historically been less vulnerable than automobile manufacturers and automotive parts suppliers to declines in new vehicle sales. We believe this is due to the retailers' more flexible expense structure (a significant portion of the automotive retail industry's costs are variable) and their diversified revenue streams. In addition, automobile manufacturers may offer various dealer incentives when sales are slow, which further increases the volatility in profitability for automobile manufacturers and may help to decrease volatility for automotive retailers.

The level of new automotive unit sales in our markets impacts our results. The new vehicle market and the amount of customer traffic visiting our dealerships has improved during 2010 and 2011, though the level of automotive sales in the U.S. remains below levels compared to the last 10 years. There are market expectations for continued improvement in the automotive market in the U.S. over the next several years, although the level of such improvement is uncertain. During 2011, 12.8 million cars and light trucks were sold in the U.S., representing a 10% improvement over the 11.6 million cars and light trucks sold during the same period last year. We believe the U.S. automotive market will continue to recover based upon industry forecasts from companies such as JD Power, coupled with demand in the marketplace, an aging vehicle population, increased availability, and lower cost, of credit for consumers, and the planned introduction of new models by many different vehicle brands.

Vehicle registrations in the U.K were 1.94 million in 2011 compared to 2.03 million in 2010, representing a decline of 4.4%. According to the Society of Motor Manufacturers and Traders (www.smmt.co.uk), the U.K. market is expected to be challenging in 2012 as the economic outlook remains uncertain, however, in 2011, vehicle registrations of premium brands such as Audi, Bentley, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI and Porsche increased, indicating that registrations of premium/luxury vehicles have been more resilient than the market as a whole.

For a more detailed discussion of our financial and operating results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Long-Term Business Strategy

Our long-term business strategy focuses on several key areas in an effort to foster long-term relationships with our customers. The key areas of our long-term strategy follow:

- Attract, develop, and empower associates to grow our business;
- Offer outstanding brands in premium facilities and facilitate superior customer service;
- Diversification;

- Expand revenues at existing locations and increase higher-margin businesses;
- Grow through targeted acquisitions;
- Enhance customer satisfaction;
- Leverage scale and implement “best practices;” and
- Leverage Internet Marketing

Attract, Develop, and Empower Associates to Grow our Business

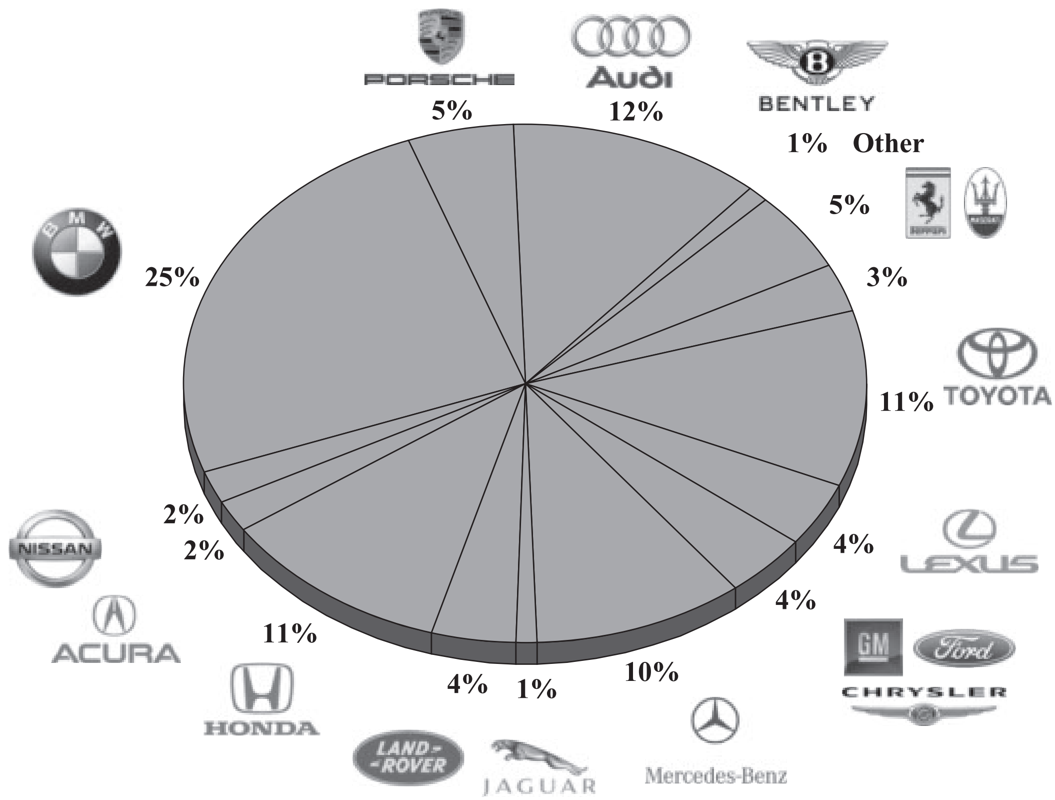
We view our local dealership general managers and customer-facing associates as one of our most important assets. Each dealership or group of dealerships has independent operational and financial management responsible for day-to-day operations. We believe experienced local managers are better qualified to make day-to-day decisions concerning the successful operation of a dealership and can be more responsive to our customers’ needs. We seek local dealership management that not only has experience in the automotive industry, but is also familiar with the local dealership’s market. We also have regional management that oversees operations at the individual dealerships and supports the dealerships operationally and administratively. We invest for future growth and offer outstanding brands and facilities which we believe attracts outstanding talent. We believe attracting the best talent to our retail dealership operations and allowing our associates to make business decisions at the local level helps to foster long-term growth through increased repeat and referral business.

Offer Outstanding Brands in Premium Facilities and Facilitate Superior Customer Service

We offer outstanding brands in premium facilities and believe offering our customers a superior customer service experience will generate repeat and referral business and will help to foster a loyal and dedicated customer base. Customer satisfaction is measured at each of our dealerships on a monthly, quarterly, and/or yearly basis by the manufacturers we represent, and we compensate our dealership employees, in part, based on their performance in such rankings.

We have the highest percentage of revenues from foreign and luxury brands among the U.S. based publicly-traded automotive retailers. We believe luxury and foreign brands will continue to offer us the opportunity to generate same-store growth, including higher margin service and parts sales. In 2011, our revenue mix consists of 69% related to premium brands, 27% related to volume foreign brands, and 4% relating to brands of U.S. based manufacturers.

The following chart reflects our percentage of total revenues by brand in 2011:



We sell and service outstanding automotive brands in our premium facilities, in attractive geographic markets. Where advantageous, we attempt to aggregate our dealerships in a campus setting in order to build a destination location for our customers, which we believe helps to drive increased customer traffic to each of the brands at the location. This strategy also creates an opportunity to reduce personnel expenses, consolidate advertising and administrative expenses and leverage operating expenses over a larger base of dealerships. Our dealerships have generally achieved new unit vehicle sales that are significantly higher than industry averages for the brands we sell.

Diversification

Our business benefits from our diversified revenue mix, including the multiple revenue streams in a traditional automotive dealership (new vehicles, used vehicles, finance and insurance, and service and parts operations), and returns relating to our joint venture investments, which we believe helps to mitigate the cyclicality that has historically impacted some elements of the automotive sector. We are further diversified within our retail automotive operations due to our brand mix and geographical dispersion.

Diversification Outside the U.S.

One of the unique attributes of our operations versus our peers is our diversification outside the U.S. Approximately 37% of our consolidated revenue during 2011 was generated outside the U.S. and Puerto Rico, predominately in the U.K. The U.K. is the third largest retail automotive market in Western Europe. Our brand mix in the U.K. is predominantly premium. We believe that as of December 31, 2011, we were among the largest Audi, Bentley, BMW, Ferrari, Land Rover, Lexus, Mercedes-Benz, Maserati and Porsche dealers in the U.K. based on new unit sales.

Additionally, we operate a number of dealerships in Germany, Western Europe's largest retail automotive market, including through joint ventures with experienced local partners, which sell and service Audi, BMW, Lexus, MINI, Porsche, Toyota, Volkswagen and various other premium brands.

Penske Truck Leasing

We hold a 9.0% limited partnership interest in PTL. PTL leases, rents and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia and is one of the largest purchasers of commercial trucks in North America through its approximately 1,000 corporate and 1,900 agent locations. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. We currently expect to continue to receive annual pro-rata cash distributions of a portion of the partnership's profits, and we expect to realize U.S. tax savings from the partnership.

Expand Revenues at Existing Locations and Increase Higher-Margin Businesses

Increase Same-Store Sales. We believe our emphasis on superior customer service and premium facilities will contribute to increases in same-store sales over time. We have added a significant number of incremental service bays in recent years in order to better accommodate our customers and further enhance our higher-margin service and parts revenues. We have employed a strategy called "Retail First" to increase our same-store used vehicle sales. Under this approach, we have increased our efforts to retail a vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this approach has helped to increase the number of used retail vehicle sales in 2011.

Grow Finance, Insurance, and Other Aftermarket Revenues. Each sale of a vehicle provides us the opportunity to assist in financing the sale of a vehicle, to sell the customer an extended service contract or other insurance product, and to sell aftermarket products, such as security systems and protective coatings. In order to improve our finance and insurance business, we focus on enhancing and standardizing our salesperson training programs through a menu-driven product offering, and strengthening our product offerings.

Expand Service and Parts and Collision Repair Revenues. Today's vehicles are increasingly complex and require sophisticated equipment and specially trained technicians to perform certain services. Unlike independent service shops, our dealerships are authorized to perform this work under warranties provided by manufacturers. We believe that our brand mix and the complexity of today's vehicles, combined with our investment in expanded service facilities and our focus on customer service, will contribute to increases in our service and parts revenue. We also operate 29 collision repair centers which are integrated with local dealership operations. We also offer rapid repair services such as paint-less dent repair, headlight reconditioning, wheel repairs, tire sales and windshield replacement at most of our facilities in order to offer our customers the convenience of one-stop shopping for all of their automotive requirements.

Grow through Targeted Acquisitions

We believe that attractive acquisition opportunities exist for well-capitalized dealership groups with experience in identifying, acquiring and integrating dealerships. The fragmented automotive retail market provides us with significant growth opportunities in our markets. We generally seek to acquire dealerships with high-growth automotive brands in highly concentrated or growing demographic areas that will benefit from our management expertise, manufacturer relations and scale of operations, as well as smaller, single location dealerships that can be effectively integrated into our existing operations. Over time, we have also been awarded new franchises from various manufacturers. In 2011, we acquired 7 franchises which we estimate will generate approximately $500 million of revenue on an annualized basis. In addition, in January 2012, we acquired the Agnew Group of dealerships in the U.K. which we expect to generate approximately $500 million of additional annualized revenues. We also divested or classified as discontinued operations 16 franchises that generated approximately $300 million of revenue on an annualized basis in 2011.

Enhance Customer Satisfaction

We strive for superior customer satisfaction. By offering outstanding brands in premium facilities, "one-stop" shopping convenience in our aggregated facilities, and a well-trained and knowledgeable sales staff, we aim to forge lasting relationships with our customers, enhance our reputation in the community, and create the opportunity for significant repeat and referral business. We monitor customer satisfaction data accumulated by manufacturers to track the performance of dealership operations, and incent our personnel to provide exceptional customer service and customer loyalty.

Leverage Scale and Implement "Best Practices"

We seek to build scale in many of the markets where we have dealership operations. Our desire is to reduce or eliminate redundant administrative costs such as accounting, information technology systems and other general administrative costs. In addition, we seek to leverage our industry knowledge and experience to foster communication and cooperation between like brand dealerships throughout our organization. Senior management and dealership management meet regularly to review dealership operating performance, examine industry trends, and implement operating improvements. Key financial information is discussed and compared between dealerships across all markets. This frequent interaction facilitates implementation of successful strategies throughout the organization.

Leverage Internet Marketing

We intend to leverage the internet to attract and retain customers as we believe the majority of our customers consult the Internet for information when shopping for a vehicle. In order to attract customers and enhance our customer service, each of our dealerships maintains its own website. All of our dealership websites are presented in common formats (except where otherwise required by manufacturers) which helps to minimize costs and provides a consistent image across dealerships. In addition, many automotive manufacturers' websites, and our corporate websites, provide links to our dealership websites and, in the U.K., manufacturers also provide a website for the dealership.

In addition, we list substantially all our U.S. and U.K. vehicle inventory on www.PenskeCars.com or www.sytner.co.uk, respectively. These websites are designed to make it easy for consumers, employees and partners to view and compare over 30,000 new, certified and pre-owned vehicles. These sites, together with our dealership websites, provide consumers a simple method to schedule maintenance and repair services at their local Penske Automotive dealership and view extensive vehicle information, including photos, prices, promotions, videos and third party vehicle history reports for pre-owned vehicles.

We attempt to obtain high visibility for these websites by utilizing strategies to obtain high search engine relevance on sites like Google and Bing. We also encourage interaction with our customers on social media sites such as Facebook and YouTube to bring new customers to our dealership and enhance repeat and referral business.

Acquisitions

We routinely acquire and dispose of franchises. Our financial statements include the results of operations of acquired dealerships from the date of acquisition. The following table sets forth information with respect to our current dealerships that were acquired or opened from January 1, 2009 to December 31, 2011:

Dealership	Date Opened or Acquired	Location	Franchises
U.S.			
Lamborghini Scottsdale	04/09	Phoenix, AZ	Lamborghini
Audi Turnersville	06/09	Turnersville, NJ	Audi
Commonwealth Audi Volkswagen	01/10	Santa Ana, CA	Audi, Volkswagen
Hudson Chrysler Jeep Dodge	02/10	Jersey City, NJ	Chrysler, Jeep, Dodge
Sprinter @ Mercedes-Benz of Chandler	02/10	Chandler, AZ	Sprinter
Sprinter @ Mercedes-Benz of San Diego	03/10	San Diego, CA	Sprinter
MINI of Tempe	03/10	Tempe, AZ	MINI
MINI of Austin	04/10	Austin, TX	MINI
Audi Chantilly	04/10	Chantilly, VA	Audi
Mercedes-Benz Chantilly	04/10	Chantilly, VA	Mercedes-Benz
Sprinter @ Mercedes-Benz of Chantilly	04/10	Chantilly, VA	Sprinter
Sprinter @ Mercedes-Benz of Warwick	04/10	Warwick, RI	Sprinter
Sprinter @ Mercedes-Benz of Fairfield	04/10	Fairfield, CT	Sprinter
MINI of San Diego	09/10	San Diego, CA	MINI
Audi Bedford	12/10	Bedford, OH	Audi
Porsche of Bedford	12/10	Bedford, OH	Porsche
Lotus Scottsdale	02/11	Scottsdale, AZ	Lotus
Fiat-Ponce	05/11	Ponce, PR	Fiat
Audi Willoughby	03/11	Willoughby, OH	Audi
Crevier BMW/MINI	07/11	Santa Ana, CA	BMW, MINI
Mercedes-Benz of Greenwich	07/11	Greenwich, CT	Mercedes-Benz
Maybach of Greenwich	07/11	Greenwich, CT	Maybach
Fiat of Fayetteville	12/11	Fayetteville, AR	Fiat
Fiat Mayaguez	12/11	Mayaguez, PR	Fiat
Outside the U.S.			
Porsche Centre Leicester	03/09	Leicester, England	Porsche
Porsche Centre Solihull	03/09	West Midlands, England	Porsche
Graypaul Birmingham	03/09	Worcestershire, England	Ferrari/Maserati
Guy Salmon Land Rover Bristol	09/09	Bristol, England	Land Rover
Autohaus Augsburg	03/10	Augsburg, Germany	BMW(2), MINI
smart Northampton	07/10	Northampton, England	smart
Sytner Maidenhead (BMW/MINI)	02/11	Maidenhead, England	BMW, MINI
McLaren Manchester	07/11	Manchester, England	McLaren

In January 2012, we acquired 13 additional franchises in the United Kingdom formerly part of the Isaac Agnew dealership group.

In 2011, 2010, and 2009, we disposed of 16, 7, and 7 franchises, respectively, that we believe were not integral to our strategy or operations. We expect to continue to pursue acquisitions and selected dispositions in the future.

Dealership Operations

Franchises. Following are summaries of our franchises by location and our dealership mix by franchise as of December 31, 2011:

Location	Franchises
Arizona	23
Arkansas	11
California	27
Connecticut	8
Florida	8
Georgia	4
Indiana	2
Michigan	2
Minnesota	2
Nevada	2
New Jersey	22
New York	1
Ohio	9
Puerto Rico	15
Rhode Island	13
Tennessee	2
Texas	8
Virginia	7
Total U.S.	166
U.K.	142
Germany	12
Total Foreign	154
Total Worldwide	320

Franchises	U.S.	Non-U.S.	Total
Toyota/Lexus/Scion	33	13	46
BMW/MINI	17	35	52
Mercedes-Benz/Sprinter/smart	20	20	40
Honda/Acura	26	2	28
Chrysler/Jeep/Dodge/Fiat	15	15	30
Jaguar	1	7	8
Land Rover	1	12	13
Audi/Volkswagen/Bentley	16	20	36
Ferrari/Maserati	6	12	18
Ford	1	—	1
Porsche	6	7	13
Cadillac/Chevrolet	6	—	6
Nissan/Infiniti	7	—	7
Others	11	11	22
Total	166	154	320

New Vehicle Retail Sales. In 2011, we sold 154,829 new vehicles which generated 53% of our retail revenue and 27% of our retail gross profit. We sell approximately 40 brands of domestic and import family, sports and premium cars, light trucks and sport utility vehicles in the U.S., Puerto Rico, the U.K. and Germany. New vehicles are typically acquired by dealerships directly from the manufacturer. We strive to maintain outstanding relations with the automotive manufacturers, based in part on our long-term presence in the automotive retail market, our commitment to providing premium facilities, the reputation of our management team and the consistent high sales volume at our dealerships. Our dealerships finance the purchase of most new vehicles from the manufacturers through floor plan financing provided primarily by various manufacturers' captive finance companies.

Used Vehicle Retail Sales. In 2011, we sold 129,652 used vehicles, which generated 31% of our retail revenue and 14% of our retail gross profit. We acquire used vehicles from various sources, including auctions open only to authorized new vehicle dealers, public auctions, trade-ins from consumers in connection with their purchase of a new vehicle from us and lease expirations or terminations. To improve customer confidence in our used vehicle inventory, each of our dealerships participates in all available manufacturer certification processes for used vehicles. If certification is obtained, the used vehicle owner is typically provided benefits and warranties similar to those offered to new vehicle owners by the applicable manufacturer. Several of our dealerships have implemented software tools which assist in procuring and selling used vehicles. Through our scale in certain U.S. markets, we have implemented closed-bid auctions that allow us to bring a large number of vehicles we do not intend to retail to a central market for other dealers or wholesalers to purchase. In the U.K., we offer used vehicles to wholesalers and other dealers via online auction. We have employed a strategy called "Retail First" to increase our same-store used vehicle sales. Under this approach, we have increased our efforts to retail a vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this approach has helped to increase the number of used retail vehicles sales in 2011. We believe these strategies have resulted in greater operating efficiency and helped to reduce costs associated with maintaining optimal inventories.

Vehicle Finance, Extended Service and Insurance Sales. Finance and insurance sales represented 3% of our retail revenue and 15% of our retail gross profit in 2011. At our customers' option, our dealerships can arrange third-party financing or leasing in connection with vehicle purchases. We typically receive a portion of the cost of the financing or leasing paid by the customer for each transaction as a fee. While these services are generally non-recourse to us, we are subject to chargebacks in certain circumstances, such as default under a financing arrangement or prepayment. These chargebacks vary by finance product but typically are limited to the fee we receive.

We also offer our customers various vehicle warranty and extended protection products, including extended service contracts, maintenance programs, guaranteed auto protection (known as "GAP," this protection covers the shortfall between a customer's loan balance and insurance payoff in the event of a total loss), lease "wear and tear" insurance and theft protection products. The extended service contracts and other products that our dealerships currently offer to customers are underwritten by independent third parties, including the vehicle manufacturers' captive finance subsidiaries. Similar to finance transactions, we are subject to chargebacks relating to fees earned in connection with the sale of certain extended protection products. We also offer for sale other aftermarket products, including security systems and protective coatings.

We offer finance and insurance products using a "menu" process, which is designed to ensure that we offer our customers a complete range of finance, insurance, protection, and other aftermarket products in a transparent manner. We provide training to our finance and insurance personnel to help assure compliance with internal policies and procedures, as well as applicable state regulations.

Service and Parts Sales. Service and parts sales represented 13% of our retail revenue and 44% of our retail gross profit in 2011. We generate service and parts sales in connection with warranty and non-warranty work performed at each of our dealerships. We believe our service and parts revenues benefit from the increasingly complex technology used in vehicles that makes it difficult for independent repair facilities to maintain and repair today's automobiles.

A goal of each of our dealerships is to make each vehicle purchaser a customer of our service and parts department. Our dealerships keep detailed records of our customers' maintenance and service histories, and many dealerships send reminders to customers when vehicles are due for periodic maintenance or service. Many of our dealerships have extended evening and weekend service hours for the convenience of our customers. We also offer rapid repair services such as paint-less dent repair, headlight reconditioning, wheel repairs, tire sales and windshield replacement at most of our facilities in order to offer our customers the convenience of one-stop shopping for all of their automotive requirements. We also operate 29 collision repair centers, each of which is operated as an integral part of our dealership operations.

smart USA. Through June 30, 2011, smart USA Distributor LLC, our former wholly-owned subsidiary, was the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico and was responsible for maintaining a vehicle dealership network. On June 30, 2011, smart USA completed the sale of certain assets and the transfer of certain liabilities relating to the distribution rights, management, sales and marketing activities of smart USA to Daimler Vehicle Innovations LLC, a wholly owned subsidiary of Mercedes-Benz USA.

Penske Truck Leasing

We hold a 9.0% limited partnership interest in Penske Truck Leasing ("PTL"). PTL, which was founded more than 40 years ago, provides transportation services and supply chain management solutions in North America. PTL is capable of meeting customers' needs at every point in the supply chain with one of the industry’s most comprehensive offerings, including full-service leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. PTL has a highly diversified customer base ranging from individual consumers to multi-national corporations across industries such as food and beverage, manufacturing, transportation, automotive, healthcare, and retail.

Leasing, Rental & Contract Maintenance represents PTL’s largest business. For commercial customers, PTL provides full-service leasing and rental utilizing a fleet of approximately 130,000 company owned vehicles and contract maintenance on a fleet of approximately 70,000 customer owned vehicles. Customers outsource vehicle operations to PTL in order to reduce the complexity and cost of vehicle ownership. Under a typical full-service lease, PTL provides and fully maintains the vehicle, which has been specifically configured for and approved by the customer. Full-service lease terms generally range from four to seven years on tractors and trucks and from six to ten years on trailers.

The services provided under full-service lease and contract maintenance generally include preventive maintenance, emergency road service, fleet services, safety programs, and nationwide fuel services through its network of company operated facilities and a nationwide network of independent truck stops. PTL’s rental operations offer short term availability of tractors, trucks and trailers, typically to accommodate seasonal, emergency and other temporary needs. A significant portion of these rentals are to existing full-service lease and contract maintenance customers seeking flexibility in their fleet management. PTL has a network of nearly 700 locations throughout North America to provide full-service leasing, rental and contract maintenance services to customers.

For consumer customers, PTL provides short term rental of light and medium duty trucks on a one-way and local basis, typically to transport household goods. Customers typically include individuals seeking a do-it-yourself solution to their moving needs. PTL's fleet consists of late model vehicles ranging in size from small vans to 26-foot trucks. Consumer rentals are conducted through approximately 1,900 independent rental agents and also through PTL’s leasing and rental facilities.

Logistics. PTL’s logistics business offers an extensive variety of services, such as dedicated contract carriage, distribution center management, transportation management and acting as the lead logistics provider for its customers. PTL provides solutions to its customers for many aspects of the supply chain, including inbound material flow, handling and packaging, inventory management, distribution and technology solutions, and sourcing of third party carriers. These offerings are available individually or in any combination and often involve PTL associates performing services at the customer’s location. By offering a scalable series of products and services to its customers, PTL can manage all or part of its customer’s supply chain. PTL utilizes specialized software that enables real-time fleet visibility and provides reporting metrics, giving customers detailed information on fuel economy and other critical supply chain costs.

PAG Dealership Locations

The following is a list of all of our dealerships as of December 31, 2011:

U.S. DEALERSHIPS

ARIZONA
Acura North Scottsdale
Audi of Chandler
Audi North Scottsdale
Bentley Scottsdale
BMW North Scottsdale
Bugatti Scottsdale
Jaguar North Scottsdale
Lamborghini Scottsdale
Land Rover North Scottsdale
Lexus of Chandler
Lotus Scottsdale
Mercedes-Benz of Chandler
MINI North Scottsdale
MINI of Tempe
Porsche North Scottsdale
Rolls-Royce Scottsdale
Scottsdale Aston Martin
Scottsdale Ferrari Maserati
Scottsdale Lexus
smart center Chandler
Sprinter @ Mercedes-Benz of Chandler
Tempe Honda
Volkswagen North Scottsdale

ARKANSAS
Acura of Fayetteville
Chevrolet of Fayetteville
Fiat of Fayetteville
Honda of Fayetteville
Landers Chevrolet
Landers Chrysler Jeep Dodge
Landers Ford
Toyota-Scion of Fayetteville

CALIFORNIA
Acura of Escondido
Audi Escondido
Audi Stevens Creek
Toyota Scion of Clovis
BMW of San Diego
Capitol Honda
Commonwealth Audi
Commonwealth Volkswagen
Crevier BMW
Creview MINI
Honda Mission Valley
Honda North
Honda of Escondido
Kearny Mesa Acura
Kearny Mesa Toyota-Scion
Lexus Kearny Mesa
Los Gatos Acura
Marin Honda
MINI of San Diego
Mazda of Escondido
Mercedes-Benz of San Diego
Peter Pan BMW
Porsche of Stevens Creek
smart center San Diego
Sprinter @ Mercedes-Benz of San Diego

CONNECTICUT
Audi of Fairfield
Honda of Danbury
Mercedes-Benz of Fairfield
Mercedes-Benz of Greenwich
Maybach of Greenwich
Porsche of Fairfield
smart center Fairfield
Sprinter @ Mercedes-Benz of Fairfield

FLORIDA
Central Florida Toyota-Scion
Royal Palm Mazda
Palm Beach Toyota-Scion
Royal Palm Toyota-Scion
Royal Palm Nissan

GEORGIA
Atlanta Toyota-Scion
Honda Mall of Georgia
United BMW of Gwinnett
United BMW of Roswell

INDIANA
Penske Chevrolet
Penske Honda

MICHIGAN
Honda Bloomfield
Rinke Cadillac

MINNESOTA
Motorwerks BMW
Motorwerks MINI

NEW JERSEY
Acura of Turnersville
Audi Turnersville
BMW of Turnersville
Chevrolet Cadillac of Turnersville
BMW of Tenafly
Lexus of Edison
Ferrari Maserati of Central New Jersey
Gateway Toyota-Scion
Honda of Turnersville
Hudson Chrysler Jeep Dodge
Hudson Nissan
Hudson Toyota-Scion
Hyundai of Turnersville
Lexus of Bridgewater
Nissan of Turnersville
Toyota-Scion of Turnersville

NEW YORK
Honda of Nanuet

OHIO
Audi Bedford
Audi Willoughby
Honda of Mentor
Infiniti of Bedford
Mercedes-Benz of Bedford
Porsche of Beachwood
smart center Bedford
Toyota-Scion of Bedford

RHODE ISLAND
Acura of Warwick
Audi Warwick
Bentley Providence
BMW of Warwick
Infiniti of Warwick
Lexus of Warwick
Mercedes-Benz of Warwick
MINI of Warwick
Nissan West Warwick
Porsche of Warwick
smart center Warwick
Sprinter @ Mercedes-Benz of Warwick

TENNESSEE
Wolfchase Toyota-Scion

TEXAS
BMW of Austin
Honda of Spring
Spring Branch Honda
MINI of Austin
Round Rock Honda
Round Rock Hyundai
Round Rock Toyota-Scion
VIRGINIA
Audi Chantilly
Audi of Tysons Corner
Mercedes-Benz Chantilly
Mercedes-Benz of Tysons Corner
Porsche of Tysons Corner
smart center Tysons Corner
Sprinter @ Mercedes-Benz of Chantilly
PUERTO RICO
Lexus de San Juan
Triangle Chrysler, Dodge, Jeep de Ponce
Triangle Chrysler, Dodge, Jeep, del Oeste
Triangle Honda 65 de Infanteria
Triangle Honda-Suzuki de Ponce
Triangle Nissan del Oeste
Triangle Toyota-Scion de San Juan
Triangle Fiat del Oeste
Triangle Fiat de Ponce

NON-U.S. DEALERSHIPS

U.K.
Audi
Bradford Audi
Derby Audi
Harrogate Audi
Huddersfield Audi
Leeds Audi
Leicester Audi
Mayfair Audi
Nottingham Audi
Reading Audi
Slough Audi
Wakefield Audi
West London Audi
Bentley
Bentley Birmingham
Bentley Edinburgh
Bentley Leicester
Bentley Manchester
BMW/MINI
Sytner Birmingham
Sytner Cardiff
Sytner Chigwell
Sytner Coventry
Sytner Docklands
Sytner Harold Wood
Sytner High Wycombe
Sytner Leicester
Sytner Maidenhead
Sytner Newport
Sytner Nottingham
Sytner Oldbury
Sytner Sheffield
Sytner Solihull
Sytner Sunningdale
Sytner Sutton
Chrysler/Jeep/Dodge
Kings Cheltenham & Gloucester
Kings Manchester
Kings Newcastle
Kings Swindon
Kings Teesside
Ferrari/Maserati
Ferrari Classic Parts
Graypaul Birmingham
Graypaul Edinburgh
Graypaul Nottingham
Maranello Egham Ferrari/Maserati
Honda
Honda Gatwick
Honda Redhill
Jaguar/Land Rover
Guy Salmon Jaguar Coventry
Guy Salmon Jaguar/Land Rover Ascot
Guy Salmon Jaguar/Land Rover Gatwick
Guy Salmon Jaguar/Land Rover Maidstone
Guy Salmon Jaguar/Land Rover Thames Ditton
Guy Salmon Jaguar Northampton
Guy Salmon Jaguar Oxford
Guy Salmon Land Rover Bristol
Guy Salmon Land Rover Coventry
Guy Salmon Land Rover Knutsford
Guy Salmon Land Rover Portsmouth
Guy Salmon Land Rover Sheffield
Guy Salmon Land Rover Stockport
Guy Salmon Land Rover Stratford-upon-Avon
Guy Salmon Land Rover Wakefield
Lamborghini
Lamborghini Birmingham
Lamborghini Edinburgh
Lexus
Lexus Birmingham
Lexus Bristol
Lexus Cardiff
Lexus Leicester
Lexus Milton Keynes
McLaren
McLaren Manchester
Mercedes-Benz/smart
Mercedes-Benz of Bath
Mercedes-Benz of Bedford
Mercedes-Benz of Carlisle
Mercedes-Benz of Cheltenham and Gloucester
Mercedes-Benz of Newbury
Mercedes-Benz/smart of Northampton
Mercedes-Benz of Sunderland
Mercedes-Benz of Swindon
Mercedes-Benz of Weston-Super-Mare
Mercedes-Benz/smart of Bristol
Mercedes-Benz/smart of Milton Keynes
Mercedes-Benz/smart of Newcastle
Mercedes-Benz/smart of Teesside
Porsche
Porsche Centre Edinburgh
Porsche Centre Glasgow
Porsche Centre Leicester
Porsche Centre Mid-Sussex
Porsche Centre Silverstone
Porsche Centre Solihull
Rolls-Royce
Rolls-Royce Motor Cars Manchester
Rolls-Royce Motor Cars Sunningdale

Toyota
Toyota World Birmingham
Toyota World Bridgend
Toyota World Bristol North
Toyota World Bristol South
Toyota World Cardiff
Toyota World Newport
Toyota World Solihull
Toyota World Tamworth

Volkswagen
SEAT Huddersfield
VW Harrogate
VW Huddersfield
VW Leeds

Volvo
Tollbar Warwick

GERMANY
Autohaus Augsburg (Goggingen) (BMW)
Autohaus Augsburg (Lechhausen) (BMW)
Autohaus Augsburg (Stadtmitte) (MINI)
Penske Sportwagenzentrum (Porsche)
Tamsen, Bremen (Aston Martin, Bentley, Ferrari, Maserati)
Tamsen, Hamburg (Aston Martin, Ferrari, Lamborghini, Maserati)

We also own 50% of the following dealerships:

GERMANY
Aix Automobile (Toyota)
Audi Zentrum Aachen
Autohaus Nix (Eschborn) (Toyota)
Autohaus Krings (Volkswagen)
Autohaus Nix (Frankfurt) (Toyota, Lexus)
Autohaus Nix (Offenbach) (Toyota, Lexus)
Autohaus Nix (Wachtersbach) (Toyota)
Autohaus Piper (Skoda)
Autohaus Piper Aachen (Volkswagen)
Autohaus Sirries (Volkswagen, Audi)
J-S Auto Park Stolberg (Volkswagen)
Jacobs Automobile Düren (Volkswagen, Audi)
Jacobs Automobile Zweighieder Lassung
Geilenkirehen (Volkswagen, Audi)
Lexus Forum Frankfort
TCD (Toyota)
Volkswagen Zentrum Aachen
Wolff & Meir (Volkswagen, Skoda)
Zabka Automobile (Volkswagen, Audi)

U.S.
Penske Wynn Ferrari Maserati (Nevada)
MAX BMW Motorcycles (Connecticut)
MAX BMW Motorcycles (New Hampshire)
MAX BMW Motorcycles (New York)

Information Technology

We consolidate financial, accounting and operational data received from our U.S. dealers through a private communications network. Dealership data is gathered and processed through individual dealer systems utilizing a common management system licensed from a third-party. Each dealership is allowed to tailor the operational capabilities of that system locally, but we require that they follow our standardized accounting procedures. Our database technology allows us to extract and aggregate information from the system in a consistent format to generate consolidating financial and operational data. The system also allows us to access detailed information for each dealership individually, as a group, or on a consolidated basis. Information we can access includes, among other things, inventory, cash, unit sales, the mix of new and used vehicle sales and sales of aftermarket products and services. Our ability to access this data allows us to continually analyze these dealerships' results of operations and financial position so as to identify areas for improvement. Our technology and processes also enable us to quickly integrate dealerships or dealership groups we acquire in the U.S.

Our U.K. dealership financial, accounting and operational data is processed through a standard management system licensed from a third-party, except when otherwise required by the manufacturer. Financial and operational information is aggregated following U.S. policies and accounting requirements, and is reported in our U.S. reporting format to ensure consistency of results among our worldwide operations. Similar to the U.S., the U.K. technology and processes enable us to continually analyze these dealerships' results of operations and financial position so as to identify areas for improvement and to quickly integrate dealerships or dealership groups we acquire in the U.K.

Marketing

Our advertising and marketing efforts are focused at the local market level, with the aim of building our retail operations. We utilize many different media for our marketing activities, focusing on the Internet and other digital media, including our own websites such as www.PenskeCars.com and www.sytner.co.uk as discussed above under "Leverage Internet Marketing". We also utilize newspaper, direct mail, magazine, television, and radio advertising. Automobile manufacturers supplement our local and regional advertising efforts through large advertising campaigns promoting their brands and promoting attractive financing packages and other incentive programs they may offer. In an effort to realize increased efficiencies, we are focusing on common marketing metrics and business practices across our dealerships, as well as negotiating enterprise arrangements for targeted marketing resources.

Agreements with Vehicle Manufacturers

We operate our dealerships under separate agreements with the manufacturers or distributors of each brand of vehicle sold at that dealership. These agreements are typical throughout the industry and may contain provisions and standards governing almost every aspect of the dealership, including ownership, management, personnel, training, maintenance of a minimum of working capital, net worth requirements, maintenance of minimum lines of credit, advertising and marketing activities, facilities, signs, products and services, maintenance of minimum amounts of insurance, achievement of minimum customer service standards and monthly financial reporting. In addition, the General Manager and/or the owner of a dealership typically cannot be changed without the manufacturer's consent. In exchange for complying with these provisions and standards, we are granted the non-exclusive right to sell the manufacturer's or distributors brand of vehicles and related parts and warranty services at our dealership. The agreements also grant us a non-exclusive license to use each manufacturer's trademarks, service marks and designs in connection with our sales and service of its brand at our dealership.

Some of our agreements, including those with BMW, Honda, Mercedes-Benz and Toyota, expire after a specified period of time ranging from one to six years. Manufacturers have generally not terminated our franchise agreements, and our franchise agreements with fixed terms have typically been renewed without substantial cost. We currently expect the manufacturers to renew all of our franchise agreements as they expire. In addition, certain agreements with the manufacturers limit the total number of dealerships of that brand that we may own in a particular geographic area and, in some cases, limit the total number of their vehicles that we may sell as a percentage of a particular manufacturer's overall sales. Manufacturers may also limit the ownership of stores in contiguous markets. To date, we have reached the limit of the number of Lexus dealerships we may own in the U.S., and we have reached certain geographical limitations with certain manufacturers in the U.S. and U.K. Where these limits are reached, we cannot acquire additional franchises of those brands in the relevant market unless we can negotiate modifications to the agreements. We may not be able to negotiate any such modifications.

Many of these agreements also grant the manufacturer or distributor a security interest in the vehicles and/or parts sold by them to the dealership, as well as other dealership assets, and permit them to terminate or not renew the agreement for a variety of causes, including failure to adequately operate the dealership, insolvency or bankruptcy, impairment of the dealer's reputation or financial standing, changes in the dealership's management, owners or location without consent, sales of the dealership's assets without consent, failure to maintain adequate working capital or floor plan financing, changes in the dealership's financial or other condition, failure to submit required information to them on a timely basis, failure to have any permit or license necessary to operate the dealership, and material breaches of other provisions of the agreement. In the U.S., these termination rights are subject to state franchise laws that limit a manufacturer's right to terminate a franchise. In the U.K., we operate without such local franchise law protection (see "Regulation" below).

Our agreements with manufacturers or distributors usually give them the right, in some circumstances (including upon a merger, sale, or change of control of the company, or in some cases a material change in our business or capital structure), to acquire from us, at fair market value, the dealerships. For example, our agreement with General Motors provides that, upon a proposed purchase of 20% or more of our voting stock by any new person or entity or another manufacturer (subject to certain exceptions), an extraordinary corporate transaction (such as a merger, reorganization or sale of a material amount of assets) or a change of control of our board of directors, General Motors has the right to acquire all assets, properties and business of any General Motors dealership owned by us for fair value. Some of our agreements with other major manufacturers, including Honda and Toyota, contain provisions similar to the General Motors provisions.

Competition

The automotive retail industry is currently served by franchised automotive dealerships, independent used vehicle dealerships and individual consumers who sell used vehicles in private transactions.

For new vehicle sales, we compete primarily with other franchised dealers in each of our marketing areas, relying on our premium facilities, advertising and merchandising, management experience, sales expertise, service reputation and the location of our dealerships to attract and retain customers. Each of our markets may include a number of well-capitalized competitors, including in certain instances dealerships owned by automotive manufacturers and national and regional automotive retail chains. We also compete with dealers that sell the same brands of new vehicles that we sell and with dealers that sell other brands of new vehicles that we do not represent in a particular market. Our new vehicle dealership competitors have franchise agreements which gives them access to new vehicles on the same terms as us. Automotive dealers also face competition in the sale of new vehicles from on-line purchasing services and warehouse clubs. With respect to arranging financing for our customers' vehicle purchases, we compete with a broad range of financial institutions such as banks and local credit unions.

For used vehicle sales, we compete with other franchised dealers, independent used vehicle dealers, automobile rental agencies, on-line purchasing services, private parties and used vehicle "superstores" for the procurement and resale of used vehicles.

We believe that the principal factors consumers consider when determining where to purchase a vehicle are the marketing campaigns conducted by manufacturers, the ability of dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of the customer experience. Other factors include customer preference for particular brands of automobiles, pricing (including manufacturer rebates and other special offers) and warranties. We believe that our dealerships are competitive in all of these areas.

We compete with other franchised dealers to perform warranty repairs and with other automotive dealers, franchised and non-franchised service center chains, and independent garages for non-warranty repair and routine maintenance business. We compete with other automotive dealers, service stores and auto parts retailers in our parts operations. We believe that the principal factors consumers consider when determining where to purchase vehicle parts and service are price, the use of factory-approved replacement parts, facility location, the familiarity with a manufacturer's brands and the quality of customer service. A number of regional or national chains offer selected parts and services at prices that may be lower than our prices.

We believe the majority of consumers are utilizing the Internet and other digital media in connection with the purchase of new and used vehicles. Accordingly, we face increased competition from on-line automotive websites, including those developed by automobile manufacturers and other dealership groups. Consumers can use the Internet and other digital media to compare prices for vehicles and related services, which may result in reduced margins for new vehicles, used vehicles and related services.

Employees and Labor Relations

As of December 31, 2011, we employed approximately 15,600 people, approximately 600 of whom were covered by collective bargaining agreements with labor unions. We consider our relations with our employees to be satisfactory. Our policy is to motivate our key managers through, among other things, variable compensation programs tied principally to dealership profitability. Due to our reliance on vehicle manufacturers, we may be adversely affected by labor strikes or work stoppages at the manufacturers' facilities.

Regulation

We operate in a highly regulated industry and a number of regulations affect the marketing, selling, financing and servicing of automobiles. Under the laws of the jurisdictions in which we currently operate, we typically must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service. These laws also regulate our conduct of business, including our advertising, operating, financing, employment and sales practices. Other laws and regulations include franchise laws and regulations, environmental laws and regulations (see "Environmental Matters" below), laws and regulations applicable to new and used motor vehicle dealers, as well as privacy, identity theft prevention, wage-hour, anti-discrimination and other employment practices laws.

Our financing activities with customers are subject to truth-in-lending, consumer leasing, equal credit opportunity and similar regulations, as well as motor vehicle finance laws, installment finance laws, insurance laws, usury laws and other installment sales laws. Some jurisdictions regulate finance fees that may be paid as a result of vehicle sales. In recent years, private plaintiffs and state attorneys general in the U.S. have increased their scrutiny of advertising, sales, and finance and insurance activities in the sale and leasing of motor vehicles.

In the U.S., we benefit from the protection of numerous state franchise laws that generally provide that a manufacturer or distributor may not terminate or refuse to renew a franchise agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or non-renewal. Some state franchise laws allow dealers to file protests or petitions or to attempt to comply with the manufacturer's criteria within the notice period to avoid the termination or non-renewal.

Europe generally does not have these laws and, as a result, our European dealerships operate without these types of protections. However, current European rules limit automotive manufacturers' "block exemption" to certain anti-competitive rules in regards to establishing and maintaining a retail network. As a result, existing manufacturer authorized retailers are able to, subject to manufacturer facility requirements, relocate or add additional facilities throughout the European Union, offer multiple brands in the same facility, allow the operation of service facilities independent of new car sales facilities and ease restrictions on transfers of dealerships between existing franchisees within the European Union. In June 2013, the European rules will change such that the authorized retailers abilities will be more limited. We do not currently believe that the rule changes will have a material affect on us.

Environmental Matters

We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the operation and removal of aboveground and underground storage tanks, the use, handling, storage and disposal of hazardous substances and other materials and the investigation and remediation of environmental contamination. As with automotive dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, filters, transmission fluid, antifreeze, refrigerant, batteries, solvents, lubricants, and fuel. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the management of hazardous and other environmentally sensitive materials are subject to numerous requirements. Our business also involves the operation of storage tanks containing such materials. Storage tanks are subject to periodic testing, containment, upgrading and removal under applicable law. Furthermore, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks. In addition, water quality protection programs govern certain discharges from some of our operations. Similarly, certain air emissions from our operations, such as auto body painting, may be subject to relevant laws. Various health and safety standards also apply to our operations.

We may have liability in connection with materials that are sent to third-party recycling, treatment, and/or disposal facilities under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and comparable statutes. These statutes impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. Responsible parties under these statutes may include the owner or operator of the site where the contamination occurred and companies that disposed or arranged for the disposal of the hazardous substances released at these sites.

An expanding trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Vehicle manufacturers are subject to federally mandated corporate average fuel economy standards, which will increase substantially through 2016. Furthermore, in response to recent studies suggesting that emissions of carbon dioxide and certain other gases, referred to as “greenhouse gases,” may be contributing to warming of the Earth’s atmosphere, climate change-related legislation and policy changes to restrict greenhouse gas emissions are being considered at state and federal levels. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide on vehicles and automobile fuels in the U.S. could adversely affect prices of and demand for the vehicles that we sell.

We believe that we do not have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material effect on us. However, soil and groundwater contamination is known to exist at certain of our current or former properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. Compliance with current, amended, new or more stringent laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us, and such expenditures could be material.

Insurance

The automotive retail industry is subject to substantial risk of loss due to the significant concentration of property values at dealership locations, including vehicles and parts. In addition, we are exposed to liabilities arising out of our operations, including claims by employees, customers or third parties for personal injury or property damage and potential fines and penalties in connection with alleged violations of regulatory requirements. We attempt to manage such risks through insurance programs, including umbrella and excess insurance policies, subject to specified deductibles and significant loss retentions. As a result, we are exposed to uninsured and underinsured losses that could have a material adverse effect on us.

Available Information

For selected financial information concerning our various operating and geographic segments, see Note 16 to our consolidated financial statements included in Item 8 of this report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website, www.penskeautomotive.com, under the tab "Investor Relations" as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). You may read or copy any materials we filed with the SEC at the SEC's Public Reference Room at 100F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 800-732-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements, and other information. The address of the SEC's website is www.sec.gov. We also make available on our website copies of materials regarding our corporate governance policies and practices, including our Corporate Governance Guidelines; our Code of Business Ethics; and the charters relating to the committees of our Board of Directors. You may obtain a printed copy of any of the foregoing materials by sending a written request to: Investor Relations, Penske Automotive Group, Inc., 2555 Telegraph Road, Bloomfield Hills, MI 48302 or by calling toll-free 866-715-5289. The information on or linked to our website is not part of this document. We plan to disclose changes to our Code of Business Ethics, or waivers, if any, for our executive officers or directors, on our website. We are incorporated in the state of Delaware and began dealership operations in October 1992.

Seasonality

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.

Item 1A. ***Risk Factors***

Our business, financial condition, results of operations, cash flows, prospects, and the prevailing market price and performance of our common stock may be affected by a number of factors, including the matters discussed below. 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 1995. Words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "seeks," "projects," "will," "would," 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 Annual Report on Form 10-K or when made and we undertake no duty or obligation to update or revise our forward-looking statements, whether as a result of new information, future events, or otherwise.

Although we believe that the expectations, plans, intentions, and projections reflected in our forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include the following:

Macro-economic conditions. Our performance is impacted by general economic conditions overall, and in particular by economic conditions in the markets in which we operate. These economic conditions include: levels of new and used vehicle sales; availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates. When the worldwide economy faltered and the worldwide automotive industry experienced significant operational and financial difficulties in 2008 and 2009, we were adversely affected, and we expect a similar relationship between general economic and industry conditions and our performance in the future.

Automotive manufacturers exercise significant control over us. Each of our dealerships operates under franchise and other agreements with automotive manufacturers or related distributors. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons, including certain events outside our control such as accumulation of our stock by third parties. Without franchise agreements, we would be unable to sell new vehicles or perform manufacturer authorized warranty service. If a significant number of our franchise agreements are terminated or are not renewed, we would be materially affected.

Restructuring, bankruptcy or other adverse condition affecting a significant automotive manufacturer or supplier. Our success depends on the overall success of the automotive industry generally, and in particular on the success of the brands of vehicles that each of our dealerships sell. In 2011, revenue generated at our BMW/MINI, Audi/Volkswagen/Bentley, Toyota/Lexus/Scion, Honda/Acura, and Mercedes-Benz/Sprinter/smart dealerships represented 25%, 15%, 15%, 13%, and 10%, respectively, of our total revenues. Significant adverse events, such as the reduced 2011 new vehicle production by Japanese automotive manufacturers caused by the significant production and supply chain disruptions resulting from the earthquake and tsunami that struck Japan on March 11, 2011, or future events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

Our business is very competitive. We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; Internet-based vehicle brokers; national and local service and repair shops and parts retailers; and automotive manufacturers (in certain markets). Purchase decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market generally, coupled with increasing price transparency resulting from increased use of the Internet by consumers, can lead to lower selling prices and related profits. If there is a prolonged drop in retail prices, new vehicle sales are allowed to be made over the Internet without the involvement of franchised dealers, or if dealerships are able to effectively use the Internet to sell outside of their markets, our business could be materially adversely affected.

Property loss, business interruption or other liabilities. Our business is subject to substantial risk of loss due to: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. While we have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance. If we experience significant losses that are not covered by our insurance, whether due to adverse weather conditions or otherwise, or we are required to retain a significant portion of a loss, it could have a significant and adverse effect on us.

Leverage. Our significant debt and other commitments expose us to a number of risks, including:

Cash requirements for debt and lease obligations. A significant portion of the cash flow we generate must be used to service the interest and principal payments relating to our various financial commitments, including $1.7 billion of floor plan notes payable, $850 million of long-term debt and $4.7 billion of future lease commitments (including extension periods and assuming constant consumer price indices). A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements or to a failure to meet specified financial and operating covenants included in certain of our agreements. If this were to occur, it may lead to a default under one or more of our commitments and potentially the acceleration of amounts due, which could have a significant and adverse effect on us.

Availability. Because we finance the majority of our operating and strategic initiatives using a variety of commitments, including floor plan notes payable and revolving credit facilities, we are dependent on continued availability of these sources of funds. If these agreements are terminated or we are unable to access them because of a breach of financial or operating covenants or otherwise, we will likely be materially affected.

Interest rate variability. The interest rates we are charged on a substantial portion of our debt, including the floor plan notes payable we issue to purchase the majority of our inventory, are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results. Because many of our customers finance their vehicle purchases, increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

International operations. We have significant operations outside the U.S. that expose us to changes in foreign exchange rates and to the impact of economic and political conditions in the markets where we operate. As exchange rates fluctuate, our results of operations as reported in U.S. dollars fluctuate. For example, if the U.S. dollar were to strengthen against the U.K. pound, our U.K. results of operations would translate into less U.S. dollar reported results. Any significant or prolonged increase in the value of the U.S. dollar, particularly as compared to the U.K. pound, could result in a significant and adverse effect on our reported results.

Joint ventures. We have significant investments in a variety of joint ventures, including retail automotive operations in Germany and a 9.0% limited partnership interest in PTL. We expect to receive annual operating distributions from each such venture, and, in the case of PTL, to realize U.S. tax savings as a result of our investment. These benefits may not be realized if the joint ventures do not perform as expected, or if changes in tax, financial or regulatory requirements negatively impact the results of the joint venture operations. Our ability to dispose of these investments may be limited. In addition, because PTL is engaged in different businesses than we are, its performance may vary significantly from ours.

Performance of sublessees. In connection with the sale, relocation and closure of certain of our franchises, we have entered into a number of third-party sublease agreements. The rent paid by our sub-tenants on such properties in 2011 totaled approximately $11.7 million. In the aggregate, we remain ultimately liable for approximately $178.9 million of such lease payments including payments relating to all available renewal periods. We rely on our sub-tenants to pay the rent and maintain the properties covered by these leases. In the event a subtenant does not perform under the terms of their lease with us, we could be required to fulfill such obligations, which could have a significant and adverse effect on us.

Information Technology. Our information systems are fully integrated into our operations, including: electronic communications and data transfer protocols with manufacturers and other vendors; customer relationship management; sales and service scheduling; data storage; and financial and operational reporting. The majority of our systems are licensed from third parties, the most significant of which are provided by one supplier in the U.S. and one supplier in the U.K. To the extent these systems become unavailable to us for any reason, or if our relationship deteriorates with either of our two principal suppliers, we may not be able to negotiate agreements to secure those or similar services on terms that are acceptable to us, if at all, and our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.

Key personnel. We believe that our success depends to a significant extent upon the efforts and abilities of our senior management, and in particular upon Roger Penske who is our Chairman and Chief Executive Officer. To the extent Mr. Penske, or other key personnel, were to depart from our Company unexpectedly, our business could be significantly disrupted.

Regulatory issues. We are subject to a wide variety of regulatory activities, including:

Governmental regulations, claims and legal proceedings. Governmental regulations affect almost every aspect of our business, including the fair treatment of our employees, wage and hour issues, and our financing activities with customers. In the event of regulation restricting our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law which may be asserted against us or any of our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

Franchise laws in the U.S. In the U.S., state law generally provides protections to franchised automotive dealers from discriminatory practices by manufacturers and from unreasonable termination or non-renewal of their franchise agreements. If these franchise laws are repealed or amended, manufacturers may have greater flexibility to terminate or not renew our franchises. Franchised automotive dealers in the European Union operate without such protections.

Environmental regulations. We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage and disposal of hazardous substances. In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

Accounting rules and regulations. The Financial Accounting Standards Board is currently evaluating several significant changes to generally accepted accounting standards in the U.S., including the rules governing the accounting for leases. Any such changes could significantly affect our reported financial position, earnings and cash flows. In addition, the Securities and Exchange Commission is currently considering adopting rules that would require us to prepare our financial statements in accordance with International Financial Reporting Standards, which could also result in significant changes to our reported financial position, earnings and cash flows.

Related parties. Our two largest stockholders, Penske Corporation and its affiliates ("Penske Corporation") and Mitsui & Co and its affiliates ("Mitsui"), together beneficially own 51.5% of our outstanding common stock. The presence of such significant shareholders results in several risks, including:

Our principal stockholders have substantial influence. Penske Corporation and Mitsui have entered into a stockholders agreement pursuant to which they have agreed to vote together as to the election of our directors. As a result, Penske Corporation has the ability to control the composition of our Board of Directors, which may allow them to control our affairs and business. This concentration of ownership, coupled with certain provisions contained in our agreements with manufacturers, our certificate of incorporation, and our bylaws, could discourage, delay or prevent a change in control of us.

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests. Roger Penske, our Chairman and Chief Executive Officer and a director, and Robert H. Kurnick, Jr., our President and a director, hold the same offices at Penske Corporation. Each of these officers is paid much of their compensation by Penske Corporation. The compensation they receive from us is based on their efforts on our behalf, however, they are not required to spend any specific amount of time on our matters. One of our directors, Richard J. Peters also serves as a director of Penske Corporation.

Penske Corporation has pledged its shares of common stock to secure a loan facility. Penske Corporation has pledged all of its shares of our common stock as collateral to secure a loan facility. A default by Penske Corporation could result in the foreclosure on those shares by the lenders, after which the lenders could attempt to sell those shares on the open market. Any such change in ownership and/or sale could materially impact the market price of our common stock. See below "Penske Corporation ownership levels."

Penske Corporation ownership levels. Certain of our agreements have clauses that are triggered in the event of a material change in the level of ownership of our common stock by Penske Corporation, such as our trademark agreement between us and Penske Corporation that governs our use of the "Penske" name which can be terminated 24 months after the date that Penske Corporation no longer owns at least 20% of our voting stock. We may not be able to renegotiate such agreements on terms that are acceptable to us, if at all, in the event of a significant change in Penske Corporation's ownership.

We have a significant number of shares of common stock eligible for future sale. Penske Corporation and Mitsui own 51.5% of our common stock and each has two demand registration rights that could result in a substantial number of shares being introduced for sale in the market. We also have a significant amount of authorized but unissued shares. The introduction of any of these shares into the market could have a material adverse effect our stock price.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

We lease or sublease substantially all of our dealership properties and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We lease office space in Bloomfield Hills, Michigan, Leicester, England and Stuttgart, Germany for our administrative headquarters and other corporate related activities. We believe that our facilities are sufficient for our needs and are in good repair.

Item 3. *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 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 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities*

Our common stock is traded on the New York Stock Exchange under the symbol "PAG." As of February 15, 2012, there were approximately 217 holders of record of our common stock. The following table sets forth the high and low sales prices and quarterly dividends per share for our common stock as reported on the New York Stock Exchange Composite Tape during each quarter of 2011 and 2010.

	High	Low	Dividend
2010:			
First Quarter	$17.70	$13.75	$ —
Second Quarter	16.50	11.35	—
Third Quarter	14.64	10.89	—
Fourth Quarter	17.58	12.87	—
2011:			
First Quarter	$22.10	$16.24	$ —
Second Quarter	23.24	18.46	0.07
Third Quarter	24.00	15.31	0.08
Fourth Quarter	22.45	14.87	0.09

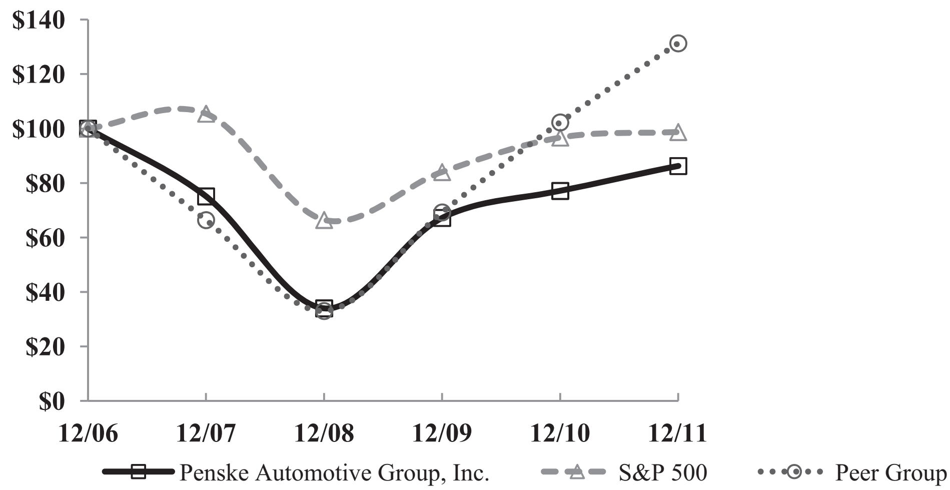
Dividends

In addition to the dividends noted above, we have announced the payment of a dividend of $0.10 per share to be paid on March 1, 2012 to record holders as of February 10, 2012. Future cash dividends will depend upon our earnings, capital requirements, financial condition, restrictions imposed by any then existing indebtedness and other factors considered relevant by our Board of Directors. In particular, our U.S. credit agreement and the indenture governing our 7.75% senior subordinated notes contain, and any future indenture that governs any notes which may be issued by us may contain, certain limitations on our ability to pay dividends. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." We are a holding company whose assets consist primarily of the direct or indirect ownership of the capital stock of our operating subsidiaries. Consequently, our ability to pay dividends is dependent upon the earnings of our subsidiaries and their ability to distribute earnings and other advances and payments to us. Also, pursuant to the automobile franchise agreements to which our dealerships are subject, our dealerships are generally required to maintain a certain amount of working capital, which could limit our subsidiaries' ability to pay us dividends.

SHARE INVESTMENT PERFORMANCE

The following graph compares the cumulative total stockholder returns on our common stock based on an investment of $100 on December 31, 2006 and the close of the market on December 31 of each year thereafter against (i) the Standard & Poor's 500 Index and (ii) an industry/peer group consisting of Asbury Automotive Group, Inc., AutoNation, Inc., Group 1 Automotive, Inc., Lithia Motors Inc. and Sonic Automotive, Inc. The graph assumes the reinvestment of all dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Penske Automotive Group, Inc., The S&P 500 Index
And A Peer Group



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* $100 invested on 12/31/06 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/06	12/07	12/08	12/09	12/10	12/11
Penske Automotive Group, Inc.	100.00	75.12	33.99	67.19	77.11	86.26
S&P 500	100.00	105.49	66.46	84.05	96.71	98.75
Peer Group	100.00	66.40	33.02	69.24	102.28	131.32

Share Repurchases

For information with respect to repurchase of our shares by us, see "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Securities Repurchases" on p. 37.

Item 6. *Selected Financial Data*

The following table sets forth our selected historical consolidated financial and other data as of and for each of the five years in the period ended December 31, 2011, which has been derived from our audited consolidated financial statements. During the periods presented, we made a number of acquisitions and have included the results of operations of the acquired dealerships from the date of acquisition. As a result, our period to period results of operations vary depending on the dates of the acquisitions. Accordingly, this selected financial data is not necessarily comparable or indicative of our future results. During the periods presented, we also sold certain dealerships which have been treated as discontinued operations in accordance with generally accepted accounting principles. You should read this selected consolidated financial data in conjunction with our audited consolidated financial statements and related footnotes included elsewhere in this report.

	As of and for the Years Ended December 31,				
	2011(1)	2010(2)	2009(3)	2008(4)	2007(5)
	(In millions, except per share data)				
Consolidated Statement of Operations Data:					
Total revenues	$11,556.2	$10,328.4	$9,012.2	$10,895.7	$12,311.0
Gross profit	$ 1,825.4	$ 1,644.1	$1,507.1	$ 1,678.7	$ 1,831.1
Income (loss) from continuing operations attributable to Penske Automotive Group common stockholders (6)	$ 175.1	$ 123.6	$ 79.7	$ (436.0)	$ 116.1
Net income (loss) attributable to Penske Automotive Group common stockholders	$ 176.9	$ 108.3	$ 76.5	$ (420.0)	$ 120.3
Diluted earnings (loss) per share from continuing operations attributable to Penske Automotive Group common stockholders	$ 1.92	$ 1.34	$ 0.87	$ (4.64)	$ 1.22
Diluted earnings (loss) per share attributable to Penske Automotive Group common stockholders	$ 1.94	$ 1.18	$ 0.83	$ (4.47)	$ 1.27
Shares used in computing diluted share data	91.3	92.1	91.7	94.0	95.0
Balance Sheet Data:					
Total assets	$ 4,502.3	$ 4,069.8	$3,796.0	$ 3,962.1	$ 4,667.1
Total floor plan notes payable	$ 1,702.3	$ 1,408.6	$1,141.1	$ 1,409.9	$ 1,449.0
Total debt (excluding floor plan notes payable)	$ 850.2	$ 779.9	$ 946.4	$ 1,063.3	$ 794.8
Total equity attributable to Penske Automotive Group common stockholders	$ 1,136.0	$ 1,041.6	$ 942.4	$ 804.8	$ 1,450.7
Cash dividends per share	$ 0.24	$ —	$ —	$ 0.36	$ 0.30

(1) Includes benefit of $17.0 million, or $0.19 per share, from the resolution of certain tax items in the U.K. offset by a reduction in U.K. deferred tax assets of $6.0 million, or $0.07 per share.

(2) Includes gains of $5.3 million ($3.6 million after-tax), or $0.04 per share, and $1.6 million ($1.1 million after-tax), or $0.01 per share, relating to a gain on the sale of an investment and the repurchase of $155.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes, respectively, offset by a charge of $4.1 million ($2.8 million after-tax), or $0.03 per share, associated with costs related to franchise closure and relocation costs.

(3) Includes a gain of $10.4 million ($6.5 million after-tax), or $0.07 per share, relating to the repurchase of $68.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes and charges of $5.2 million ($3.4 million after-tax), or $0.04 per share, relating to costs associated with the termination of the acquisition of the Saturn brand, our election to close three franchises in the U.S. and charges relating to our interest rate hedges of variable rate floor plan notes payable as a result of decreases in our vehicle inventories, and resulting decreases in outstanding floor plan notes payable, below hedged levels.

(4) Includes charges of $661.9 million ($505.2 million after-tax), or $5.37 per share, including $643.5 million ($493.2 million after-tax), or $5.25 per share, relating to goodwill and franchise asset impairments, as well

as, an additional $18.4 million ($12.0 million after-tax), or $0.13 per share, of dealership consolidation and relocation costs, severance costs, other asset impairment charges, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike.

(5) Includes charges of $18.6 million ($12.3 million after-tax), or $0.13 per share, relating to the redemption of the $300.0 million aggregate amount of 9.625% senior subordinated notes and $6.3 million ($4.5 million after-tax), or $0.05 per share, relating to impairment charges.

(6) Excludes income from continuing operations attributable to non-controlling interests of $1.4 million, $1.1 million, $0.5 million, $1.1 million, and $2.0 million in 2011, 2010, 2009, 2008, and 2007, respectively.

Item 7. ***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 Item 1A. "Risk Factors" and "Forward Looking Statements." We have acquired and initiated a number of businesses since inception. 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 through December 31, 2011.

Overview

We are the second largest automotive retailer headquartered in the U.S. as measured by the $11.6 billion in total revenue we generated in 2011. As of December 31, 2011, we operated 320 retail automotive franchises, of which 166 franchises are located in the U.S. and 154 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2011, we retailed and wholesaled more than 348,000 vehicles. We are diversified geographically, with 63% of our total revenues in 2011 generated in the U.S. and Puerto Rico and 37% generated outside the U.S. We offer approximately 40 vehicle brands, with 96% of our total retail revenue in 2011 generated from brands of non-U.S. based manufacturers, and 69% generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offers 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 higher-margin products, such as third-party finance and insurance products, third-party extended service contracts and replacement and aftermarket automotive products.

We also own a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider. PTL leases, rents and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia and is one of the largest purchasers of commercial trucks in North America through its approximately 1,000 corporate and 1,900 agent locations. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which, together with other wholly-owned subsidiaries of Penske Corporation, owns 41.1% of PTL. The remaining 49.9% of PTL is owned by General Electric Capital Corporation.

In 2011, smart USA Distributor, LLC, our wholly owned subsidiary, completed the sale of certain assets and the transfer of certain liabilities relating to the distribution rights, management, sales and marketing activities of smart USA to Daimler Vehicle Innovations LLC, a wholly owned subsidiary of Mercedes-Benz USA. The final aggregate cash purchase price for the assets was $44.6 million. As a result, smart USA has been treated as a discontinued operation for all periods presented in the accompanying financial statements.

Outlook

The level of new automotive unit sales in our markets impacts our results. The new vehicle market and the amount of customer traffic visiting our dealerships has improved during 2010 and 2011, though the level of automotive sales in the U.S. remains below the last 10 years average sales level. There are market expectations for continued improvement in the automotive market in the U.S. over the next several years, although the level of such improvement is uncertain. During 2011, 12.8 million cars and light trucks were sold in the U.S., representing a 10% improvement over the 11.6 million cars and light trucks sold during the same period last year. We believe the U.S. automotive market will continue to recover based upon industry forecasts from companies such as JD Power, coupled with demand in the marketplace, an aging vehicle population, increased availability, and lower cost, of credit for consumers, and the planned introduction of new models by many different vehicle brands.

Vehicle registrations in the U.K were 1.94 million in 2011 compared to 2.03 million in 2010, representing a decline of 4.4%. According to the Society of Motor Manufacturers and Traders (www.smmt.co.uk), the U.K. market is expected to be challenging in 2012 as the economic outlook remains uncertain, however, in 2011, vehicle registrations of premium brands such as Audi, Bentley, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI and Porsche increased, indicating that registrations of premium/luxury vehicles have been more resilient than the market as a whole.

Operating Overview

New and used vehicle revenues include sales to retail customers and to leasing companies providing consumer automobile 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 for repair, maintenance and collision services, and the sale of replacement parts and other aftermarket accessories.

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 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 gross profit increased $181.3 million, or 11.0%, during the year ended December 31, 2011 compared to the same period in prior year. The increase in gross profit is largely attributable to the 8.2% increase in same store retail revenue. Our retail gross margin percentage declined from 16.9% during the year ended December 31, 2010 to 16.7% during the year ended December 31, 2011, due primarily to an increase in the percentage of our revenues generated by used vehicle sales which carry a lower gross margin than other parts of our business.

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. 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, or the Euro Interbank Offered Rate. Our floor plan interest expense has decreased during the year ended December 31, 2011 as a result of lower applicable interest rates, including the impact of the expiration of interest rate swap transactions. Our other interest expense has decreased during the year ended December 31, 2011 due to repurchases of our 3.5% senior subordinated convertible notes and term loan repayments offset by increased average borrowings under the revolving U.S. credit facility.

Equity in earnings of affiliates represents our share of the earnings from our investments in joint ventures and other non-consolidated investments, including PTL. It is our expectation that operating conditions as outlined above in the "Outlook" section will similarly impact these businesses throughout 2012. However, because PTL is engaged in different businesses than we are, its operating performance may vary significantly from ours.

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 and the return realized from our investments in various joint ventures and other non-consolidated investments. See Item 1A – "Risk Factors" and "Forward-Looking Statements."

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.

Revenue Recognition

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. During the years ended December 31, 2011, 2010, and 2009, we earned $382.6 million, $360.8 million, and $310.4 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which $371.7 million, $351.5 million, and $304.9 million was recorded as a reduction of cost of sales.

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 third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract.

Impairment Testing

Franchise value impairment is assessed as of October 1 every year 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 of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value of franchise value is determined using a discounted cash flow approach, which includes assumptions about revenue and profitability growth, franchise profit margins, and our cost of capital. We also evaluate our franchise agreements in connection with the annual impairment testing to determine whether events and circumstances continue to support our assessment that the franchise agreements have an indefinite life.

Goodwill impairment is assessed at the reporting unit level as of October 1 every year and upon the occurrence of an indicator of impairment. The Company's operations are organized by management into operating segments by line of business and geography. The Company has determined it has two reportable segments as defined in generally accepted accounting principles for segment reporting, including: (i) Retail, consisting of our automotive retail operations and (ii) PAG Investments, consisting of our investments in businesses other than automotive retail operations. We have determined that the dealerships in each of our operating segments within the Retail 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). There is no goodwill recorded in our PAG Investments reportable segment.

In September 2011, the FASB updated the accounting guidance related to testing goodwill for impairment. This update permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. This update is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011, however, early adoption is permitted. We elected to early adopt the qualitative assessment.

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 $298.6 million and $288.4 million as of December 31, 2011 and 2010, respectively. 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, auto 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. 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 $25.9 million and $22.8 million as of December 31, 2011 and 2010, respectively. Changes in the reserve estimate during 2011 relate primarily to our general liability and 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.

We do not provide for U.S. taxes relating to undistributed earnings or losses of our foreign subsidiaries. Income from continuing operations before income taxes of foreign subsidiaries (which subsidiaries are predominately in the U.K.) was $98.2 million, $98.8 million, and $93.1 million during the years ended

December 31, 2011, 2010 and 2009, respectively. It is our belief that such earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2011, we have not provided U.S. federal income taxes on a total of approximately $700.4 million of earnings of individual foreign subsidiaries. If these earnings were remitted as dividends, we would be subject to U.S. income taxes in excess of foreign taxes paid and certain foreign withholding taxes.

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, whether the cash flows will be replaced, the period required to complete the divestiture, and the likelihood of changes to the divestiture plans. 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.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-05, Presentation of Comprehensive Income, which requires the presentation of components of other comprehensive income with the components of net income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. We will adopt this update for periods beginning after December 31, 2011. While this will affect the presentation of comprehensive income, we do not believe it will have a material impact on our consolidated financial position or results of operations.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment,* amending the guidance on goodwill impairment testing. This update permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of reporting unit is less than its carrying value. This is intended to reduce the cost and complexity of the annual impairment test and is considered a preliminary step in determining whether it is necessary to calculate a fair value for a reporting unit. We elected to early adopt the provisions of this update by preparing a qualitative assessment for the period ending December 31, 2011. The adoption of this update had no impact on our consolidated financial position or results of operations.

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, 2009, the results of the acquired entity would be included in annual same store comparisons beginning with the year ended December 31, 2011 and in quarterly same store comparisons beginning with the quarter ended June 30, 2010.

2011 compared to 2010 and 2010 compared to 2009 (in millions, except unit and per unit amounts)

Our results for the year ended December 31, 2011 include a net income tax benefit of $11.0 million, or $0.12 per share, reflecting a positive adjustment from the resolution of certain tax items in the U.K. of $17.0 million, or $0.19 per share, partially offset by a reduction in U.K. deferred tax assets of $6.0 million, or $0.07 per share.

Our results for the year ended December 31, 2010 include a gain of $5.3 million ($3.6 million after-tax), or $0.04 per share, relating to a gain on the sale of an investment, a gain of $1.6 million ($1.1 million after-tax), or $0.01 per share, relating to the repurchase of $155.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes, and a charge of $4.1 million ($2.8 million after-tax), or $0.03 per share, associated with costs related to franchise closure and relocation costs.

Our results for the year ended December 31, 2009 include a gain of $10.4 million ($6.5 million after-tax), or $0.07 per share, relating to the repurchase of $68.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes and charges of $5.2 million ($3.4 million after-tax), or $0.04 per share, relating to costs associated with the termination of the acquisition of the Saturn brand, our election to close three franchises in the U.S. and charges relating to our interest rate hedges of variable rate floor plan notes payable as a result of decreases in our vehicle inventories, and resulting decreases in outstanding floor plan notes payable, below hedged levels.

Retail unit sales of new vehicles during the year ended December 31, 2009 include approximately 9,500 units sold under government incentive programs in the markets where we have retail operations.

New Vehicle Data

New Vehicle Data	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change	2010	2009	2010 vs. 2009 Change	2010 vs. 2009 % Change
New retail unit sales	154,829	150,164	4,665	3.1%	150,164	135,393	14,771	10.9%
Same-store new retail unit sales	146,004	146,419	(415)	-0.3%	144,587	134,819	9,768	7.2%
New retail sales revenue	$ 5,811.1	$ 5,276.4	$534.7	10.1%	$ 5,276.4	$ 4,481.7	$ 794.7	17.7%
Same-store new retail sales revenue	$ 5,429.1	$ 5,143.3	$285.8	5.6%	$ 5,050.9	$ 4,442.8	$ 608.1	13.7%
New retail sales revenue per unit	$ 37,532	$ 35,137	$2,395	6.8%	$ 35,137	$ 33,101	$ 2,036	6.2%
Same-store new retail sales revenue per unit	$ 37,184	$ 35,127	$2,057	5.9%	$ 34,934	$ 32,954	$ 1,980	6.0%
Gross profit — new	$ 483.0	$ 434.8	$ 48.2	11.1%	$ 434.8	$ 362.5	$ 72.3	19.9%
Same-store gross profit — new	$ 451.8	$ 423.6	$ 28.2	6.7%	$ 414.2	$ 358.1	$ 56.1	15.7%
Average gross profit per new vehicle retailed	$ 3,120	$ 2,896	$ 224	7.7%	$ 2,896	$ 2,677	$ 219	8.2%
Same-store average gross profit per new vehicle retailed	$ 3,095	$ 2,893	$ 202	7.0%	$ 2,865	$ 2,656	$ 209	7.9%
Gross margin% — new	8.3%	8.2%	0.1%	1.2%	8.2%	8.1%	0.1%	1.2%
Same-store gross margin% — new	8.3%	8.2%	0.1%	1.2%	8.2%	8.1%	0.1%	1.2%

Units

Retail unit sales of new vehicles increased 4,665 units, or 3.1%, from 2010 to 2011, and increased 14,771 units, or 10.9%, from 2009 to 2010. The increase from 2010 to 2011 is due to a 5,080 unit increase from net dealership acquisitions during the year, offset by a 415 unit, or 0.3%, decrease in same-store new retail unit sales. The same-store decrease from 2010 to 2011 was due primarily to unit sales decreases in our volume foreign brand stores in the U.S. and U.K. We believe that such decreases were substantially due to the impact of the earthquake and tsunami in Japan. The increase from 2009 to 2010 is due to a 9,768 unit, or 7.2%, increase in same-store new retail unit sales, coupled with a 5,003 unit increase from net dealership acquisitions during the year. The same-store increase from 2009 to 2010 was due primarily to unit sales increases in our volume foreign and domestic brand stores in the U.S. and premium brand stores in the U.S. and U.K.

Revenues

New vehicle retail sales revenue increased $534.7 million, or 10.1%, from 2010 to 2011 and increased $794.7 million, or 17.7%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $285.8 million, or 5.6%, increase in same-store revenues, coupled with a $248.9 million increase from net dealership acquisitions during the year. The same-store revenue increase is due primarily to a $2,057, or 5.9%, increase in average selling prices per unit which increased revenue by $300.3 million, offset by the 0.3% decrease in new retail unit sales, which decreased revenue by $14.5 million. The increase from 2009 to 2010 is due to a $608.1 million, or 13.7%, increase in same-store revenues, coupled with a $186.6 million increase from net dealership acquisitions during the year. The same-store revenue increase is due primarily to the 7.2% increase in new retail unit sales, which increased revenue by $341.2 million, coupled with a $1,980, or 6.0%, increase in comparative average selling price per unit which increased revenue by $266.9 million.

Gross Profit

Retail gross profit from new vehicle sales increased $48.2 million, or 11.1%, from 2010 to 2011, and increased $72.3 million, or 19.9%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $28.2 million, or 6.7%, increase in same-store gross profit, coupled with a $20.0 million increase from net dealership acquisitions during the year. The same-store increase is due primarily to a $202, or 7.0%, increase in the average gross profit per new vehicle retailed, which increased gross profit by $29.4 million, offset by a 0.3% decrease in retail unit sales, which decreased gross profit by $1.2 million. The increase from 2009 to 2010 is due to a $56.1 million, or 15.7%, increase in same-store gross profit, coupled by a $16.2 million increase from net dealership acquisitions during the year. The same-store retail gross profit increase is due to the 7.2% increase in retail unit sales, which increased gross profit by $28.0 million, coupled with a $209, or 7.9%, increase in average gross profit per new vehicle retailed, which increased gross profit by $28.1 million.

Used Vehicle Data

Used Vehicle Data	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change	2010	2009	2010 vs. 2009 Change	2010 vs. 2009 % Change
Used retail unit sales	129,652	110,083	19,569	17.8%	110,083	99,038	11,045	11.2%
Same-store used retail unit sales	122,515	107,500	15,015	14.0%	106,420	98,408	8,012	8.1%
Used retail sales revenue	$ 3,400.0	$ 2,857.9	$ 542.1	19.0%	$ 2,857.9	$2,524.4	$ 333.5	13.2%
Same-store used retail sales revenue	$ 3,219.8	$ 2,800.6	$ 419.2	15.0%	$ 2,744.4	$2,486.8	$ 257.6	10.4%
Used retail sales revenue per unit	$ 26,224	$ 25,962	$ 262	1.0%	$ 25,962	$ 25,489	$ 473	1.9%
Same-store used retail sales revenue per unit	$ 26,281	$ 26,052	$ 229	0.9%	$ 25,788	$ 25,270	$ 518	2.0%
Gross profit — used	$ 263.5	$ 220.5	$ 43.0	19.5%	$ 220.5	$ 218.0	$ 2.5	1.1%
Same-store gross profit — used	$ 251.9	$ 218.1	$ 33.8	15.5%	$ 214.9	$ 215.4	$ (0.5)	-0.2%
Average gross profit per used vehicle retailed	$ 2,032	$ 2,003	$ 29	1.4%	$ 2,003	$ 2,201	$ (198)	-9.0%
Same-store average gross profit per used vehicle retailed	$ 2,056	$ 2,029	$ 27	1.3%	$ 2,019	$ 2,189	$ (170)	-7.8%
Gross margin % — used	7.7%	7.7%	0.0%	0.0%	7.7%	8.6%	-0.9%	-10.5%
Same-store gross margin % —used	7.8%	7.8%	0.0%	0.0%	7.8%	8.7%	-0.9%	-10.3%

Units

Retail unit sales of used vehicles increased 19,569 units, or 17.8%, from 2010 to 2011 and increased 11,045 units, or 11.2%, from 2009 to 2010. The increase from 2010 to 2011 is due to a 15,015, or 14.0%, increase in same-store used retail unit sales, coupled with a 4,554 unit increase from net dealership acquisitions. The same store increase was due primarily to unit sales increases in premium and volume foreign brand stores in the U.S. and premium brands in the U.K. The increase from 2009 to 2010 is due to a 8,012, or 8.1%, increase in same-store used retail unit sales, coupled with a 3,033 unit increase from net dealership acquisitions during the year. The same-store increase in 2010 versus 2009 was due primarily to unit sales increases in premium and volume foreign brand stores in the U.S.

Revenues

Used vehicle retail sales revenue increased $542.1 million, or 19.0%, from 2010 to 2011 and increased $333.5 million, or 13.2%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $419.2 million, or 15.0%, increase in same-store revenues, coupled with a $122.9 million increase from net dealership acquisitions during the year. The same store revenue increase is due to the 14.0% increase in same store retail unit sales, which increased revenue by $394.6 million, coupled with a $229, or 0.9%, increase in comparative average selling price per unit, which increased revenue by $24.6 million. The increase from 2009 to 2010 is due to a $257.6 million, or 10.4%, increase in same-store revenues, coupled with a $75.9 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to the 8.1% increase in retail unit sales, which increased revenue by $206.6 million, coupled with a $518, or 2.0%, increase in comparative average selling price per vehicle, which increased revenue by $51.0 million.

Gross Profit

Retail gross profit from used vehicle sales increased $43.0 million, or 19.5%, from 2010 to 2011 and increased $2.5 million, or 1.1%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $33.8 million, or 15.5%, increase in same store gross profit, coupled with a $9.2 million increase from net dealership acquisitions during the year. The increase in same store gross profit is primarily due to the 14.0% increase in used retail unit sales, which increased gross profit by $30.9 million, coupled with a $27, or 1.3%, increase in average gross profit per used vehicle retailed, which increased gross profit by $2.9 million. The increase from 2009 to 2010 is due to a $3.0 million increase from net dealership acquisitions during the year, offset by a $0.5 million or 0.2%, decrease in same-store gross profit. The same-store gross profit decrease is primarily due to a $170, or 7.8%, decrease in average gross profit per used vehicle retailed, which decreased gross profit by $16.7 million, offset by the 8.1% increase in used retail unit sales, which increased gross profit by $16.2 million.

Finance and Insurance Data

Finance and Insurance Data	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change	2010	2009	2010 vs. 2009 Change	2010 vs. 2009 % Change
Total retail unit sales	284,481	260,247	24,234	9.3%	260,247	234,431	25,816	11.0%
Total same-store retail unit sales	268,519	253,919	14,600	5.7%	251,007	233,227	17,780	7.6%
Finance and insurance revenue	$ 278.0	$ 244.7	$ 33.3	13.6%	$ 244.7	$ 215.0	$ 29.7	13.8%
Same-store finance and insurance revenue	$ 266.5	$ 240.4	$ 26.1	10.9%	$ 237.3	$ 213.5	$ 23.8	11.1%
Finance and insurance revenue per unit	$ 977	$ 940	$ 37	3.9%	$ 940	$ 917	$ 23	2.5%
Same-store finance and insurance revenue per unit	$ 992	$ 947	$ 45	4.8%	$ 945	$ 915	$ 30	3.3%

Finance and insurance revenue increased $33.3 million, or 13.6%, from 2010 to 2011 and increased $29.7 million, or 13.8%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $26.1 million, or 10.9%, increase in same-store revenues, coupled with a $7.2 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to a 5.7% increase in retail unit sales, which increased revenue by $14.6 million, coupled with a $45, or 4.8%, increase in comparative average finance and insurance revenue per unit, which increased revenue by $11.5 million. The increase from 2009 to 2010 is due to a $23.8 million, or 11.1%, increase in same-store revenues, coupled with a $5.9 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to a 7.6% increase in retail unit sales, which increased revenue by $16.8 million, coupled with a $30, or 3.3%, increase in comparative average finance and insurance revenue per unit retailed, which increased revenue by $7.0 million.

Service and Parts Data

Service and Parts Data	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change	2010	2009	2010 vs. 2009 Change	2010 vs. 2009 % Change
Service and parts revenue	$1,395.0	$1,301.8	$93.2	7.2%	$1,301.8	$1,272.9	$28.9	2.3%
Same-store service and parts revenue	$1,315.1	$1,274.2	$40.9	3.2%	$1,258.8	$1,260.8	$ (2.0)	-0.2%
Gross profit	$ 795.3	$ 737.3	$58.0	7.9%	$ 737.3	$ 699.6	$37.7	5.4%
Same-store gross profit	$ 750.7	$ 721.9	$28.8	4.0%	$ 713.2	$ 693.3	$19.9	2.9%
Gross margin	57.0%	56.6%	0.4%	0.7%	56.6%	55.0%	1.6%	2.9%
Same-store gross margin	57.1%	56.7%	0.4%	0.7%	56.7%	55.0%	1.7%	3.1%

Revenues

Service and parts revenue increased $93.2 million, or 7.2%, from 2010 to 2011 and increased $28.9 million, or 2.3%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $52.3 million increase from net dealership acquisitions during the year, coupled with a $40.9 million, or 3.2%, increase in same-store revenues during the year. The increase from 2009 to 2010 is due to a $30.9 million increase from net dealership acquisitions during the year, offset by a $2.0 million, or 0.2%, decrease in same-store revenues. We believe the year over year increase experienced from 2010 to 2011 is primarily due to increased customer demand as a result of an aging vehicle population and improving economic conditions.

Gross Profit

Service and parts gross profit increased $58.0 million, or 7.9%, from 2010 to 2011 and increased $37.7 million, or 5.4%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $29.2 million increase from net dealership acquisitions during the year, coupled with a $28.8 million, or 4.0%, increase in same-store gross profit. The same-store gross profit increase is due to the $40.9 million, or 3.2%, increase in same store revenues, which increased gross profit by $23.3 million, coupled with a 0.4% increase in gross margin percentage, which increased gross profit by $5.5 million. The increase from 2009 to 2010 is due to a $19.9 million, or 2.9%, increase in same-store gross profit, coupled with a $17.8 million increase from net dealership acquisitions during the year. The same-store gross profit increase is due to a 1.7% increase in gross margin percentage, which increased gross profit by $21.0 million, offset by the $2.0 million, or 0.2%, decrease in revenues, which decreased gross profit by $1.1 million. Service and parts margin in 2010 was positively impacted by significant Toyota recall actions.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expenses increased $139.2 million, or 10.4%, from 2010 to 2011 and increased $84.6 million, or 6.7%, from 2009 to 2010. The aggregate increase from 2010 to 2011 is due primarily to a $91.6 million, or 7.0%, increase in same-store SG&A expenses, coupled with a $47.6 million increase from net dealership acquisitions during the year. The increase in same-store SG&A expenses from 2010 to 2011 is due to a net increase in variable selling expenses, including increases in variable compensation, as a result of a 7.3% increase in same-store retail gross profit versus the prior year, as well as increased rent and other related costs. The aggregate increase from 2009 to 2010 is due primarily to a $49.0 million, or 3.9%, increase in same-store SG&A expenses, coupled with a $35.6 million increase from net dealership acquisitions during the year. The increase in same-store SG&A expenses from 2009 to 2010 is due to (1) a net increase in variable selling expenses, including increases in variable compensation, as a result of a 6.7% increase in same-store retail gross profit versus the prior year, (2) increased rent and other related costs, and (3) costs related to franchise closures and relocations, offset by a gain on the sale of an investment.

SG&A expenses as a percentage of total revenue were 12.8%, 13.0% and 13.9% in 2011, 2010, and 2009, respectively, and as a percentage of gross profit were 81.0%, 81.4%, and 83.2% in 2011, 2010, and 2009, respectively.

Depreciation

Depreciation increased $2.7 million, or 5.7%, from 2010 to 2011 and decreased $5.1 million, or 10.0%, from 2009 to 2010. The increase from 2010 to 2011 is due to a $1.3 million, or 2.9%, increase in same-store depreciation, coupled with a $1.4 million increase from net dealership acquisitions during the year. The same store increase is primarily related to our ongoing facility improvement and expansion programs. The decrease from 2009 to 2010 is due to a $6.3 million, or 12.2%, decrease in same-store depreciation, offset by a $1.2 million increase from net dealership acquisitions during the year. The same store decrease was primarily due to a change in the estimated useful lives of certain fixed assets effective January 1, 2010.

Floor Plan Interest Expense

Floor plan interest expense, including the impact of swap transactions, decreased $5.3 million, or 15.6%, from 2010 to 2011 and decreased $0.3 million, or 0.9%, from 2009 to 2010. The decrease from 2010 to 2011 is primarily due to a $6.5 million, or 19.6%, decrease in same-store floor plan interest expense, offset by a $1.2 million increase from net dealership acquisitions. The same store decrease is due to lower effective interest rates in 2011 primarily due to the expiration of interest rate swaps in January 2011 somewhat offset by higher average outstanding floor plan balances in 2011. The decrease from 2009 to 2010 is primarily due to a $0.9 million, or 2.9%, decrease in same-store floor plan interest expense, offset by a $0.6 million increase from net dealership acquisitions. The same store decrease is due in large part to decreases in average outstanding floor plan balances and lower applicable rates.

Other Interest Expense

Other interest expense decreased $4.2 million, or 8.5%, from 2010 to 2011 and decreased $5.9 million, or 10.7%, from 2009 to 2010. The decrease from 2010 to 2011 is due to repurchases of our 3.5% senior subordinated convertible notes and term loan repayments, offset by increased average borrowings on the revolving credit line under the U.S. credit agreement. The decrease from 2009 to 2010 is due primarily to the repurchases of $155.7 million aggregate principal amount of convertible notes and $15.0 million of repayments of our term loan under the U.S. credit agreement during the year ended December 31, 2010.

Debt Discount Amortization

Debt discount amortization decreased $6.9 million, or 80.1%, from 2010 to 2011 and decreased $4.4 million, or 33.8%, from 2009 to 2010. The decreases from 2010 to 2011 and 2009 to 2010 were both primarily due to repurchases of our 3.5% senior subordinated convertible notes during 2011 and 2010.

Equity in Earnings of Affiliates

Equity in earnings of affiliates increased $4.9 million, or 23.7%, from 2010 to 2011 and increased $6.8 million, or 49.0%, from 2009 to 2010. The increases from 2010 to 2011 and 2009 to 2010 were both primarily attributable to an improvement in PTL's financial results. Our share of PTL profits increased $6.0 million, or 38.7%, from 2010 to 2011 and $5.3 million, or 51.5%, from 2009 to 2010.

Gain on Debt Repurchase

During 2010, we repurchased $155.7 million principal amount of 3.5% senior subordinated convertible notes, which had a book value, net of debt discount, of $149.1 million for $156.6 million. We allocated $10.2 million of the total consideration to the reacquisition of the equity component of the convertible notes. In connection with the transactions, we wrote off $0.7 million of unamortized deferred financing costs. As a result, we recorded $1.6 million of pre-tax gains in connection with the repurchases.

During 2009, we repurchased $68.7 million principal amount of our outstanding 3.5% senior subordinated convertible notes, which had a book value, net of debt discount, of $62.8 million for $51.4 million. In connection with the transaction, we wrote off $0.7 million of unamortized deferred financing costs, and incurred $0.3 million of transaction costs. No element of the consideration was allocated to the reacquisition of the equity component because the consideration paid was less than the fair value of the liability component prior to extinguishment. As a result, we recorded a $10.4 million pre-tax gain in connection with the repurchase.

Income Taxes

Income taxes increased $7.2 million, or 11.1%, from 2010 to 2011 and increased $21.7 million, or 50.3%, from 2009 to 2010. The 2011 results include a net benefit of $11.0 million from the resolution of certain tax items in the U.K. offset by reductions in U.K. deferred tax assets. Adjusting for these items, income taxes increased $18.2 million, or 28.1%, from 2010 to 2011, due to an increase in our pre-tax income versus prior year. The increase from 2009 to 2010 is due to the increase in our pre-tax income versus the prior year, partially offset by a 1.1% decrease in our annual tax rate.

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, and potentially for dividends and 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 retail automotive operations through organic growth and the acquisition of retail automotive dealerships. 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 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 December 31, 2011, we had working capital of $42.9 million, including $29.1 million of cash, available to fund our operations and capital commitments. In addition, we had $219.3 million and £63.4 million ($98.5 million) available for borrowing under our U.S. credit agreement and our U.K. credit agreement, respectively.

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, debt or convertible 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 and borrowings under our U.S. credit facility. 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 strategic investments in our current businesses, in addition to any then-existing limits imposed by our finance agreements and securities trading policy.

During the year ended December 31, 2011, we repurchased 2,449,768 shares of our common stock, including 2,400,301 shares on the open market for a total of $44.3 million, or $18.07 per share. The remaining 49,467 shares of common stock were repurchased for $1.0 million, or $20.08 per share, from employees using a net share settlement feature of employee restricted stock awards. As of December 31, 2011, we have $106.8 million in authorization under the existing securities repurchase program.

We also repurchased $87.3 million of convertible notes in April 2011 pursuant to the holder's 2011 put right, noting that these repurchases were accomplished pursuant to the terms of the convertible notes and not the authority noted above. See below "Convertible Notes".

Dividends

We paid the following cash dividends on our common stock in 2011:

2011	Per Share Dividends
Second Quarter	$ 0.07
Third Quarter	0.08
Fourth Quarter	0.09

We also have announced a cash dividend of $0.10 per share payable on March 1, 2012 to shareholders of record on February 10, 2012. 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.

Inventory Financing

We finance substantially all of our new and a portion of our used vehicle inventories under revolving floor plan arrangements with various lenders, including a majority through 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 floor plan agreements typically grant a security interest in substantially all of the assets of our dealership subsidiaries, and in the U.S. are guaranteed by us. Interest rates under the floor plan arrangements are variable and increase or decrease based on changes in the prime rate, defined LIBOR, Finance House Base Rate, or Euro Interbank Offered 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.

U.S. Credit Agreement

We are party to a credit agreement with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as amended (the "U.S. credit agreement"), which provides for up to $375.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan with a balance of $127.0 million, and for an additional $10.0 million of availability for letters of credit, through September 2014. The revolving loans bear interest at a defined LIBOR plus 2.50%, subject to an incremental 1.0% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.50%, may be prepaid at any time, but then may not be re-borrowed. We repaid $7.0 million of the term loan during 2011.

The U.S. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our domestic 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 any amounts owed. As of December 31, 2011, we were in compliance with all covenants under the U.S. credit agreement, and we believe we will remain in compliance with such covenants for the next twelve months. In making such determination, we have considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments. See Item 1A – "Risk Factors" and "Forward Looking Statements".

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 domestic assets are subject to security interests granted to lenders under the U.S. credit agreement. As of December 31, 2011, $127.0 million of term loans, $0.5 million of letters of credit, and $132.0 million of revolver borrowings were outstanding under the U.S. credit agreement.

U.K. Credit Agreement

Our subsidiaries in the U.K. (the "U.K. subsidiaries") are party to £100 million revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional £10 million 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 through November 2015. 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 December 31, 2011, outstanding loans under the U.K. credit agreement amounted to £46.6 million ($72.4 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. As of December 31, 2011, our U.K. subsidiaries were in compliance with all covenants under the U.K. credit agreement and we believe they will remain in compliance with such covenants for the next twelve months. In making such determination, we considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments in the U.K. See Item 1A – "Risk Factors" and "Forward Looking Statements".

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 lenders under the U.K. credit agreement.

In January 2012, our U.K. subsidiaries entered into a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30 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).

7.75% Senior Subordinated Notes

In December 2006, we issued $375.0 million aggregate principal amount of 7.75% senior subordinated notes due 2016 (the "7.75% Notes"). The 7.75% Notes are unsecured senior subordinated notes and are subordinate to all existing and future senior debt, including debt under our credit agreements, mortgages and floor plan indebtedness. The 7.75% Notes are guaranteed by substantially all of our wholly-owned domestic subsidiaries on an unsecured senior subordinated basis. Those guarantees are full and unconditional and joint and several. We can redeem all or some of the 7.75% Notes at our option at specified redemption prices (currently 103.875% of the principal amount). Upon certain sales of assets or specific kinds of changes of control, we are required to make an offer to purchase the 7.75% Notes. The 7.75% Notes also contain customary negative covenants and events of default. As of December 31, 2011, we were in compliance with all negative covenants and there were no events of default. We expect to remain in compliance during the next twelve months.

Senior Subordinated Convertible Notes

We currently have $63.3 million of Convertible Notes outstanding. We issued the Convertible Notes in January 2006, which mature on April 1, 2026, unless earlier converted, redeemed or purchased by us, as discussed below. The Convertible Notes are unsecured senior subordinated obligations and are subordinate to all future and existing debt under our credit agreements, mortgages and floor plan indebtedness. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by substantially all of our wholly-owned domestic subsidiaries. The guarantees are full and unconditional and joint and several. The Convertible Notes also contain customary negative covenants and events of default. As of December 31, 2011, we were in compliance with all negative covenants and there were no events of default. We expect to remain in compliance during the next twelve months.

Holders of the Convertible Notes may convert them based on a conversion rate of 42.7796 shares of our common stock per $1,000 principal amount of the Convertible Notes (which is equal to a conversion price of approximately $23.38 per share), subject to adjustment, only under the following circumstances: (1) in any quarterly period, if the closing price of our common stock for twenty of the last thirty trading days in the prior quarter exceeds $28.05 (subject to adjustment), (2) for specified periods, if the trading price of the Convertible Notes falls below specific thresholds, (3) if the Convertible Notes are called for redemption, (4) if specified distributions to holders of our common stock are made or specified corporate transactions occur, (5) if a fundamental change (as defined) occurs, or (6) during the ten trading days prior to, but excluding, the maturity date.

Upon conversion of the Convertible Notes, for each $1,000 principal amount of the Convertible Notes, a holder will receive an amount in cash, equal to the lesser of (i) $1,000 or (ii) the conversion value, determined in the manner set forth in the indenture covering the Convertible Notes, of the number of shares of common stock equal to the conversion rate. If the conversion value exceeds $1,000, we will also deliver, at our election, cash, common stock or a combination of cash and common stock with respect to the remaining value deliverable upon conversion. We will pay additional cash interest commencing with six-month periods beginning on April 1, 2011, if the average trading price of a Convertible Note for certain periods in the prior six-month period equals 120% or more of the principal amount of the Convertible Notes.

We may redeem the Convertible Notes, in whole at any time or in part from time to time, for cash at a redemption price of 100% of the principal amount of the Convertible Notes to be redeemed, plus any accrued and unpaid interest to the applicable redemption date, plus any applicable conversion premium. The decision to redeem any of the notes will be based on factors such as the market price of the notes and our common stock, the potential impact of any redemptions on our capital structure, and consideration of alternate uses of capital, such as for strategic investments in our current business, in addition to any then-existing limits imposed by our finance agreements. In addition, holders of the Convertible Notes have the right to require us to purchase all or a portion of their Convertible Notes for cash on each of April 1, 2016 or April 1, 2021 at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to the applicable purchase date, plus any applicable conversion premium.

We repurchased $87.3 million of convertible notes in April 2011 pursuant to the holder's 2011 put right.

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 December 31, 2011, we owed $75.7 million of principal under our mortgage facilities.

Short-term Borrowings

We have three principal sources of short-term borrowing: the revolving portion of the U.S. credit agreement, the revolving portion of the U.K. credit agreement, and the floor plan agreements in place that we utilize to finance our vehicle inventories. All of the cash generated in our operations is initially used to pay down our floor plan indebtedness. Over time, 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 2011, outstanding revolving commitments varied between no balance and $179.6 million under the U.S. credit agreement and between £5.0 million and £62.0 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.

Interest Rate Swaps

We periodically use interest rate swaps to manage interest rate risk associated with our variable rate floor plan debt. We are party to forward starting interest rate swap agreements beginning January 2012 and maturing December 2014 pursuant to which the LIBOR portion of $400.0 million of our floating rate floor plan debt is fixed at a blended rate of 1.99%. We may terminate these agreements at any time, subject to the settlement of the then current fair value of the swap arrangements. Our prior interest rate swap agreements which fixed the LIBOR portion of $300.0 million of our floating rate floor plan debt at 3.67% concluded in January 2011.

PTL Dividends

We own a 9.0% limited partnership interest in Penske Truck Leasing. During the years ended December 31, 2011, 2010, and 2009, respectively, we received $7.8 million, $8.8 million, and $20.0 million of pro rata cash distributions relating to this investment. We currently expect to continue to receive future distributions from PTL subject in amount and timing on its performance.

Operating Leases

We historically structured our operations so as to minimize our 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. We estimate our total rent obligations under these leases, including any extension periods we may exercise at our discretion and assuming constant consumer price indices, to be $4.7 billion. 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 our other lease covenants give 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. As of December 31, 2011, 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 generated proceeds which varied from period to period.

Off-Balance Sheet Arrangements

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 to pay the rent and maintain the property at these locations. In the event a 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 believe we have made appropriate reserves relating to these locations. The aggregate rent paid by the tenants on those properties in 2011 was approximately $11.7 million, and, in aggregate, we guarantee or are otherwise liable for approximately $178.9 million of third-party lease payments, including lease payments during available renewal periods.

Cash Flows

Cash and cash equivalents increased by $9.4 million, $1.5 million and $2.4 million during the years ended December 31, 2011, 2010 and 2009, respectively. The major components of these changes are discussed below.

Cash Flows from Continuing Operating Activities

Cash provided by continuing operating activities was $122.6 million, $198.4 million, and $302.3 million during the years ended December 31, 2011, 2010, and 2009, 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 our new and a portion of our used vehicle inventories under revolving floor plan notes payable with various lenders. 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 and all floor plan notes payable relating to pre-owned vehicles 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:

	Year Ended December 31,		
	2011	2010	2009
Net cash from continuing operating activities as reported	$122.6	$198.4	$302.3
Floor plan notes payable — non-trade as reported	216.6	80.2	(82.8)
Net cash from continuing operating activities including all floor plan notes payable	$339.2	$278.6	$219.5

Cash Flows from Continuing Investing Activities

Cash used in continuing investing activities was $362.4 million, $84.1 million, and $77.4 million during the years ended December 31, 2011, 2010, and 2009, respectively. Cash flows from continuing investing activities consist primarily of cash used for capital expenditures, net expenditures for acquisitions and other investments, and proceeds from sale-leaseback transactions. Capital expenditures were $133.1 million, $75.7 million, and $89.2 million during the years ended December 31, 2011, 2010, and 2009, respectively. Capital expenditures relate primarily to improvements to our existing dealership facilities, the construction of new facilities and the acquisition of existing leased facilities. As of December 31, 2011, we do not have material commitments related to our planned or ongoing capital projects. We currently expect to finance our 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 $232.1 million, $22.2 million, and $8.5 million during the years ended December 31, 2011, 2010, and 2009, respectively, and included cash used to repay sellers floor plan liabilities in such business acquisitions of $54.5 million, $9.9 million, and $2.9 million, respectively. Proceeds from sale-leaseback transactions were $2.3 million during the year ended December 31, 2009.

Cash Flows from Continuing Financing Activities

Cash provided by continuing financing activities was $217.8 million during the year ended December 31, 2011, and cash used in continuing financing activities was $107.1 million and $211.3 million during the years ended December 31, 2010 and 2009, respectively. Cash flows from continuing financing activities include net borrowings or repayments of long-term debt, repurchases of securities, net borrowings or repayments of floor plan notes payable non-trade, payments of deferred financing costs, proceeds from the issuance of common stock and the exercise of stock options, and dividends. We had net borrowings of long-term debt of $151.4 million during the year ended December 31, 2011, which included borrowings on our U.S. credit agreement revolving loans of $132.0 million, net borrowing on other long term debt, primarily relating to our mortgage facilities, of $26.4 million, partially offset by a repayment of $7.0 million on our U.S. credit agreement term loan.

We had net repayments of long-term debt of $30.4 million and $77.4 million during the years ended December 31, 2010 and 2009, respectively, which included repayments of $15.0 million and $60.0 million on our U.S. credit agreement term loan. During the years ended December 31, 2011, 2010 and 2009, we used $87.3 million, $156.6 million and $51.4 million to repurchase $87.3 million, $155.7 million and $68.7 million aggregate principal amount, respectively, of our Convertible Notes. We had net borrowings of floor plan notes payable non-trade of $216.6 million and $80.2 million during the years ended December 31, 2011 and 2010, respectively, and net repayment of floor plan notes payable non-trade of $82.8 million during the year ended December 31, 2009. In 2011 and 2010, we repurchased 2.4 million and 68,340 shares of common stock, respectively, for $44.3 million and $0.8 million, respectively. During the year ended December 31, 2011, we also paid $22.0 million of cash dividends to our stockholders. No cash dividends were paid to our stockholders during the years ended December 31, 2010 and 2009.

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.

Contractual Payment Obligations

The table below sets forth our best estimates as to the amounts and timing of future payments relating to our most significant contractual obligations as of December 31, 2011, except as otherwise noted. The information in the table reflects future unconditional payments and is based upon, among other things, the terms of any relevant agreements. Future events, including acquisitions, divestitures, new or revised operating lease agreements, borrowings or repayments under our credit agreements and our floor plan arrangements, and purchases or refinancing of our securities could cause actual payments to differ significantly from these amounts. Potential payments noted above under "Off-Balance Sheet Arrangements" are excluded from this table.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Floorplan notes payable(A)	$1,702.3	$1,702.3	$ —	$ —	$ —
Long-term debt obligations(B)	850.2	3.4	265.1	556.5	25.2
Operating lease commitments	4,691.5	176.9	347.8	340.1	3,826.7
Scheduled interest payments(B)(C)	175.5	35.1	69.8	65.4	5.2
Other liabilities(D)	14.9	—	—	14.9	—
	$7,434.4	$1,917.7	$682.7	$976.9	$3,857.1

(A) Floor plan notes payable are revolving financing arrangements. Payments are generally made as required pursuant to the floor plan borrowing agreements discussed above under "Inventory Financing."

(B) Interest and principal repayments under our $63.3 million of 3.5% senior subordinated notes due 2026 are reflected in the table above in the column entitled "3 to 5 years". While these notes are not due until 2026, the holders may require us to purchase all or a portion of their notes for cash in 2016.

(C) Estimates of future variable rate interest payments under floor plan notes payable and our credit agreements are excluded due to our inability to estimate changes in interest rates in the future. See "Inventory Financing," "U.S. Credit Agreement," and "U.K. Credit Agreement" above for a discussion of such variable rates.

(D) Includes uncertain tax positions. Due to the subjective nature of our uncertain tax positions, we are unable to make reasonably reliable estimates of the timing of payments arising in connection with the unrecognized tax benefits, however, as a result of the statute of limitations, we do not expect any of these payments to occur in more than 5 years. We have thus classified this as "3 to 5 years."

We expect that, other than for scheduled payments upon the maturity or termination dates of certain of our debt instruments, the amounts above will be funded through cash flow from operations. In the case of payments upon the maturity or termination dates of our debt instruments, we currently expect to be able to refinance such instruments in the normal course of business or otherwise fund them from cash flows from operations or borrowings under our credit agreements.

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 one director who is a representative 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 2014, 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. Richard J. Peters, one of our directors, is a managing director of Transportation Resource Partners and is a director of Penske Corporation. Robert H. Kurnick, Jr., our President and a director, is also the President and a director of Penske Corporation.

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 are a 9.0% limited partner of PTL, a leading global transportation services provider. The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 41.1% of PTL. The remaining 49.9% of PTL is owned by General Electric Capital Corporation. Among other things, the partnership agreement provides us with specified partner distribution and governance rights and restricts 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 December 31, 2011, our automotive retail joint venture relationships included:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Porsche, smart	86.56% (A)
Las Vegas, Nevada	Ferrari, Maserati	50.00% (B)
Frankfurt, Germany	Lexus, Toyota	50.00% (B)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen, Citroën	50.00% (B)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 13.44% 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. This joint venture is consolidated in our financial statements.

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

In April 2011, we repurchased the remaining 30.0% interest in one of our joint ventures which is now a 100% owned subsidiary. Additionally, during 2010, we exited one of our German joint ventures by exchanging our 50% interest in the joint venture for 100% ownership in three BMW franchises previously held by the joint venture.

Cyclicality

Unit sales of motor vehicles, particularly new vehicles, have been cyclical historically, fluctuating with general economic cycles. During economic downturns, the automotive 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

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.

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

This annual report on Form 10-K contains "forward-looking statements". Forward-looking statements generally can be identified by the use of terms such as "may," "will," "should," "expect," "anticipate," "believe," "intend," "plan," "estimate," "predict," "potential," "forecast," "continue" or variations of such terms, or the use of these terms in the negative. Forward-looking statements include statements regarding our current plans, forecasts, estimates, beliefs or expectations, including, 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 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;
- future foreign exchange rates;
- the outcome of various legal proceedings:
- 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 under "Item 1A. — Risk Factors." Important factors that could cause actual results to differ materially from our expectations include those mentioned in "Item 1A. — Risk Factors" such as the following:

- our business and the automotive retail industry in general are susceptible to adverse economic conditions, including changes in interest rates, foreign exchange rates, consumer demand, consumer confidence, fuel prices, unemployment rates and credit availability;
- the number of new and used vehicles sold in our markets;
- automobile manufacturers exercise significant control over our operations, and we depend on them and continuation of our franchise 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 automobile manufacturers, such as the impact on the vehicle and parts supply chain due to natural disasters such as the earthquake and tsunami that struck Japan in March 2011, may negatively impact our revenues and profitability;
- a restructuring of any significant automotive manufacturers or automotive suppliers;
- our dealership operations may be affected by severe weather or other periodic business interruptions;
- we may not be able to satisfy our capital requirements for acquisitions, dealership 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;
- our operations outside of the U.S. subject our profitability to fluctuations relating to changes in foreign currency valuations;
- 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;
- new or enhanced regulations relating to automobile dealerships;
- changes in tax, financial or regulatory rules or requirements;
- we are subject to numerous 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; and
- some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

In addition:

- the price of our common stock is subject to substantial fluctuation, which may be unrelated to our performance; and
- shares eligible for future sale, or issuable under the terms of our convertible notes, 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 and further information under Item 1A-"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 7A. *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 December 31, 2011, a 100 basis point change in interest rates would result in an approximate $3.3 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. During 2009, 2010 and into January 2011, the Company was party to interest rate swap agreements pursuant to which the LIBOR portion of $300.0 million of the Company's floating rate floor plan debt was fixed at 3.67%. In 2011, we entered into forward-starting interest rate swap agreements beginning January 2012 and maturing December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt is fixed at a rate of 2.135% and $100.0 million of our floating rate floor plan debt is fixed at a rate of 1.55%. Based on an average of the aggregate amounts outstanding under our floor plan financing arrangements subject to variable interest payments during the year ended December 31, 2011, including consideration of the notional value of the swap agreements, a 100 basis point change in interest rates would result in an approximate $14.9 million change to our annual floor plan interest expense.

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, including our swaps, mortgages, the 7.75% Notes, the Convertible Notes, 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 December 31, 2011, we had dealership operations in the U.K. and Germany. In each of these markets, the local currency is the functional currency. Due to our intent to remain permanently invested in these foreign markets, we do not hedge against foreign currency fluctuations. 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 $426.1 million change to our revenues for the year ended December 31, 2011.

In common with other automotive retailers, we purchase certain of our new vehicle and parts inventories from foreign 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 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 8. *Financial Statements and Supplementary Data*

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are incorporated by reference into this Item 8.

Item 9. *Changes In and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *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, the Company's 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.

Management's and our auditors' reports on our internal control over financial reporting are included with our financial statements filed as part of this Annual Report on Form 10-K.

Item 9B. *Other Information*

Not applicable.

PART III

The information required by Items 10 through 14 is included in the Company's definitive proxy statement under the captions "Election of Directors," "Executive Officers," "Compensation Committee Report," "Compensation Discussion and Analysis," "Executive Compensation," "Director Compensation," "Security Ownership of Certain Beneficial Owners and Management," "Independent Auditing Firms," "Related Party Transactions," "Other Matters" and "Our Corporate Governance." Such information is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(1) Financial Statements

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K.

(2) Financial Statement Schedule

The Schedule II — Valuation and Qualifying Accounts following the Consolidated Financial Statements is filed as part of this Annual Report on Form 10-K.

(3) Exhibits

See the Index of Exhibits following the signature page for the exhibits to this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on February 24, 2012.

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/ Roger S. Penske

Roger S. Penske
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Roger S. Penske Roger S. Penske	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 24, 2012
/s/ David K. Jones David K. Jones	Executive Vice President — Finance and Chief Financial Officer (Principal Financial Officer)	February 24, 2012
/s/ J.D. Carlson J.D. Carlson	Senior Vice President and Corporate Controller (Principal Accounting Officer)	February 24, 2012
/s/ John D. Barr John D. Barr	Director	February 24, 2012
/s/ Michael R. Eisenson Michael R. Eisenson	Director	February 24, 2012
/s/ Robert H. Kurnick, Jr. Robert H. Kurnick, Jr.	Director	February 24, 2012
/s/ William J. Lovejoy William J. Lovejoy	Director	February 24, 2012
/s/ Kimberly J. McWaters Kimberly J. McWaters	Director	February 24, 2012
/s/ Yoshimi Namba Yoshimi Namba	Director	February 24, 2012
/s/ Lucio A. Noto Lucio A. Noto	Director	February 24, 2012
/s/ Richard J. Peters Richard J. Peters	Director	February 24, 2012
/s/ Ronald G. Steinhart Ronald G. Steinhart	Director	February 24, 2012
/s/ H. Brian Thompson H. Brian Thompson	Director	February 24, 2012

INDEX OF EXHIBITS

Each management contract or compensatory plan or arrangement is identified with an asterisk.

3.1	Certificate of Incorporation (incorporated by reference to exhibit 3.2 to our Form 8-K filed on July 2, 2007).
3.2	Bylaws (incorporated by reference to exhibit 3.1 to our Form 8-K filed on December 7, 2007).
4.1.1	Indenture regarding our 3.5% senior subordinated convertible notes due 2026, dated January 31, 2006, by and among us, as Issuer, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 8-K filed February 2, 2006).
4.1.2	Amended and Restated Supplemental Indenture regarding our 3.5% senior subordinated convertible notes due 2026 dated as of May 3, 2011, among us, as Issuer, and certain of our domestic subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 10-Q filed May 3, 2011).
4.2.1	Indenture regarding our 7.75% senior subordinated notes due 2016 dated December 7, 2006, by and among us as Issuer, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our current report on Form 8-K filed on December 12, 2006).
4.2.2	Amended and Restated Supplemental Indenture regarding 7.75% Senior Subordinated Notes due 2016 dated May 3, 2011, among us, as Issuer, and certain of our domestic subsidiaries, as Guarantors, and Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.2 to our Form 10-Q filed May 3, 2011).
4.3.1	Third Amended and Restated Credit Agreement, dated as of October 30, 2008, among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (incorporated by reference to exhibit 4.4 to our Form 10-Q filed November 5, 2008).
4.3.2	First Amendment dated October 30, 2009 to Amended and Restated Credit Agreement dated as of October 30, 2008 among us, Toyota Motor Credit Corporation and Mercedes-Benz Financial Services USA LLC, as agent (incorporated by reference to exhibit 4.1 to the quarterly report on Form 10-Q filed November 4, 2009).
4.3.3	Second Amendment dated July 27, 2010 to Amended and Restated Credit Agreement, dated as of October 30, 2008 among us, Toyota Motor Credit Corporation and Mercedes-Benz Financial Services USA LLC, as agent (incorporated by reference to Exhibit 4.1 to the quarterly report on Form 10-Q filed July 10, 2010).
4.3.4	Third Amendment dated December 14, 2010 to Amended and Restated Credit Agreement, dated as of October 30, 2008 among us, Toyota Motor Credit Corporation and Mercedes-Benz Financial Services USA LLC, as agent (incorporated by reference to Exhibit 4.3.4 to our 2010 annual report on Form 10-K filed February 28, 2011).
4.3.5	Fourth Amendment dated September 30, 2011 to the Third Amended and Restated Credit Agreement dated September 30, 2008 by and among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (incorporated by reference to exhibit 4.1 to the Form 8-K filed September 30, 2011).
4.3.6	Fifth Amendment dated December 1, 2011 to the Third Amended and Restated Credit Agreement dated September 30, 2008 by and among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (incorporated by reference to exhibit 4.1 to the Form 8-K filed December 6, 2011).
4.3.7	Second Amended and Restated Security Agreement dated as of September 8, 2004 among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (incorporated by reference to Exhibit 10.2 to our September 8, 2004 Form 8-K).

4.4.1	Credit Agreement, dated as of December 16, 2011, by and among the Company's U.K. Subsidiaries, Royal Bank of Scotland plc, and BMW Financial Services (GB) Limited (incorporated by reference to exhibit 4.1 to our Form 8-K filed December 22, 2011).
4.4.2	Amendment No. 1 dated January 10, 2012 to Credit Agreement, dated as of December 16, 2011, by and among the Company's U.K. Subsidiaries, Royal Bank of Scotland plc, Westminster Bank and BMW Financial Services (GB) Limited (incorporated by reference to exhibit 4.1 to the Form 8-K filed January 10, 2012).
4.4.3	Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.3 to our Form 8-K filed on September 5, 2006).
4.4.4	Amendment dated September 29, 2008 to Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.4 of our October 1, 2008 Form 8-K).
10.1	Form of Dealer Agreement with Acura Automobile Division, American Honda Motor Co., Inc. (incorporated by reference to exhibit 10.2.15 to our 2001 Form 10-K).
10.2	Form of Dealer Agreement with Audi of America, Inc., a division of Volkswagen of America, Inc. (incorporated by reference to exhibit10.2.14 to our 2001 Form 10-K).
10.3	Form of Car Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.5 to our 2001 Form 10-K).
10.4	Form of SAV Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.6 to our 2001 Form 10-K).
10.5	Form of Dealership Agreement with BMW (GB) Limited (incorporated by reference to exhibit 10.4 to our 2007 Form 10-K).
10.6	Form of Dealer Agreement with Honda Automobile Division, American Honda Motor Co. (incorporated by reference to exhibit 10.2.3 to our 2001 Form 10-K).
10.7	Form of Dealer Agreement with Lexus, a division of Toyota Motor Sales U.S.A., Inc. (incorporated by reference to exhibit 10.2.4 to our 2001 Form 10-K).
10.8	Form of Mercedes-Benz USA, Inc. Passenger and Car Retailer Agreement (incorporated by reference to exhibit 10.2.11 to our Form 10-Q for the quarter ended March 31, 2000).
10.9	Form of Mercedes-Benz USA, Inc. Light Truck Retailer Agreement (incorporated by reference to exhibit 10.2.12 to our Form 10-Q for the quarter ended March 31, 2000).
10.10	Form of Dealer Agreement with MINI Division of BMW of North America, LLC (incorporated by reference to exhibit 10.10 to our 2009 Form 10-K filed February 24, 2010).
10.11	Form of Dealer Agreement with Toyota Motor Sales, U.S.A., Inc. (incorporated by reference to exhibit 10.2.7 to our 2001 Form 10-K).
*10.12	Relocation Agreement with respect to David K. Jones dated August 1, 2011 (incorporated by reference to exhibit 10.1 to the Form 10-Q filed August 2, 2011).
*10.13	Amended and Restated Penske Automotive Group, Inc. 2002 Equity Compensation Plan (incorporated by reference to exhibit 10.9 to our 2007 Form 10-K).
*10.14	Form of Restricted Stock Agreement (incorporated by reference to exhibit 10.3 to our Form 10-Q for the quarter ended June 30, 2003).
*10.15	Amended and Restated Penske Automotive Group, Inc. Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.16 to our 2010 annual report on Form 10-K filed February 28, 2011).

*10.16	Penske Automotive Group, Inc. Amended and Restated Management Incentive Plan (incorporated by reference to exhibit 10.26 to our January 21, 2010 Form S-1).
10.17.1	First Amended and Restated Limited Liability Company Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.3 to our Form 10-Q filed May 15, 2003).
10.17.2	Letter Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.5 to our Form 10-Q filed May 15, 2003).
10.18	Registration Rights Agreement among us and Penske Automotive Holdings Corp. dated as of December 22, 2000 (incorporated by reference to exhibit 10.26.1 to our Form 10-K filed March 29, 2001).
10.19	Second Amended and Restated Registration Rights Agreement among us, Mitsui & Co., Ltd. And Mitsui & Co. (U.S.A.), Inc. dated as of March 26, 2004 (incorporated by reference to the exhibit 10.2 to our March 26, 2004 Form 8-K).
10.20	Purchase Agreement by and between Mitsui & Co., Ltd., Mitsui & Co. (U.S.A.), Inc., International Motor Cars Group I, L.L.C., International Motor Cars Group II, L.L.C., Penske Corporation, Penske Automotive Holdings Corp, and Penske Automotive Group, Inc. (incorporated by reference to exhibit 10.1 to our Form 8-K filed on February 17, 2004).
10.21	Stockholders Agreement among Penske Automotive Holdings Corp., Penske Corporation and Mitsui & Co., Ltd. And Mitsui & Co. (USA), Inc. dated as of March 26, 2004 (incorporated by reference to exhibit 10.1 to our March 26, 2004 Form 8-K).
10.22	VMC Holding Corporation Stockholders' Agreement dated April 28, 2005 among VMC Holding Corporation, U.S., Transportation Resource Partners, LP., Penske Truck Leasing Co. LLP., and Opus Ventures General Partners Limited (incorporated by reference to exhibit 10.1 to our Form 10-Q filed on May 5, 2005).
10.23	Management Services Agreement dated April 28, 2005 among VMC Acquisition Corporation, Transportation Resource Advisors LLC., Penske Truck Leasing Co. L.P. and Opus Ventures General Partner Limited (incorporated by reference to exhibit 10.1 to our Form 10-Q filed on May 5, 2005).
10.24	Joint Insurance Agreement dated August 7, 2006 between us and Penske Corporation (incorporated by reference to exhibit 10.1 to our Form 10-Q filed August 9, 2006).
10.25	Trade Name and Trademark Agreement dated May 6, 2008 between us and Penske System, Inc. (incorporated by reference to exhibit 10 to our Form 10-Q filed May 8, 2008).
10.26	Purchase and Sale Agreement dated June 26, 2008 by and among General Electric Credit Corporation of Tennessee, Logistics Holding Corp., RTLC Acquisition Corp., NTFC Capital Corporation, Penske Truck Leasing Corporation, PTLC Holdings Co., LLC, PTLC2 Holdings Co., LLC, Penske Automotive Group, Inc. and Penske Truck Leasing Co., L.P. (incorporated by reference to exhibit 10.1 to our July 2, 2008 Form 8-K).
10.27	Third Amended and Restated Limited Partnership Agreement of Penske Truck Leasing Co., L.P. dated as of March 26, 2009 (incorporated by reference to exhibit 10.1 to our Form 10-Q filed May 8, 2009).
10.28	Rights Agreement dated June 26, 2008 by and among PTLC Holdings Co., LLC, PTLC2 Holdings Co., LLC, Penske Truck Leasing Corporation and Penske Automotive Group, Inc. (incorporated by reference to exhibit 10.4 to our July 2, 2008 Form 8-K).
10.29.1	Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan dated as of March 3, 2009 (incorporated by reference to exhibit 10.26 to our Form 10-K filed March 11, 2009).

10.29.2	Amendment No. 1 dated December 12, 2009 Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan (incorporated by reference to exhibit 10.26 to our January 21, 2010 Form S-1).
10.29.3	Amendment No. 2 dated September 20, 2010 to the Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed November 4, 2010).
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiary List.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of KPMG Audit Plc.
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	The following materials from Penske Automotive Group's Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Balance Sheets as of December 31, 2011 and 2010, (ii) the Condensed Statements of Income for the years ended December 31, 2011, 2010, and 2009, (iii) the Condensed Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009, (iv) the Consolidated Condensed Statement of Equity for the years ended December 31, 2011, 2010, and 2009, and (v) the Notes to Consolidated Condensed Financial Statements**.

* Compensatory plans or contracts

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of certain instruments defining the rights of holders of long-term debt of the Company or its subsidiaries are not filed herewith. We hereby agree to furnish a copy of any such instrument to the Commission upon request.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
PENSKE AUTOMOTIVE GROUP, INC
As of December 31, 2011 and 2010 and For the Years Ended
December 31, 2011, 2010 and 2009

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Penske Automotive Group, Inc. and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors that the Company's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on our assessment we believe that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the consolidated financial statements included in the Company's Annual Report on Form 10-K has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-3.

Penske Automotive Group, Inc.
February 24, 2012

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of UAG UK Holdings Limited and subsidiaries (the "UAG UK Holdings Limited") is responsible for establishing and maintaining adequate internal control over financial reporting. UAG UK Holdings Limited's internal control system was designed to provide reasonable assurance to the UAG UK Holdings Limited's management and board of directors that the UAG UK Holdings Limited's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the UAG UK Holdings Limited's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on our assessment we believe that, as of December 31, 2011, the UAG UK Holdings Limited's internal control over financial reporting is effective based on those criteria.

UAG UK Holdings Limited's independent registered public accounting firm that audited the consolidated financial statements of UAG UK Holdings Limited (not included herein) has issued an audit report on the effectiveness of the UAG UK Holdings Limited's internal control over financial reporting. This report appears on page F-5.

UAG UK Holdings Limited
February 24, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Penske Automotive Group, Inc.
Bloomfield Hills, Michigan

We have audited the accompanying consolidated balance sheets of Penske Automotive Group, Inc. and subsidiaries (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of operations, equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company’s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company’s internal control over financial reporting based on our audits. We did not audit the financial statements or the effectiveness of internal control over financial reporting of UAG UK Holdings Limited and subsidiaries (a consolidated subsidiary), which statements reflect total assets constituting 34% and 33% of consolidated total assets as of December 31, 2011 and 2010, respectively, and total revenues constituting 37%, 37%, and 38% of consolidated total revenues for the years ended December 31, 2011, 2010 and 2009, respectively. Those financial statements and the effectiveness of UAG UK Holdings Limited and subsidiaries’ internal control over financial reporting were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UAG UK Holdings Limited and subsidiaries and to the effectiveness of UAG UK Holdings Limited and subsidiaries’ internal control over financial reporting, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and (as to the amounts included for UAG UK Holdings Limited and subsidiaries) the report of the other auditors, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, based on our audit and the report of the other auditors, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Detroit, Michigan
February 24, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
UAG UK Holdings Limited:

We have audited the accompanying consolidated balance sheets of UAG UK Holdings Limited and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholder's equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule. We also have audited UAG UK Holdings Limited's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control —Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with US generally accepted accounting principles. In addition, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG Audit Plc

Birmingham, United Kingdom
February 24, 2012

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 29,116	$ 19,688
Accounts receivable, net of allowance for doubtful accounts of $2,256 and $1,884	444,673	382,382
Inventories	1,605,280	1,443,284
Other current assets	80,307	68,225
Assets held for sale	33,224	133,019
Total current assets	2,192,600	2,046,598
Property and equipment, net	858,975	716,427
Goodwill	906,592	800,621
Franchise value	231,994	203,108
Equity method investments	298,640	288,406
Other long-term assets	13,498	14,672
Total assets	$4,502,299	$4,069,832
LIABILITIES AND EQUITY		
Floor plan notes payable	$ 988,650	$ 911,548
Floor plan notes payable — non-trade	713,635	497,074
Accounts payable	223,313	251,960
Accrued expenses	202,761	201,714
Current portion of long-term debt	3,414	10,593
Liabilities held for sale	17,899	88,117
Total current liabilities	2,149,672	1,961,006
Long-term debt	846,777	769,285
Deferred tax liabilities	217,902	178,406
Other long-term liabilities	147,535	115,282
Total liabilities	3,361,886	3,023,979
Commitments and contingent liabilities		
Equity		
Penske Automotive Group stockholders' equity:		
Preferred Stock, $0.0001 par value; 100 shares authorized; none issued and outstanding	—	—
Common Stock, $0.0001 par value, 240,000 shares authorized; 90,277 shares issued and outstanding at December 31, 2011; 92,100 shares issued and outstanding at December 31, 2010	9	9
Non-voting Common Stock, $0.0001 par value, 7,125 shares authorized; none issued and outstanding	—	—
Class C Common Stock, $0.0001 par value, 20,000 shares authorized; none issued and outstanding	—	—
Additional paid-in-capital	702,335	738,728
Retained earnings	459,375	304,486
Accumulated other comprehensive (loss) income	(25,734)	(1,673)
Total Penske Automotive Group stockholders' equity	1,135,985	1,041,550
Non-controlling interest	4,428	4,303
Total equity	1,140,413	1,045,853
Total liabilities and equity	$4,502,299	$4,069,832

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2011	2010	2009
	(In thousands, except per share amounts)		
Revenue:			
New vehicle	$ 5,811,084	$ 5,276,371	$4,481,682
Used vehicle	3,399,981	2,857,922	2,524,421
Finance and insurance, net	278,027	244,687	215,039
Service and parts	1,394,990	1,301,811	1,272,872
Fleet and wholesale vehicle	672,150	647,594	518,203
Total revenues	$11,556,232	$10,328,385	$9,012,217
Cost of sales:			
New vehicle	5,328,053	4,841,556	4,119,190
Used vehicle	3,136,474	2,637,356	2,306,468
Service and parts	599,651	564,494	573,232
Fleet and wholesale	666,664	640,864	506,198
Total cost of sales	9,730,842	8,684,270	7,505,088
Gross profit	1,825,390	1,644,115	1,507,129
Selling, general and administrative expenses	1,478,297	1,339,125	1,254,500
Depreciation	48,903	46,253	51,401
Operating income	298,190	258,737	201,228
Floor plan interest expense	(28,515)	(33,779)	(34,097)
Other interest expense	(45,020)	(49,176)	(55,085)
Debt discount amortization	(1,718)	(8,637)	(13,043)
Equity in earnings of affiliates	25,451	20,569	13,808
Gain on debt repurchase	—	1,634	10,429
Income from continuing operations before income taxes	248,388	189,348	123,240
Income taxes	(71,933)	(64,732)	(43,055)
Income from continuing operations	176,455	124,616	80,185
Income (loss) from discontinued operations, net of tax	1,803	(15,269)	(3,265)
Net income	178,258	109,347	76,920
Less: Income attributable to non-controlling interests	1,377	1,066	459
Net income attributable to Penske Automotive Group common stockholders	$ 176,881	$ 108,281	$ 76,461
Basic earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 1.92	$ 1.34	$ 0.87
Discontinued operations	0.02	(0.16)	(0.03)
Net income attributable to Penske Automotive Group common stockholders	$ 1.94	$ 1.18	$ 0.84
Shares used in determining basic earnings per share	91,154	92,018	91,557
Diluted earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 1.92	$ 1.34	$ 0.87
Discontinued operations	0.02	(0.16)	(0.04)
Net income attributable to Penske Automotive Group common stockholders	$ 1.94	$ 1.18	$ 0.83
Shares used in determining diluted earnings per share	91,274	92,091	91,653
Amounts attributable to Penske Automotive Group common stockholders:			
Income from continuing operations	$ 176,455	$ 124,616	$ 80,185
Less: Income attributable to non-controlling interests	1,377	1,066	459
Income from continuing operations, net of tax	175,078	123,550	79,726
Income (loss) from discontinued operations, net of tax	1,803	(15,269)	(3,265)
Net income attributable to Penske Automotive Group common stockholders	$ 176,881	$ 108,281	$ 76,461
Cash dividends per share	$ 0.24	$ —	$ —

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME

	Voting and Non-voting Common Stock								Comprehensive Income		
	Issued Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity Attributable to Penske Automotive Group	Non-controlling Interest	Total Equity	Attributable to Penske Automotive Group	Non-controlling Interest	Total
Balance, January 1, 2009	91,430,781	$ 9	$731,037	$119,744	$(45,989)	$ 804,801	$ 3,620	$ 808,421			
Equity compensation	153,757	—	5,718	—	—	5,718	—	5,718			
Exercise of options, including tax benefit of $319	33,208	—	349	—	—	349	—	349			
Distributions to non-controlling interests	—	—	—	—	—	—	(565)	(565)			
Sale of subsidiary shares to non-controlling interest	—	—	94	—	—	94	64	158			
Foreign currency translation	—	—	—	—	47,920	47,920	—	47,920	$ 47,920	$ —	$ 47,920
Other	—	—	—	—	7,118	7,118	—	7,118	7,118	—	7,118
Net income	—	—	—	76,461	—	76,461	459	76,920	76,461	459	76,920
Balance, December 31, 2009	91,617,746	9	737,198	196,205	9,049	942,461	3,578	946,039	$131,499	$ 459	$131,958
Equity compensation	495,146	—	7,898	—	—	7,898	—	7,898			
Exercise of options, including tax benefit of $319	55,000	—	540	—	—	540	—	540			
Repurchase of common stock	(68,340)	—	(751)	—	—	(751)	—	(751)			
Repurchase of 3.5% senior subordinated convertible notes	—	—	(6,157)	—	—	(6,157)	—	(6,157)			
Distributions to non-controlling interests	—	—	—	—	—	—	(341)	(341)			
Foreign currency translation	—	—	—	—	(16,852)	(16,852)	—	(16,852)	$ (16,852)	$ —	$ (16,852)
Other	—	—	—	—	6,130	6,130	—	6,130	6,130	—	6,130
Net income	—	—	—	108,281	—	108,281	1,066	109,347	108,281	1,066	109,347
Balance, December 31, 2010	92,099,552	9	738,728	304,486	(1,673)	1,041,550	4,303	1,045,853	$ 97,559	$1,066	$ 98,625
Equity compensation	391,904	—	5,128	—	—	5,128	—	5,128			
Exercise of options, including tax benefit of $155	235,668	—	3,370	—	—	3,370	—	3,370			
Repurchase of common stock	(2,449,768)	—	(44,263)	—	—	(44,263)	—	(44,263)			
Dividends	—	—	—	(21,992)	—	(21,992)	—	(21,992)			
Distributions to non-controlling interests	—	—	—	—	—	—	(1,412)	(1,412)			
Purchase of subsidiary shares from non-controlling interest	—	—	(853)	—	—	(853)	3	(850)			
Sale of subsidiary shares to non-controlling interest	—	—	225	—	—	225	157	382			
Foreign currency translation	—	—	—	—	(5,792)	(5,792)	—	(5,792)	$ (5,792)	$ —	$ (5,792)
Other	—	—	—	—	(18,269)	(18,269)	—	(18,269)	(18,269)	—	(18,269)
Net income	—	—	—	176,881	—	176,881	1,377	178,258	176,881	1,377	178,258
Balance, December 31, 2011	90,277,356	$ 9	$702,335	$459,375	$(25,734)	$1,135,985	$ 4,428	$1,140,413	$152,820	$1,377	$154,197

See Notes to Consolidated Financial Statements

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
	(In thousands)		
Operating Activities:			
Net income	$ 178,258	$ 109,347	$ 76,920
Adjustments to reconcile net income to net cash from continuing operating activities:			
Depreciation	48,903	46,253	51,401
Debt discount amortization	1,718	8,637	13,043
Earnings of equity method investments	(25,451)	(20,569)	(13,808)
(Income) loss from discontinued operations, net of tax	(1,803)	15,269	3,265
Deferred income taxes	47,187	27,714	46,282
Gain on debt repurchase	—	(1,634)	(10,733)
Changes in operating assets and liabilities:			
Accounts receivable	(62,604)	(69,864)	(28,341)
Inventories	(100,749)	(192,426)	298,930
Floor plan notes payable	77,102	165,711	(188,811)
Accounts payable and accrued expenses	(31,634)	65,948	43,483
Other	(8,310)	44,054	10,703
Net cash from continuing operating activities	122,617	198,440	302,334
Investing Activities:			
Purchase of equipment and improvements	(133,115)	(75,699)	(89,203)
Proceeds from sale-leaseback transactions	—	—	2,338
Dealership acquisitions net, including repayment of sellers' floor plan notes payable of $54,453, $9,883 and $2,884, respectively	(232,106)	(22,232)	(8,517)
Other	2,865	13,822	17,994
Net cash used in continuing investing activities	(362,356)	(84,109)	(77,388)
Financing Activities:			
Proceeds from borrowings under U.S. credit agreement revolving credit line	663,400	632,000	409,900
Repayments under U.S. credit agreement revolving credit line	(531,400)	(632,000)	(409,900)
Repayments under U.S. credit agreement term loan	(7,000)	(15,000)	(60,000)
Repurchase of 3.5% senior subordinated convertible notes	(87,278)	(156,604)	(51,424)
Net borrowings (repayments) of other long-term debt	26,395	(15,402)	(17,402)
Net borrowings (repayments) of floor plan notes payable — non-trade	216,561	80,151	(82,799)
Proceeds from exercises of options, including excess tax benefit	3,370	540	349
Repurchases of common stock	(44,263)	(751)	—
Dividends	(21,992)	—	—
Net cash from (used in) continuing financing activities	217,793	(107,066)	(211,276)
Discontinued operations:			
Net cash from (used in) discontinued operating activities	(59,142)	(10,064)	2,390
Net cash from (used in) discontinued investing activities	90,943	2,512	(3,139)
Net cash from (used in) discontinued financing activities	(427)	1,756	(10,517)
Net cash from discontinued operations	31,374	(5,796)	(11,266)
Net change in cash and cash equivalents	9,428	1,469	2,404
Cash and cash equivalents, beginning of period	19,688	18,219	15,815
Cash and cash equivalents, end of period	$ 29,116	$ 19,688	$ 18,219
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 45,105	$ 86,173	$ 92,804
Income taxes	53,075	30,952	18,251
Seller financed/assumed debt	4,865	2,260	—

See Notes to Consolidated Financial Statements.

1. Organization and Summary of Significant Accounting Policies

Business Overview and Concentrations

Penske Automotive Group, Inc. through its subsidiaries (the "Company") is engaged in the sale of new and used motor vehicles and related products and services, including vehicle service, collision repair, and placement of finance and lease contracts, third-party insurance products and other aftermarket products. The Company operates dealerships under franchise agreements with a number of automotive manufacturers and distributors. In accordance with individual franchise agreements, each dealership is subject to certain rights and restrictions typical of the industry. The ability of the manufacturers to influence the operations of the dealerships, or the loss of a significant number of franchise agreements, could have a material impact on the Company's results of operations, financial position and cash flows. For the year ended December 31, 2011, BMW/MINI franchises accounted for 25% of the Company's total revenues, Audi/Volkswagen/Bentley accounted for 15%, Toyota/Lexus/Scion franchises accounted for 15%, Honda/Acura franchises accounted for 13%, and Mercedes-Benz/Sprinter/smart accounted for 10%. No other manufacturers' franchises accounted for more than 10% of our total revenue. At December 31, 2011 and 2010, the Company had receivables from manufacturers of $111,296 and $98,973, respectively. In addition, a large portion of the Company's contracts in transit, which are included in accounts receivable, are due from manufacturers' captive finance subsidiaries. Finally, the Company holds a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider.

In 2011, smart USA Distributor, LLC, our wholly owned subsidiary, completed the sale of certain assets and the transfer of certain liabilities relating to the distribution rights, management, sales and marketing activities of smart USA to Daimler Vehicle Innovations LLC, a wholly owned subsidiary of Mercedes-Benz USA. The final aggregate cash purchase price for the assets was $44,611. As a result, smart USA has been treated as a discontinued operation for all periods presented in the accompanying financial statements.

Basis of Presentation

Results for the year ended December 31, 2011 include an $11,046 net income tax benefit reflecting a positive adjustment from the resolution of certain tax items in the U.K. of $17,008 partially offset by a reduction of U.K. deferred tax assets of $5,962. Results for the year ended December 31, 2010 include a $1,634 pre-tax gain relating to the repurchase of $155,658 aggregate principal amount of the Company's 3.5% senior subordinated convertible notes due 2026 (the "Convertible Notes"). Results for the year ended December 31, 2009 include a $10,429 pre-tax gain relating to the repurchase of $68,740 aggregate principal amount of the Convertible Notes.

The consolidated financial statements include all majority-owned subsidiaries. Investments in affiliated companies, representing an ownership interest in the voting stock of the affiliate of between 20% and 50% or an investment in a limited partnership or a limited liability corporation for which the Company's investment is more than minor, are stated at the cost of acquisition plus the Company's equity in undistributed net earnings since acquisition. All intercompany accounts and transactions have been eliminated in consolidation. The Company evaluated subsequent events through February 24, 2012, the date the consolidated financial statements were filed with the SEC.

The consolidated financial statements have been adjusted for entities that have been treated as discontinued operations through December 31, 2011 in accordance with generally accepted accounting principles.

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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments that have an original maturity of three months or less at the date of purchase.

Contracts in Transit

Contracts in transit represent receivables from unaffiliated finance companies relating to the sale of customers' installment sales and lease contracts arising in connection with the sale of a vehicle by us. Contracts in transit, included in accounts receivable, net in the Company's consolidated balance sheets, amounted to $186,178 and $140,246 as of December 31, 2011 and 2010, respectively.

Inventory Valuation

Inventories are stated at the lower of cost or market. Cost for new and used vehicle inventories is determined using the specific identification method. Cost for parts and accessories are based on factory list prices.

Property and Equipment

Property and equipment are recorded at cost and depreciated over estimated useful lives using the straight-line method. Useful lives for purposes of computing depreciation for assets, other than leasehold improvements, range between 3 and 15 years. Leasehold improvements and equipment under capital lease are depreciated over the shorter of the term of the lease or the estimated useful life of the asset, not to exceed 40 years. The Company changed the useful lives of certain fixed assets during the first quarter of 2010 as part of a review of assumptions related to the expected utilization of those assets by the Company. The Company accounted for the change in useful lives as a change in estimate prospectively effective January 1, 2010, which resulted in a reduction of depreciation expense of $5,638 for the year ended December 31, 2010.

Expenditures relating to recurring repair and maintenance are expensed as incurred. Expenditures that increase the useful life or substantially increase the serviceability of an existing asset are capitalized.

When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, with any resulting gain or loss being reflected in income.

Income Taxes

Tax regulations may require items to be included in the Company's tax return at different times than those items are reflected in its financial statements. Some of the differences are permanent, such as expenses that are not deductible on the Company's 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 the Company's tax return in future years which we have already recorded in the Company's financial statements. Deferred tax liabilities generally represent deductions taken on its tax return that have not yet been recognized as an expense in its financial statements. We establish valuation allowances for the Company's deferred tax assets if the amount of expected future taxable income is not more likely than not to allow for the use of the deduction or credit.

Intangible Assets

The Company's principal intangible assets relate to its franchise agreements with vehicle manufacturers and distributors, which represent the estimated value of franchises acquired in business combinations, and goodwill, which represents the excess of cost over the fair value of tangible and identified intangible assets acquired in business combinations. The Company believes the franchise values of its dealerships have an indefinite useful life based on the following:

- Automotive retailing is a mature industry and is based on franchise agreements with the vehicle manufacturers and distributors;
- There are no known changes or events that would alter the automotive retailing franchise environment;
- Certain franchise agreement terms are indefinite;
- Franchise agreements that have limited terms have historically been renewed by us without substantial cost; and
- The Company's history shows that manufacturers and distributors have not terminated our franchise agreements.

Impairment Testing

Franchise value impairment is assessed as of October 1 every year 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 of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value of franchise value is determined using a discounted cash flow approach, which includes assumptions that include revenue and profitability growth, franchise profit margins, and the Company's cost of capital. The Company also evaluates its franchise agreements in connection with the annual impairment testing to determine whether events and circumstances continue to support its assessment that the franchise agreements have an indefinite life.

Goodwill impairment is assessed at the reporting unit level as of October 1 every year and upon the occurrence of an indicator of impairment. The Company has determined that the dealerships in each of its operating segments within the Retail 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). There is no goodwill recorded in the PAG Investments reportable segment. The annual test for impairment begins with a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If the carrying value is determined to more likely than not exceed its estimated fair value, a two-step impairment testing method would be applied. In the two-step method, the fair value of goodwill is determined using a discounted cash flow approach, which includes assumptions about revenue and profitability growth, franchise profit margins, residual values and the Company's cost of capital. If an indication of goodwill impairment exists, an analysis reflecting the allocation of the estimated fair value of the reporting unit to all assets and liabilities, including previously unrecognized intangible assets, is performed. The impairment is measured by comparing the implied fair value of the reporting unit goodwill with its carrying amount and an impairment loss may be recognized up to any excess of the carrying value over the implied fair value.

(In thousands, except per share amounts) — (Continued)

Investments

We account for each of the Company's investments under the equity method, pursuant to which the Company records its proportionate share of the investee's income each period. The net book value of the Company's investments was $298,640 and $288,406 as of December 31, 2011 and 2010, respectively. 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, residual values and the Company's 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.

Foreign Currency Translation

For all of the Company's foreign operations, the functional currency is the local currency. The revenue and expense accounts of the Company's foreign operations are translated into U.S. dollars using the average exchange rates that prevailed during the period. Assets and liabilities of foreign operations are translated into U.S. dollars using period end exchange rates. Cumulative translation adjustments relating to foreign functional currency assets and liabilities are recorded in accumulated other comprehensive income (loss), a separate component of equity.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, debt, floor plan notes payable, and interest rate swaps used to hedge future cash flows. Other than our subordinated notes, 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. A summary of the fair value of the subordinated notes, based on quoted, level one market data, follows:

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
7.75% senior subordinated notes due 2016	$375,000	$385,313	$375,000	$380,063
3.5% senior subordinated convertible notes due 2026	63,324	61,029	148,884	150,602

Revenue Recognition

Vehicle, Parts and Service Sales

The Company records 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.

Finance and Insurance Sales

Subsequent to the sale of a vehicle to a customer, the Company sells its installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. The Company receives 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. The Company also receives commissions for facilitating the sale of various third-party insurance products to customers, including credit and life insurance policies 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 the Company received may be charged back based on the terms of the contracts. The revenue the Company records relating to these transactions is net of an estimate of the amount of chargebacks the Company will be required to pay. The Company's estimate is based upon the Company's 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 $21,037 and $19,317 as of December 31, 2011 and 2010, respectively.

Defined Contribution Plans

The Company sponsors a number of defined contribution plans covering a significant majority of the Company's employees. Company contributions to such plans are discretionary and are based on the level of compensation and contributions by plan participants. The Company suspended its 2009 matching contributions to its U.S. 401(K) plan but reinstated the matching contributions relating to employees' 2010 contributions. The Company incurred expense of $11,847, $9,426, and $5,932 relating to such plans during the years ended December 31, 2011, 2010, and 2009, respectively.

Advertising

Advertising costs are expensed as incurred or when such advertising takes place. The Company incurred net advertising costs of $73,794, $68,141, and $57,584 during the years ended December 31, 2011, 2010, and 2009, respectively. Qualified advertising expenditures reimbursed by manufacturers, which are treated as a reduction of advertising expense, were $10,904, $9,319, and $5,570 during the years ended December 31, 2011, 2010, and 2009, respectively.

Self Insurance

The Company retains risk relating to certain of our general liability insurance, workers' compensation insurance, auto physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance, and employee medical benefits in the U.S. As a result, the Company is likely to be responsible for a significant portion of the claims and losses incurred under these programs. The amount of risk the Company retains varies by program, and, for certain exposures, the Company has pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above such pre-determined loss limits are paid by third-party insurance carriers. The Company's estimate of future losses is prepared by management using the Company's historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $25,884 and $22,778 as of December 31, 2011 and 2010, respectively. Changes in the reserve estimate during 2011 relate primarily to current year activity in the Company's general liability and workers compensation programs.

(In thousands, except per share amounts) — (Continued)

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 restricted stock 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 the dilutive effect of stock options. A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2011, 2010, and 2009 follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
Weighted average number of common shares outstanding	91,154	92,018	91,557
Effect of non-participatory equity compensation	120	73	96
Weighted average number of common shares outstanding, including effect of dilutive securities	91,274	92,091	91,653

There were no anti-dilutive stock options outstanding during the years ended December 31, 2011, 2010 or 2009. In addition, the Company has senior subordinated convertible notes outstanding which, under certain circumstances discussed in Note 9, may be converted to voting common stock. As of December 31, 2011, 2010, and 2009, no shares related to the senior subordinated convertible notes were included in the calculation of diluted earnings per share because the effect of such securities was anti-dilutive.

Hedging

Generally accepted accounting principles relating to derivative instruments and hedging activities require all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. These accounting principles also define requirements for designation and documentation of hedging relationships, as well as ongoing effectiveness assessments, which must be met in order to qualify for hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recorded in earnings immediately. If the derivative is designated in a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recorded in earnings. If the derivative is designated in a cash-flow hedge, effective changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss), a separate component of equity, and recorded in the income statement only when the hedged item affects earnings. Changes in the fair value of the derivative attributable to hedge ineffectiveness are recorded in earnings immediately.

Stock-Based Compensation

Generally accepted accounting principles relating to share-based payments require the Company to record compensation expense for all awards based on their grant-date fair value. The Company's share-based payments have generally been in the form of "non-vested shares," the fair value of which are measured as if they were vested and issued on the grant date.

(In thousands, except per share amounts) — (Continued)

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-05, Presentation of Comprehensive Income, which requires the presentation of components of other comprehensive income with the components of net income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company will adopt this update for periods beginning after December 31, 2011. While this will affect the presentation of comprehensive income, the Company does not believe it will have a material impact on its consolidated financial position or results of operations.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, amending the guidance on goodwill impairment testing. This update permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. This is intended to reduce the cost and complexity of the annual impairment test and is considered a preliminary step in determining whether it is necessary to calculate a fair value for a reporting unit. The Company elected to early adopt the provisions of this update by preparing a qualitative assessment for the period ending December 31, 2011. The adoption of this update had no impact on the Company's consolidated financial position or results of operations.

2. Equity Method Investees

As of December 31, 2011, the Company has investments in the following companies that are accounted for under the equity method: the Jacobs Group (50%), the Nix Group (50%), Penske Wynn Ferrari Maserati (50%), Max Cycles (50%), Innovative Media (45%), QEK Global Solutions (22.5%), and Fleetwash, LLC (7%). Jacobs Group, Nix Group, and Penske Wynn Ferrari Maserati are engaged in the sale and servicing of automobiles. Max Cycles is engaged in the sale and servicing of BMW motorcycles, QEK is an automotive fleet management company, Innovative Media provides dealership graphics, and Fleetwash provides vehicle fleet washing services. These investments in entities accounted for under the equity method amounted to $58,386 and $59,097 at December 31, 2011 and 2010, respectively.

The Company also has a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a global transportation services provider. The Company's investment in PTL, which is accounted for under the equity method, amounted to $240,254 and $229,309 at December 31, 2011 and 2010, respectively.

In 2010, the Company exchanged its 50% interest in the Reisacher Group for 100% ownership in three BMW franchises previously held by the joint venture. The Company recorded $13,331 of intangible assets in connection with this transaction. The Company sold its investment in Cycle Express, LP, in the fourth quarter of 2010 for $14,616, which resulted in a pre-tax gain of $5,295. In 2009, the Company sold its investment in a Mexican entity which operates several Toyota franchises for $7,865, which resulted in a pre-tax gain of $581.

The combined results of operations and financial position of the Company's equity basis investments are summarized as follows:

Condensed income statement information:

	Year Ended December 31,		
	2011	2010	2009
Revenues	$5,970,595	$4,531,588	$4,748,082
Gross margin	1,802,301	1,749,504	1,794,563
Net income	255,145	198,793	138,504
Equity in net income of affiliates	25,451	20,569	13,808

(In thousands, except per share amounts) — (Continued)

Condensed balance sheet information:

	December 31, 2011	December 31, 2010
Current assets	$1,159,066	$ 933,160
Noncurrent assets	7,228,052	6,135,749
Total assets	$8,387,118	$7,068,909
Current liabilities	$ 916,344	$ 830,616
Noncurrent liabilities	6,330,666	5,233,973
Equity	1,140,108	1,004,320
Total liabilities and equity	$8,387,118	$7,068,909

3. Business Combinations

During 2011 and 2010, respectively, the Company acquired seven and five franchises in its retail operations. The Company's financial statements include the results of operations of the acquired dealerships from the date of acquisition. The fair value of the assets acquired and liabilities assumed have been recorded in the Company's consolidated 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 years ended December 31, 2011 and 2010 follows:

	December 31, 2011	December 31, 2010
Accounts receivable	$ 953	$ —
Inventory	61,247	11,520
Other current assets	—	45
Property and equipment	40,190	4,932
Goodwill	107,498	8,274
Franchise value	29,491	
Other assets	628	
Current liabilities	(6,190)	(279)
Total consideration	233,817	24,492
Seller financed/assumed debt	(1,711)	(2,260)
Cash used in dealership acquisitions	$232,106	$22,232

In January 2012, the Company acquired a dealership group in the United Kingdom which included thirteen franchises for total consideration of approximately $83,000, which includes goodwill, working capital, inventory and other assets. The Company is still in the process of completing final purchase accounting which is estimated to be completed during the first quarter of 2012.

In 2010, the Company exchanged its 50% interest in the Reisacher Group for 100% ownership in three BMW franchises previously held by the joint venture. The Company recorded $13,331 of intangible assets in connection with this transaction.

(In thousands, except per share amounts) — (Continued)

The following unaudited consolidated pro forma results of operations of the Company for the years ended December 31, 2011 and 2010 give effect to acquisitions consummated during 2011 and 2010 as if they had occurred on January 1, 2010:

	Year Ended December 31,	
	2011	2010
Revenues	$11,755,235	$10,848,317
Income from continuing operations	178,954	130,227
Net income	180,757	114,958
Income from continuing operations per diluted common share	$ 1.96	$ 1.41
Net income per diluted common share	$ 1.98	$ 1.25

4. Discontinued Operations

The Company accounts for dispositions in its retail operations as discontinued operations when it is evident that the operations and cash flows of a franchise being disposed of will be eliminated from on-going operations and that the Company will not have any significant continuing involvement in its operations.

In evaluating whether the cash flows of a dealership in its Retail reportable segment will be eliminated from ongoing operations, the Company considers whether it is likely that customers will migrate to similar franchises that it owns in the same geographic market. The Company's consideration includes an evaluation of the brands sold at other dealerships it operates in the market and their proximity to the disposed dealership. When the Company disposes of franchises, it typically does not have continuing brand representation in that market. If the franchise being disposed of is located in a complex of Company owned dealerships, the Company does not treat the disposition as a discontinued operation if it believes that the cash flows previously generated by the disposed franchise will be replaced by expanded operations of the remaining or replacement franchises. Combined financial information regarding dealerships accounted for as discontinued operations follows:

	Year Ended December 31,		
	2011	2010	2009
Revenues	$313,308	$406,028	$545,883
Pre-tax (loss) income	(110)	(20,034)	4,795
Gain (loss) on disposal	3,313	(3,955)	(9,199)

	2011	2010
Inventory	$15,491	$ 80,942
Other assets	17,733	52,077
Total assets	33,224	133,019
Floor plan	12,020	70,093
Other liabilities	5,879	18,024
Total liabilities	17,899	88,117

(In thousands, except per share amounts) — (Continued)

5. Inventories

Inventories consisted of the following:

	December 31, 2011	December 31, 2010
New vehicles	$1,068,905	$1,004,893
Used vehicles	454,800	364,101
Parts, accessories and other	81,575	74,290
Total inventories	$1,605,280	$1,443,284

The Company receives non-refundable credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $29,070, $26,166, and $29,679 during the years ended December 31, 2011, 2010, and 2009, respectively.

6. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2011	December 31, 2010
Buildings and leasehold improvements	$ 823,561	$ 682,036
Furniture, fixtures and equipment	351,821	318,260
Total	1,175,382	1,000,296
Less: Accumulated depreciation	(316,407)	(283,869)
Property and equipment, net	$ 858,975	$ 716,427

As of December 31, 2011 and 2010, approximately $27,500 and $27,600, respectively, of capitalized interest is included in buildings and leasehold improvements and is being depreciated over the useful life of the related assets.

7. Intangible Assets

Following is a summary of the changes in the carrying amount of goodwill and franchise value during the years ended December 31, 2011 and 2010, net of accumulated impairment losses recorded prior to December 31, 2009 of $606,349 and $37,110, respectively:

	Goodwill	Franchise Value
Balance — December 31, 2009	$796,278	$201,463
Additions	17,199	4,222
Foreign currency translation	(12,856)	(2,577)
Balance — December 31, 2010	800,621	203,108
Additions	107,498	29,491
Foreign currency translation	(1,527)	(605)
Balance — December 31, 2011	$906,592	$231,994

We test for impairment in our intangible assets at least annually. We did not record any impairment charges relating to our intangibles in 2011, 2010 or 2009.

In September 2011, the FASB updated the accounting guidance related to testing goodwill for impairment. This update permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying a two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the two-step impairment test would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. This update is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011, however, early adoption is permitted. The Company elected to adopt the qualitative assessment early. A number of qualitative factors were considered, including but not limited to the criteria in ASC 350-20-35-3, and the Company determined that it is not more likely than not that any of the four reporting unit's fair value is less than their carrying amount.

If the two-step impairment test were necessary, the Company would have estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates the Company's enterprise value using a net present value model, which discounts projected free cash flows of the Company's business using its weighted average cost of capital as the discount rate. This consideration would also include a control premium that represents the estimated amount an investor would pay for the Company's equity securities to obtain a controlling interest and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and the Company's cost of capital.

In the Company's situation, if the first step of the impairment testing process indicated that the fair value of the reporting unit was below its carrying value (even by a relatively small amount), the requirements of the second step of the test result in a significant decrease in the amount of goodwill recorded on the balance sheet. This is because, prior to the Company's adoption on July 1, 2001 of generally accepted accounting principles relating to business combinations, it did not separately identify franchise rights associated with the acquisition of dealerships as separate intangible assets. In performing the second step, the Company would be required by generally accepted accounting principles related to goodwill and other intangibles to assign value to any previously unrecognized identifiable intangible assets (including such franchise rights, which are substantial) even though such amounts are not separately recorded on its consolidated balance sheet.

8. Floor Plan Notes Payable — Trade and Non-trade

The Company finances substantially all of its new and a portion of its used vehicle inventories under revolving floor plan 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, the Company has not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. The Company typically makes 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 the Company is 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 floor plan agreements grant a security interest in substantially all of the assets of the Company's dealership subsidiaries, and in the U.S. are guaranteed by the Company. Interest rates under the floor plan 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, or the Euro Interbank offer Rate. The weighted average interest rate on floor plan borrowings, including the effect of the interest rate swap discussed in Note 10, was 1.9%, 2.6%, and 2.7% for the years ended December 31, 2011, 2010, and 2009, respectively. The Company classifies 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 its consolidated balance sheets and classifies related cash flows as a financing activity on its consolidated statements of cash flows.

(In thousands, except per share amounts) — (Continued)

9. Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2011	2010
U.S. credit agreement — revolving credit line	$132,000	$ —
U.S. credit agreement — term loan	127,000	134,000
U.K. credit agreement — revolving credit line	59,060	54,597
U.K. credit agreement — term loan	—	5,505
U.K. credit agreement — overdraft line of credit	13,333	7,116
7.75% senior subordinated notes due 2016	375,000	375,000
3.5% senior subordinated convertible notes due 2026, net of debt discount	63,324	148,884
Mortgage facilities	75,684	46,052
Other	4,790	8,724
Total long-term debt	$850,191	$779,878
Less: current portion	(3,414)	(10,593)
Net long-term debt	$846,777	$769,285

Scheduled maturities of long-term debt for each of the next five years and thereafter are as follows:

2012	$ 3,414
2013	3,545
2014	261,541
2015	114,728
2016	441,764
2017 and thereafter	25,199
Total long-term debt reported	$850,191

The Convertible Notes are not due until 2026, however, the holders may require the Company to purchase all or a portion of these notes for cash in 2016. This acceleration of ultimate repayment is reflected in the table above.

U.S. Credit Agreement

The Company is party to a credit agreement with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as amended (the "U.S. Credit Agreement"), which provides for up to $375,000 in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan with a remaining balance of $127,000, and for an additional $10,000 of availability for letters of credit. The revolving loans bear interest at a defined LIBOR plus 2.50%, subject to an incremental 1.00% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.50%, may be prepaid at any time, but then may not be re-borrowed. The Company repaid $7,000 and $15,000 of this term loan during 2011 and 2010, respectively.

The U.S. Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by the Company's domestic subsidiaries and contains a number of significant covenants that, among other things, restrict the Company's 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. The Company is 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 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. As of December 31, 2011, the Company was in compliance with all covenants under the U.S. Credit Agreement.

The U.S. Credit Agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to the Company's other material indebtedness. Substantially all of the Company's domestic assets are subject to security interests granted to lenders under the U.S. Credit Agreement. As of December 31, 2011, $127,000 of term loans, $132,000 of revolving loans and $500 of letters of credit were outstanding under the U.S. Credit Agreement.

U.K. Credit Agreement

The Company's subsidiaries in the U.K. (the "U.K. subsidiaries") are party to £100,000 revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional £10,000 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 through November 2015. 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 December 31, 2011, outstanding loans under the U.K. credit agreement amounted to £46,579 ($72,393).

The U.K. Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by the Company's 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. As of December 31, 2011, the Company's U.K. subsidiaries were in compliance with all covenants under the U.K. credit agreement.

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 the Company's U.K. subsidiaries' assets are subject to security interests granted to lenders under the U.K. credit agreement.

Beginning in 2012, the Company's U.K. subsidiaries are also party to a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30,000 term loan which was used for working capital and an acquisition. The term loan is repayable in £1,500 quarterly installments through 2015 with a final payment of £7,500 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).

7.75% Senior Subordinated Notes

In December 2006, the Company issued $375,000 aggregate principal amount of 7.75% senior subordinated notes (the "7.75% Notes") due 2016. The 7.75% Notes are unsecured senior subordinated notes and are subordinate to all existing and future senior debt, including debt under the Company's credit agreements, mortgages and floor plan indebtedness. The 7.75% Notes are guaranteed by substantially all of the Company's wholly-owned domestic subsidiaries on a unsecured senior subordinated basis. Those guarantees are full and unconditional and joint and several. The Company can redeem all or some of the 7.75% Notes at its option at specified redemption prices. Upon certain sales of assets or specific kinds of changes of control the Company is required to make an offer to purchase the 7.75% Notes. The 7.75% Notes also contain customary negative covenants and events of default. As of December 31, 2011, the Company was in compliance with all negative covenants and there were no events of default.

Senior Subordinated Convertible Notes

In January 2006, the Company issued $375,000 aggregate principal amount of Convertible Notes, of which $63,324 were outstanding at December 31, 2011. The Convertible Notes mature on April 1, 2026, unless earlier converted, redeemed or purchased by the Company, as discussed below. The Convertible Notes are unsecured senior subordinated obligations and subordinate to all future and existing debt under the Company's credit agreements, mortgages and floor plan indebtedness. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by substantially all of the Company's wholly-owned domestic subsidiaries. Those guarantees are full and unconditional and joint and several. The Convertible Notes also contain customary negative covenants and events of default. As of December 31, 2011, the Company was in compliance with all negative covenants and there were no events of default.

Holders of the Convertible Notes may convert them based on a conversion rate of 42.7796 shares of common stock per $1,000 principal amount of the Convertible Notes (which is equal to a conversion price of approximately $23.38 per share), subject to adjustment, only under the following circumstances: (1) in any quarterly period, if the closing price of the common stock for twenty of the last thirty trading days in the prior quarter exceeds $28.05 (subject to adjustment), (2) for specified periods, if the trading price of the Convertible Notes falls below specific thresholds, (3) if the Convertible Notes are called for redemption, (4) if specified distributions to holders of the common stock are made or specified corporate transactions occur, (5) if a fundamental change (as defined) occurs, or (6) during the ten trading days prior to, but excluding, the maturity date.

Upon conversion of the Convertible Notes, for each $1,000 principal amount of the Convertible Notes, a holder will receive an amount in cash, equal to the lesser of (i) $1,000 or (ii) the conversion value, determined in the manner set forth in the related indenture covering the Convertible Notes, of the number of shares of common stock equal to the conversion rate. If the conversion value exceeds $1,000, the Company will also deliver, at its election, cash, common stock or a combination of cash and common stock with respect to the remaining value deliverable upon conversion.

(In thousands, except per share amounts) — (Continued)

The Company will pay additional cash interest if the average trading price of a Convertible Note for certain periods in the prior six-month period equals 120% or more of the principal amount of the Convertible Notes. The Company may redeem the Convertible Notes, in whole at any time or in part from time to time, for cash at a redemption price of 100% of the principal amount of the Convertible Notes to be redeemed, plus any accrued and unpaid interest to the applicable redemption date.

Holders of the Convertible Notes may require the Company to purchase all or a portion of their Convertible Notes for cash on each of April 1, 2016 and April 1, 2021 at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to the applicable purchase date.

The liability and equity components related to the Convertible Notes consist of the following:

	December 31,	
	2011	2010
Carrying amount of the equity component	$36,936	$ 36,936
Principal amount of the liability component	$63,324	$150,602
Unamortized debt discount	—	1,718
Net carrying amount of the liability component	$63,324	$148,884

Mortgage Facilities

The Company is 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 the Company's other material indebtedness, certain change of control events, on 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 December 31, 2011, we owed $75,684 under our mortgage facilities.

10. Interest Rate Swaps

The Company periodically uses interest rate swaps to manage interest rate risk associated with the Company's variable rate floor plan debt. The Company is party to forward-starting interest rate swap agreements beginning January 2012 and maturing December 2014 pursuant to which the LIBOR portion of $300,000 of the Company's floating rate floor plan debt is fixed at a rate of 2.135% and $100,000 of the Company's floating rate floor plan debt is fixed at a rate of 1.55%. The Company may terminate these agreements at any time, subject to the settlement of the then current fair value of the swap arrangements.

During 2009, 2010 and into January 2011, the Company was party to interest rate swap agreements pursuant to which the LIBOR portion of $300,000 of the Company's floating rate floor plan debt was fixed at 3.67%.

The Company used Level 2 inputs to estimate the fair value of the interest rate swap agreements. As of December 31, 2011 and 2010, the fair value of the swaps designated as hedging instruments was estimated to be a liability of $15,952 and $1,016, respectively, which is recorded in accrued expenses, and as of December 31, 2010, the fair value of the swaps not designated as hedging instruments was estimated to be a liability of $35, which was recorded in accrued expenses.

(In thousands, except per share amounts) — (Continued)

During 2011, there was no hedge ineffectiveness recorded in the Company's income statement. During the year ended December 31, 2010, the Company recognized a net gain in accumulated other comprehensive income of $5,435 related to the effective portion of the interest rate swap agreements designated as hedging instruments, and reclassified $8,157 of derivative losses from accumulated other comprehensive income into floor plan interest expense. During the year ended December 31, 2010, the swap increased the weighted average interest rate on the Company's floor plan borrowings by approximately 80 basis points.

11. Commitments and Contingent Liabilities

The Company is 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 December 31, 2011, the Company is not party to any legal proceedings, including class action lawsuits, that, individually or in the aggregate, are reasonably expected to have a material effect on the Company's 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 effect on the Company's results of operations, financial condition or cash flows.

The Company has historically structured its operations so as to minimize ownership of real property. As a result, the Company leases or subleases substantially all of its facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at the Company's election. The Company estimates the total rent obligations under these leases, including any extension periods it may exercise at its discretion and assuming constant consumer price indices, to be $4.7 billion. Pursuant to the leases for some of the Company's larger facilities, the Company is 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 the Company 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.

Minimum future rental payments required under operating leases in effect as of December 31, 2011 are as follows:

2012	$ 176,949
2013	174,566
2014	173,207
2015	170,359
2016	169,791
2017 and thereafter	3,826,677
	$4,691,549

Rent expense for the years ended December 31, 2011, 2010, and 2009 amounted to $171,328, $163,234, and $157,182, respectively. Of the total rental payments, $385, $436, and $431, respectively, were made to related parties during 2011, 2010, and 2009, respectively (See Note 12).

The Company has sold a number of dealerships to third parties and, as a condition to certain of those sales, remains liable for the lease payments relating to the properties on which those businesses operate in the event of non-payment by the buyer. The Company is also party to lease agreements on properties that it no longer uses in its retail operations that it has sublet to third parties. The Company relies on subtenants to pay the rent and maintain the property at these locations. In the event the subtenant does not perform as expected, the Company may not be able to recover amounts owed to it and the Company could be required to fulfill these obligations. The aggregate rent paid by the tenants on those properties in 2011 was approximately $11,655, and, in aggregate, the Company currently guarantees or is otherwise liable for approximately $178,878 of these lease payments, including lease payments during available renewal periods.

12. Related Party Transactions

The Company currently is a tenant under a number of non-cancelable lease agreements with Automotive Group Realty, LLC and its subsidiaries (together "AGR"), which are subsidiaries of Penske Corporation. During the years ended December 31, 2011, 2010, and 2009, the Company paid $385, $436, and $431, respectively, to AGR under these lease agreements. From time to time, the Company may sell AGR real property and improvements that are subsequently leased by AGR to the Company. In addition, the Company may purchase real property or improvements from AGR. Any such transaction is valued at a price that is independently confirmed. During 2011, the Company purchased land from AGR for $1,400. There were no purchase or sale transactions with AGR in 2010 or 2009.

The Company sometimes pays to and/or receives fees from Penske Corporation and its affiliates for services rendered in the normal course of business, or to reimburse payments made to third parties on each others' behalf. These transactions and those relating to AGR mentioned above are reviewed periodically by the Company's Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. During the years ended December 31, 2011, 2010, and 2009, Penske Corporation and its affiliates billed the Company $4,913, $5,421, and $3,368, respectively, and the Company billed Penske Corporation and its affiliates $72, $41, and $24, respectively, for such services. As of December 31, 2011 and 2010, the Company had $2 and $6 of receivables from and $546 and $340 of payables to Penske Corporation and its subsidiaries, respectively.

The Company, Penske Corporation and certain affiliates have entered into a joint insurance agreement which provides that, with respect to any joint insurance (currently only our joint crime insurance policy), available coverage with respect to a loss shall be paid to each party per occurrence as stipulated in the policies. In the event of losses by the Company and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds will be allocated based on the ratio of premiums paid.

The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 41.1% of PTL. The remaining 49.9% of PTL is owned by General Electric Capital Corporation. The Company is party to a partnership agreement among the other partners which, among other things, provides us with specified partner distribution and governance rights and restricts our ability to transfer our interests. In 2011, 2010, and 2009, the Company received $7,751, $8,804, and $20,012, respectively, from PTL in pro rata cash dividends.

The Company is also party to an agreement pursuant to which PTL subleases a portion of our dealership location in New Jersey for $60 per year plus its pro rata share of certain property expenses. A similar agreement to sublease a portion of our dealership location in Arizona was terminated at the end of April 2011. We collected $20 in sublease rent prior to that termination. During 2010, and 2009, respectively, smart USA paid PTL $592, and $1,217 for assistance with roadside assistance and other services to smart fortwo owners, of which $309 and $863, respectively, were pass-through expenses to be paid by PTL to third-party vendors. In 2009, PTL began hosting the Company's disaster recovery site. Annual fees paid to PTL for this service are $70. The Company paid $70, $70 and $17 for these services in 2011, 2010 and 2009, respectively.

(In thousands, except per share amounts) — (Continued)

From time to time the Company enters into joint venture relationships in the ordinary course of business, pursuant to which it owns and operates automotive dealerships together with other investors. The Company may also provide these dealerships with working capital and other debt financing at costs that are based on the Company's incremental borrowing rate. As of December 31, 2011, the Company's automotive joint venture relationships were as follows:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	86.56% (A) (B)
Las Vegas, Nevada	Ferrari, Maserati	50.00% (C)
Frankfurt, Germany	Lexus, Toyota	50.00% (C)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen	50.00% (C)

(A) An entity controlled by one of the Company's directors, Lucio A. Noto (the "Investor"), owns a 13.44% 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) Entity is consolidated in the Company's financial statements.

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

13. Stock-Based Compensation

Key employees, outside directors, consultants and advisors of the Company are eligible to receive stock-based compensation pursuant to the terms of the Company's 2002 Equity Compensation Plan (the "Plan"). The Plan originally allowed for the issuance of 4,200 shares for stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and other awards. As of December 31, 2011, 1,184 shares of common stock were available for grant under the Plan. Compensation expense related to the Plan was $6,022, $6,908, and $5,631 during the years ended December 31, 2011, 2010, and 2009, respectively.

Restricted Stock

During 2011, 2010, and 2009, the Company granted 392, 391, and 114 shares, respectively, of restricted common stock at no cost to participants under the Plan. The restricted stock entitles the participants to vote their respective shares and receive dividends. The shares are subject to forfeiture and are non-transferable, which restrictions generally lapse over a four year period from the grant date. The grant date quoted market price of the underlying common stock is amortized as expense over the restriction period. As of December 31, 2011, there was $8,627 of unrecognized compensation cost related to the restricted stock, which is expected to be recognized over the next 3.5 years.

Presented below is a summary of the status of the Company's restricted stock as of December 31, 2010 and changes during the year ended December 31, 2011:

	Shares	Weighted Average Grant-Date Fair Value	Intrinsic Value
December 31, 2010	755	$16.52	$13,160
Granted	392	18.37	
Vested	(238)	18.61	
Forfeited	(45)	16.04	
December 31, 2011	864	$16.81	$14,517

(In thousands, except per share amounts) — (Continued)

Stock Options

Options were granted by the Company prior to 2006. These options generally vested over a three year period and had a maximum term of ten years. As of December 31, 2011, no stock options remain outstanding.

Presented below is a summary of the status of stock options held by participants during 2011, 2010, and 2009:

	2011		2010		2009	
Stock Options	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Options outstanding at beginning of year	236	$9.82	291	$9.29	324	$9.01
Granted	—	—	—	—	—	—
Exercised	236	9.82	55	6.99	33	6.65
Forfeited	—	—	—	—	—	—
Options outstanding at end of year	—	$ —	236	$9.82	291	$9.29

The total intrinsic value of stock options exercised was $2,671, $393, and $325 in 2011, 2010, and 2009, respectively.

14. Equity

Share Repurchase

During 2011 and 2010, respectively, the Company acquired 2,450 shares of our outstanding common stock for $44,263, or an average of $18.07 per share, and 68 shares of our outstanding common stock for $751, or an average of $10.97 per share, under a program approved by the Company's board of directors.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, follow:

	Currency Translation	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2009	$(43,046)	$ (2,943)	$(45,989)
Change	47,920	7,118	55,038
Balance at December 31, 2009	4,874	4,175	9,049
Change	(16,852)	6,130	(10,722)
Balance at December 31, 2010	(11,978)	10,305	(1,673)
Change	(5,792)	(18,269)	(24,061)
Balance at December 31, 2011	$(17,770)	$ (7,964)	$(25,734)

"Other" represents changes relating to other immaterial items, including: certain defined benefit plans in the U.K., changes in the fair value of interest rate swap agreements, and valuation adjustments relating to certain available for sale securities, each of which has been excluded from net income and reflected in equity.

(In thousands, except per share amounts) — (Continued)

15. Income Taxes

Income taxes relating to income from continuing operations consisted of the following:

	Year Ended December 31,		
	2011	2010	2009
Current:			
Federal	$16,118	$ 7,061	$(29,544)
State and local	3,694	2,392	869
Foreign	4,934	27,565	25,448
Total current	24,746	37,018	(3,227)
Deferred:			
Federal	34,237	21,355	37,646
State and local	863	5,455	7,549
Foreign	12,087	904	1,087
Total deferred	47,187	27,714	46,282
Income taxes relating to continuing operations	$71,933	$64,732	$ 43,055

Income taxes relating to income from continuing operations varied from the U.S. federal statutory income tax rate due to the following:

	Year Ended December 31,		
	2011	2010	2009
Income taxes relating to continuing operations at federal statutory rate of 35%	$ 86,936	$65,526	$43,274
State and local income taxes, net of federal taxes	1,925	6,075	5,701
Foreign	(944)	(6,001)	(7,115)
Uncertain tax positions	(16,061)	—	—
Other	77	(868)	1,195
Income taxes relating to continuing operations	$ 71,933	$64,732	$43,055

(In thousands, except per share amounts) — (Continued)

The components of deferred tax assets and liabilities at December 31, 2011 and 2010 were as follows:

	2011	2010
Deferred Tax Assets		
Accrued liabilities	$ 51,323	$ 46,562
Net operating loss carryforwards	12,133	23,164
Interest rate swap	6,215	297
Other	7,027	2,787
Total deferred tax assets	76,698	72,810
Valuation allowance	(11,839)	(7,335)
Net deferred tax assets	64,859	65,475
Deferred Tax Liabilities		
Depreciation and amortization	(121,723)	(94,742)
Partnership investments	(109,460)	(104,527)
Convertible notes	(21,335)	(17,454)
Other	(3,357)	(2,421)
Total deferred tax liabilities	(255,875)	(219,144)
Net deferred tax liabilities	$(191,016)	$(153,669)

The Company does not provide for U.S. taxes relating to undistributed earnings or losses of its foreign subsidiaries. Income from continuing operations before income taxes of foreign subsidiaries (which subsidiaries are predominately in the U.K.) was $98,158, $98,754 and $93,138 during the years ended December 31, 2011, 2010, and 2009, respectively. It is the Company's belief that such earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2011, the Company has not provided U.S. federal income taxes on a total of $700,356 of earnings of individual foreign subsidiaries. If these earnings were remitted as dividends, the Company would be subject to U.S. income taxes in excess of foreign taxes paid and certain foreign withholding taxes.

At December 31, 2011, the Company has $151,067 of state net operating loss carryforwards in the U.S. that expire at various dates beginning in 2012 through 2030, state credit carryforwards of $1,452 that will not expire, U.K. net operating loss carryforwards of $1,772 that will not expire, U.K. capital loss carryforwards of $5,109 that will not expire, and German net operating loss carryforwards of $8,529 that will not expire. The Company utilized $41,232 of federal net operating loss carryforwards, $90,121 of state net operating loss carryforwards and $3,987 of alternative minimum tax and general business credits in the U.S in 2011.

A valuation allowance of $2,979 has been recorded against the state net operating loss carryforwards in the U.S. and a valuation allowance of $235 has been recorded against the state credit carryforwards in the U.S. A valuation allowance of $2,024 has been recorded in 2011 against German net operating losses and a valuation allowance of $6,601 has been recorded in 2011 against U.K. deferred tax assets related to buildings.

(In thousands, except per share amounts) — (Continued)

Generally accepted accounting principles relating to uncertain income tax positions prescribe a minimum recognition threshold a tax position is required to meet before being recognized, and provides guidance on the derecognition, measurement, classification, and disclosure relating to income taxes. The movement in uncertain tax positions for the years ended December 31, 2011, 2010, and 2009 were as follows:

	2011	2010	2009
Uncertain tax positions — January 1	$ 36,097	$36,887	$32,901
Gross increase — tax position in prior periods	679	1,493	2,411
Gross decrease — tax position in prior periods	(19,077)	(288)	(165)
Gross increase — current period tax position	17	—	—
Settlements	(2,201)	(125)	—
Lapse in statute of limitations	(541)	(756)	(1,227)
Foreign exchange	(116)	(1,114)	2,967
Uncertain tax positions — December 31	$ 14,858	$36,097	$36,887

The Company has elected to include interest and penalties in its income tax expense. The total interest and penalties included within uncertain tax positions at December 31, 2011 was $3,678. The Company does not expect a significant change to the amount of uncertain tax positions within the next twelve months. The Company's U.S. federal returns remain open to examination for 2004 to 2010 and various foreign and U.S. states jurisdictions are open for periods ranging from 2002 through 2010. During the year a settlement was reached with the U.K. tax authorities in relation to tax enquiries for the years 2004 to 2009 in relation to one of the U.K. companies. The portion of the total amount of uncertain tax positions as of December 31, 2011 that would, if recognized, impact the effective tax rate was $14,531.

The Company has classified its tax reserves as a long term obligation on the basis that management does not expect to make payments relating to those reserves within the next twelve months.

16. Segment Information

The Company's operations are organized by management into operating segments by line of business and geography. The Company has determined it has two reportable segments as defined in generally accepted accounting principles for segment reporting, including: (i) Retail, consisting of our automotive retail operations and (ii) PAG Investments, consisting of our investments in non-automotive retail operations. The Retail 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 reportable segment have been grouped into four geographic operating segments, which 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). The accounting policies of the segments are the same and are described in Note 1.

(In thousands, except per share amounts) — (Continued)

The following table summarizes revenues, floor plan interest expense, other interest expense, debt discount amortization, depreciation and amortization, equity in earnings of affiliates, and income (loss) from continuing operations before certain non-recurring items and income taxes, which is the measure by which management allocates resources to its segments and which we refer to as adjusted segment income (loss), for each of the Company's reportable segments. Adjusted segment income excludes the items in the table below in order to enhance the comparability of segment income from period to period.

	Retail	PAG Investments	Total
Revenues			
2011	$11,556,232	$ —	$11,556,232
2010	10,328,385	—	10,328,385
2009	9,012,217	—	9,012,217
Floor plan interest expense			
2011	$ 28,515	$ —	$ 28,515
2010	33,779	—	33,779
2009	34,097	—	34,097
Other interest expense			
2011	$ 45,020	$ —	$ 45,020
2010	49,176	—	49,176
2009	55,085	—	55,085
Debt discount amortization			
2011	$ 1,718	$ —	$ 1,718
2010	8,637	—	8,637
2009	13,043	—	13,043
Depreciation			
2011	$ 48,903	$ —	$ 48,903
2010	46,253	—	46,253
2009	51,401	—	51,401
Equity in earnings of affiliates			
2011	$ 2,196	$23,255	$ 25,451
2010	2,577	17,992	20,569
2009	2,617	11,191	13,808
Adjusted segment income			
2011	$ 225,133	$23,255	$ 248,388
2010	169,722	17,992	187,714
2009	101,620	11,191	112,811

The following table reconciles total adjusted segment income to consolidated income from continuing operations before income taxes.

	Year Ended December 31,		
	2011	2010	2009
Adjusted segment income	$248,388	$187,714	$112,811
Gain on debt repurchase	—	1,634	10,429
Income (loss) from continuing operations before income taxes	$248,388	$189,348	$123,240

(In thousands, except per share amounts) — (Continued)

Total assets, equity method investments, and capital expenditures by reporting segment are as set forth in the table below.

	Retail	PAG Investments	Total
Total assets			
2011	$4,253,570	$248,729	$4,502,299
2010	3,833,530	236,302	4,069,832
Equity method investments			
2011	$ 49,911	$248,729	$ 298,640
2010	52,104	236,302	288,406
Capital expenditures			
2011	$ 133,115	$ —	$ 133,115
2010	75,699	—	75,699
2009	89,203	—	89,203

The following table presents certain data by geographic area:

	Year Ended December 31,		
	2011	2010	2009
Sales to external customers:			
U.S.	$ 7,294,981	$ 6,460,046	$5,546,551
Foreign	4,261,251	3,868,339	3,465,666
Total sales to external customers	$11,556,232	$10,328,385	$9,012,217
Long-lived assets, net:			
U.S.	$ 846,108	$ 738,779	
Foreign	325,005	280,726	
Total long-lived assets	$ 1,171,113	$ 1,019,505	

The Company's foreign operations are predominantly based in the U.K.

(In thousands, except per share amounts) — (Continued)

17. Summary of Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011(1)(2)				
Total revenues	$2,779,690	$2,874,905	$2,942,520	$2,959,117
Gross profit	442,188	461,646	465,736	455,820
Net income	33,997	40,059	56,045	48,157
Net income attributable to Penske Automotive Group common stockholders	33,927	39,560	55,707	47,687
Diluted earnings per share attributable to Penske Automotive Group common stockholders	$ 0.37	$ 0.43	$ 0.61	$ 0.53
2010(1)(2)(3)				
Total revenues	$2,402,149	$2,596,383	$2,659,549	$2,670,304
Gross profit	396,747	413,883	416,557	416,928
Net income	20,332	29,684	30,260	29,071
Net income attributable to Penske Automotive Group common stockholders	20,354	29,441	29,977	28,509
Diluted earnings per share attributable to Penske Automotive Group common stockholders	$ 0.22	$ 0.32	$ 0.33	$ 0.31

(1) As discussed in Note 4, the Company has treated the operations of certain entities as discontinued operations. The results for all periods have been restated to reflect such treatment.

(2) Per share amounts are calculated independently for each of the quarters presented. The sum of the quarters may not equal the full year per share amounts due to rounding.

(3) Results for the year ended December 31, 2010 include first, second, and third quarter pre-tax gains of $605, $422, and $607, respectively, relating to the repurchase of $155,658 aggregate principal amount of the Convertible Notes.

18. Condensed Consolidating Financial Information

The following tables include condensed consolidating financial information as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010, and 2009 for Penske Automotive Group, Inc. (as the issuer of the Convertible Notes and the 7.75% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing foreign entities). The condensed consolidating financial information includes certain allocations of balance sheet, income statement and cash flow items which are not necessarily indicative of the financial position, results of operations and cash flows of these entities on a stand-alone basis.

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2011

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 29,116	$ —	$ —	$ 27,035	$ 2,081
Accounts receivable, net	444,673	(297,782)	305,386	283,281	153,788
Inventories	1,605,280	—	—	904,820	700,460
Other current assets	80,307	—	2,306	40,412	37,589
Assets held for sale	33,224	—	—	21,073	12,151
Total current assets	2,192,600	(297,782)	307,692	1,276,621	906,069
Property and equipment, net	858,975	—	6,730	548,985	303,260
Intangible assets	1,138,586	—	—	701,717	436,869
Equity method investments	298,640	—	246,658	—	51,982
Other long-term assets	13,498	(1,360,808)	1,369,182	3,389	1,735
Total assets	$4,502,299	$(1,658,590)	$1,930,262	$2,530,712	$1,699,915
Floor plan notes payable	$ 988,650	$ —	$ —	$ 560,998	$ 427,652
Floor plan notes payable — non-trade	713,635	—	90,892	345,674	277,069
Accounts payable	223,313	—	1,633	112,955	108,725
Accrued expenses	202,761	(297,782)	—	99,528	401,015
Current portion of long-term debt	3,414	—	—	3,414	—
Liabilities held for sale	17,899	—	—	6,465	11,434
Total current liabilities	2,149,672	(297,782)	92,525	1,129,034	1,225,895
Long-term debt	846,777	(38,073)	697,324	77,060	110,466
Deferred tax liabilities	217,902	—	—	198,348	19,554
Other long-term liabilities	147,535	—	—	93,328	54,207
Total liabilities	3,361,886	(335,855)	789,849	1,497,770	1,410,122
Total equity	1,140,413	(1,322,735)	1,140,413	1,032,942	289,793
Total liabilities and equity	$4,502,299	$(1,658,590)	$1,930,262	$2,530,712	$1,699,915

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2010

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 19,688	$ —	$ —	$ 15,211	$ 4,477
Accounts receivable, net	382,382	(269,021)	269,021	228,306	154,076
Inventories	1,443,284	—	—	873,795	569,489
Other current assets	68,225	—	1,127	32,547	34,551
Assets held for sale	133,019	—	—	124,480	8,539
Total current assets	2,046,598	(269,021)	270,148	1,274,339	771,132
Property and equipment, net	716,427	—	4,957	445,322	266,148
Intangible assets	1,003,729	—	—	482,953	520,776
Equity method investments	288,406	—	234,214	—	54,192
Other long-term assets	14,672	(1,212,538)	1,222,168	3,088	1,954
Total assets	$4,069,832	$(1,481,559)	$1,731,487	$2,205,702	$1,614,202
Floor plan notes payable	$ 911,548	$ —	$ —	$ 562,581	$ 348,967
Floor plan notes payable — non-trade	497,074	—	25,000	293,303	178,771
Accounts payable	251,960	—	2,186	86,190	163,584
Accrued expenses	201,714	(269,021)	564	95,978	374,193
Current portion of long-term debt	10,593	—	—	1,264	9,329
Liabilities held for sale	88,117	—	—	81,854	6,263
Total current liabilities	1,961,006	(269,021)	27,750	1,121,170	1,081,107
Long-term debt	769,285	(77,593)	657,884	49,689	139,305
Deferred tax liabilities	178,406	—	—	165,666	12,740
Other long-term liabilities	115,282	—	—	99,238	16,044
Total liabilities	3,023,979	(346,614)	685,634	1,435,763	1,249,196
Total equity	1,045,853	(1,134,945)	1,045,853	769,939	365,006
Total liabilities and equity	$4,069,832	$(1,481,559)	$1,731,487	$2,205,702	$1,614,202

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2011

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$11,556,232	$ —	$ —	$6,788,576	$4,767,656
Cost of sales	9,730,842	—	—	5,661,749	4,069,093
Gross profit	1,825,390	—	—	1,126,827	698,563
Selling, general, and administrative expenses	1,478,297	—	18,978	900,362	558,957
Depreciation	48,903	—	1,369	26,490	21,044
Operating income (loss)	298,190	—	(20,347)	199,975	118,562
Floor plan interest expense	(28,515)	—	(1,364)	(14,434)	(12,717)
Other interest expense	(45,020)	—	(25,464)	(3,276)	(16,280)
Debt discount amortization	(1,718)	—	(1,718)	—	—
Equity in earnings of affiliates	25,451	—	23,044	—	2,407
Equity in earnings of subsidiaries	—	(272,860)	272,860	—	—
Income from continuing operations before income taxes	248,388	(272,860)	247,011	182,265	91,972
Income taxes	(71,933)	79,461	(71,933)	(53,097)	(26,364)
Income from continuing operations	176,455	(193,399)	175,078	129,168	65,608
Loss from discontinued operations, net of tax	1,803	(1,803)	1,803	2,608	(805)
Net income	178,258	(195,202)	176,881	131,776	64,803
Less: Income attributable to the non-controlling interests	1,377	—	—	—	1,377
Net income attributable to Penske Automotive Group common stockholders	$ 176,881	$(195,202)	$176,881	$ 131,776	$ 63,426

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2010

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$10,328,385	$ —	$ —	$5,923,698	$4,404,687
Cost of sales	8,684,270	—	—	4,934,474	3,749,796
Gross profit	1,644,115	—	—	989,224	654,891
Selling, general, and administrative expenses	1,339,125	—	17,182	803,007	518,936
Depreciation	46,253	—	1,116	25,236	19,901
Operating income (loss)	258,737	—	(18,298)	160,981	116,054
Floor plan interest expense	(33,779)	—	(576)	(23,539)	(9,664)
Other interest expense	(49,176)	—	(30,237)	(2,220)	(16,719)
Debt discount amortization	(8,637)	—	(8,637)	—	—
Equity in earnings of affiliates	20,569	—	18,367	—	2,202
Gain on debt repurchase	1,634	—	1,634	—	—
Equity in earnings of subsidiaries	—	(226,029)	226,029	—	—
Income from continuing operations before income taxes	189,348	(226,029)	188,282	135,222	91,873
Income taxes	(64,732)	77,710	(64,732)	(51,534)	(26,176)
Income from continuing operations	124,616	(148,319)	123,550	83,688	65,697
Loss from discontinued operations, net of tax	(15,269)	15,269	(15,269)	(15,548)	279
Net income	109,347	(133,050)	108,281	68,140	65,976
Less: Income attributable to the non-controlling interests	1,066	—	—	—	1,066
Net income attributable to Penske Automotive Group common stockholders	$ 108,281	$(133,050)	$108,281	$ 68,140	$ 64,910

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2009

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$9,012,217	$ —	$ —	$5,103,635	$3,908,582
Cost of sales	7,505,088	—	—	4,214,692	3,290,396
Gross profit	1,507,129	—	—	888,943	618,186
Selling, general, and administrative expenses	1,254,500	—	18,259	749,693	486,548
Depreciation	51,401	—	1,160	30,980	19,261
Operating income (loss)	201,228	—	(19,419)	108,270	112,377
Floor plan interest expense	(34,097)	—	—	(23,804)	(10,293)
Other interest expense	(55,085)	—	(41,036)	(140)	(13,909)
Debt discount amortization	(13,043)	—	(13,043)	—	—
Equity in earnings of affiliates	13,808	—	11,087	—	2,721
Gain on debt repurchase	10,429	—	10,429	—	—
Equity in earnings of subsidiaries	—	(174,763)	174,763	—	—
Income from continuing operations before income taxes	123,240	(174,763)	122,781	84,326	90,896
Income taxes	(43,055)	61,283	(43,055)	(35,394)	(25,889)
Income from continuing operations	80,185	(113,480)	79,726	48,932	65,007
Loss from discontinued operations, net of tax	(3,265)	3,265	(3,265)	(981)	(2,284)
Net income	76,920	(110,215)	76,461	47,951	62,723
Less: Income attributable to the non-controlling interests	459	—	—	—	459
Net income attributable to Penske Automotive Group common stockholders	$ 76,461	$(110,215)	$ 76,461	$ 47,951	$ 62,264

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	(In thousands)			
Net cash from continuing operating activities	$ 122,617	$ (39,449)	$ 188,463	$ (26,397)
Investing activities:				
Purchase of property and equipment	(133,115)	(1,280)	(81,482)	(50,353)
Dealership acquisitions, net	(232,106)	—	(230,426)	(1,680)
Other	2,865	—	—	2,865
Net cash from continuing investing activities	(362,356)	(1,280)	(311,908)	(49,168)
Financing activities:				
Repayment under U.S. credit agreement term loan	(7,000)	(7,000)	—	—
Repurchase 3.5% senior subordinated convertible notes	(87,278)	(87,278)	—	—
Net borrowings (repayments) of long-term debt	158,395	132,000	54,494	(28,099)
Net (repayments) borrowings of floor plan notes payable — non-trade	216,561	65,892	44,821	105,848
Proceeds from exercises of options, including excess tax benefit	3,370	3,370	—	—
Repurchase of common stock	(44,263)	(44,263)	—	—
Dividends	(21,992)	(21,992)	—	—
Distributions from (to) parent	—	—	6,139	(6,139)
Net cash from continuing financing activities	217,793	40,729	105,454	71,610
Net cash from discontinued operations	31,374	—	29,815	1,559
Net change in cash and cash equivalents	9,428	—	11,824	(2,396)
Cash and cash equivalents, beginning of period	19,688	—	15,211	4,477
Cash and cash equivalents, end of period	$ 29,116	$ —	$ 27,035	$ 2,081

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	(In thousands)			
Net cash from continuing operating activities	$ 198,440	$ 133,059	$ 40,532	$ 24,849
Investing activities:				
Purchase of property and equipment	(75,699)	(66)	(51,261)	(24,372)
Dealership acquisitions, net	(22,232)	—	(22,232)	—
Other	13,822	13,822	—	—
Net cash from continuing investing activities	(84,109)	13,756	(73,493)	(24,372)
Financing activities:				
Repayment under U.S. credit agreement term loan	(15,000)	(15,000)	—	—
Repurchase 3.5% senior subordinated convertible notes	(156,604)	(156,604)	—	—
Net borrowings (repayments) of long-term debt	(15,402)	—	(13,613)	(1,789)
Net (repayments) borrowings of floor plan notes payable — non-trade	80,151	25,000	51,384	3,767
Proceeds from exercises of options, including excess tax benefit	540	540	—	—
Repurchase of common stock	(751)	(751)	—	—
Distributions from (to) parent	—	—	1,365	(1,365)
Net cash from continuing financing activities	(107,066)	(146,815)	39,136	613
Net cash from discontinued operations	(5,796)	—	(3,283)	(2,513)
Net change in cash and cash equivalents	1,469	—	2,892	(1,423)
Cash and cash equivalents, beginning of period	18,219	—	12,319	5,900
Cash and cash equivalents, end of period	$ 19,688	$ —	$ 15,211	$ 4,477

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In thousands)		
Net cash from continuing operating activities	$ 302,334	$ 42,525	$ 85,374	$ 174,435
Investing activities:				
Purchase of property and equipment	(89,203)	(240)	(65,310)	(23,653)
Proceeds from sale-leaseback transactions	2,338	—	2,338	—
Dealership acquisitions, net	(8,517)	—	(597)	(7,920)
Other	17,994	11,485	(206)	6,715
Net cash from continuing investing activities	(77,388)	11,245	(63,775)	(24,858)
Financing activities:				
Repayment under U.S. credit agreement term loan	(60,000)	(60,000)	—	—
Repurchase 3.5% senior subordinated convertible notes	(51,424)	(51,424)	—	—
Net borrowings (repayments) of long-term debt	(17,402)	57,305	(126)	(74,581)
Net (repayments) borrowings of floor plan notes payable — non-trade	(82,799)	—	(11,608)	(71,191)
Proceeds from exercises of options, including excess tax benefit	349	349	—	—
Distributions from (to) parent	—	—	317	(317)
Net cash from continuing financing activities	(211,276)	(53,770)	(11,417)	(146,089)
Net cash from discontinued operations	(11,266)	—	(12,534)	1,268
Net change in cash and cash equivalents	2,404	—	(2,352)	4,756
Cash and cash equivalents, beginning of period	15,815	—	14,671	1,144
Cash and cash equivalents, end of period	$ 18,219	$ —	$ 12,319	$ 5,900

PENSKE AUTOMOTIVE GROUP, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Additions	Deductions, Recoveries, & Other	Balance at End of Year
	(In thousands)			
Year Ended December 31, 2011				
Allowance for doubtful accounts	$1,884	$1,142	$ (770)	$ 2,256
Tax valuation allowance	7,335	8,831	(4,327)	11,839
Year Ended December 31, 2010				
Allowance for doubtful accounts	$1,644	$ 948	$ (708)	$ 1,884
Tax valuation allowance	6,073	3,213	(1,951)	7,335
Year Ended December 31, 2009				
Allowance for doubtful accounts	$2,081	$1,211	$(1,648)	$ 1,644
Tax valuation allowance	3,378	3,649	(954)	6,073

Exhibit 31.1

CERTIFICATION

I, Roger S. Penske, certify that:

1. I have reviewed this annual report on Form 10-K of Penske Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

February 24, 2012

Exhibit 31.2

CERTIFICATION

I, David K. Jones, certify that:

1. I have reviewed this annual report on Form 10-K of Penske Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID K. JONES

David K. Jones
Chief Financial Officer

February 24, 2012

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Penske Automotive Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Roger S. Penske and David K. Jones, Principal Executive Officer and Principal Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

February 24, 2012

/s/ DAVID K. JONES

David K. Jones
Chief Financial Officer

February 24, 2012

A signed original of this written statement required by Section 906 has been provided to Penske Automotive Group, Inc. and will be retained by Penske Automotive Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dear Fellow Stockholder:

You are invited to attend the annual meeting of stockholders of Penske Automotive Group, Inc. to be held at 8:00 a.m., Eastern Daylight Time on May 9, 2012, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan.

The agenda for this year's annual meeting includes the annual election of directors, ratification of the selection of our independent auditing firm and an advisory vote regarding our executive officer compensation. The Board of Directors recommends that you vote FOR the director nominees, FOR the ratification of our independent auditors and FOR approval of our executive officer compensation. Please refer to the detailed information on each of these proposals and our annual meeting of stockholders in the accompanying materials.

The annual meeting provides an excellent opportunity for stockholders to become better acquainted with the Company and its directors and officers, and I hope that you will attend. Whether or not you plan to attend, we ask that you cast your vote as soon as possible. This will assure your shares are represented at the meeting. Thank you for your continued support of Penske Automotive Group.

Sincerely,

/s/ Roger S. Penske

Roger S. Penske
Chairman of the Board and
Chief Executive Officer

Bloomfield Hills, Michigan
March 19, 2012

HOW TO VOTE: Please complete, date, sign and return the accompanying proxy card or voting instruction card, or vote electronically through the Internet or by telephone. The enclosed return envelope requires no additional postage if mailed in the United States.

REDUCE MAILING COSTS: If you vote through the Internet, you may elect to have next year's proxy statement and annual report to stockholders delivered to you electronically. We strongly encourage you to enroll in electronic delivery. It is a cost-effective way for us to provide you with proxy materials and annual reports.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
and
NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

May 9, 2012

We will hold our annual meeting of stockholders at 8:00 a.m., Eastern Daylight Time on May 9, 2012, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan. The annual meeting agenda items are:

(1) election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified;

(2) ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2012;

(3) advisory vote regarding executive compensation; and

(4) transaction of such other business as may properly come before the annual meeting and any postponement or adjournment thereof.

Stockholders of record as of March 16, 2012 can vote at the annual meeting and any postponements or adjournments of the annual meeting. We will make available for inspection a list of holders of our common stock as of the record date during business hours from April 20, 2012 through May 9, 2012 at our corporate headquarters. This proxy statement and the enclosed proxy card are first being distributed on or about March 19, 2012.

Please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope or vote electronically through the Internet or by telephone. Your prompt voting will help to ensure a quorum. If you choose to attend the annual meeting, you may revoke your proxy and vote personally on all matters brought before the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 9, 2012

The proxy statement and 2011 annual report to stockholders are available at the Investor Relations section of our website at www. penskeautomotive.com/investorrelations.aspx.

By Order of the Board of Directors,

/s/ Shane M. Spradlin

Shane M. Spradlin
Executive Vice President, General Counsel and Secretary

Bloomfield Hills, Michigan
March 19, 2012

2012 Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Stockholders

• Time and Date	8:00 a.m., May 9, 2012
• Place	Penske Automotive Group Principal Office 2555 Telegraph Road Bloomfield Hills, MI 48302
• Record Date	March 16, 2012
• Voting	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

Voting Matters

	Board Vote Recommendation	Page Reference
Election of Directors	FOR EACH DIRECTOR NOMINEE	Page 6
Ratification of Deloitte & Touche LLP as Auditor for 2012	FOR	Page 15
Advisory Vote on Executive Compensation	FOR	Page 19

Board Nominees

- The following table provides summary information about each director nominee. Each director nominee is elected annually by a majority of votes cast.

				Committee Memberships				
Name	Age	Director Since	Occupation	AC	CMDC	NCGC	EC	Independent
John D. Barr	64	2002	Chairman Papa Murphy's International	X				X
Michael R. Eisenson	56	1993	Managing Director & CEO Charlesbank Capital Partners	X			X	X
Robert H. Kurnick, Jr.	50	2006	President Penske Automotive Group				X	
William J. Lovejoy	71	2004	Manager Lovejoy & Associates		X			X
Kimberly J. McWaters	47	2004	CEO Universal Technical Institute			X		X

Name	Age	Director Since	Occupation	Committee Memberships AC	CMDC	NCGC	EC	Independent
Yoshimi Namba	46	2010	Sr. Vice President – International Business Development Penske Automotive Group					
Lucio A. Noto	73	2001	Retired Vice Chairman ExxonMobil Corporation		X		X	X
Roger S. Penske	75	1999	Chairman and CEO Penske Automotive Group				X	
Richard J. Peters	64	1999	Managing Director Transportation Resource Partners					
Ronald G. Steinhart	71	2001	Retired Chairman and CEO Commercial Banking Group, Bank One Corporation	X				X
H. Brian Thompson	72	2002	Executive Chairman Global Telecom & Technology	X		X	X	X

AC	Audit Committee
CMDC	Compensation & Management Development Committee
NCGC	Nominating & Corporate Governance Committee
EC	Executive Committee

Attendance Each director nominee, all of whom are current directors, attended at least 78% of meetings of the Board and of the committees of which he or she is a member.

Auditors

As a matter of good corporate governance, we are asking our stockholders to ratify the selection of Deloitte & Touche as our independent auditor for 2012. Set forth below is summary information with respect to Deloitte & Touche's fees for services provided in 2011.

	Deloitte	KPMG
Audit Fees	$ 1,212,000	$ 526,400
Audit Related Fees	55,475	5,100
Tax Fees		
Tax Compliance	41,000	–
Other Tax Fees	196,635	272,800
	237,635	272,800
All Other Fees	–	72,000
Total Fees	$ 1,505,110	$ 876,300

Executive Compensation

We are asking stockholders to annually approve on an advisory basis our named executive officer compensation. The Board recommends a FOR vote because it believes that our compensation policies and practices are effective in achieving the Company's goals of rewarding sustained financial and operating performance and leadership excellence, aligning the executives' long-term interest with those of our stockholders and motivating the executives to remain with the Company for long and productive careers. In 2011, over 97% of the votes cast by our stockholders approved of our 2010 executive compensation and there have not been any significant changes to the elements of our executive compensation in 2011.

2011 Compensation Summary

Set forth below is the 2011 compensation for each named executive officer as determined under SEC rules.

Name and Principal Position	Salary ($)	Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Roger S. Penske Chief Executive Officer	1,200,000	—	3,150,000 (2)	114,933 (3)	4,464,933
Robert H. Kurnick, Jr. President	700,000	—	540,000 (4)	57,115 (5)	1,297,115
David K. Jones(6) Executive Vice President & Chief Financial Officer	364,038	125,000	189,240	464,559 (7)	1,142,837
Calvin C. Sharp Executive Vice President — Human Resources	400,000	90,000	68,390	43,000 (8)	601,390
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	400,000	160,000	117,240	53,287 (9)	730,527
Robert T. O'Shaughnessy(10) Former Chief Financial Officer	279,327	—	175,860	27,211 (11)	482,398

Please see the footnote references on pages 29 through 30 for further information regarding our named executive officer compensation.

PROCEDURAL QUESTIONS ABOUT THE MEETING

Q. What am I voting on?

A. Proposal 1:	Election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified
Proposal 2:	Ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2012
Proposal 3:	Advisory vote regarding executive compensation

Q. Who can vote?

A. Our stockholders as of the close of business on the record date, March 16, 2012, can vote at the annual meeting. Each share of our common stock gets one vote. Votes may not be cumulated. As of March 16, 2012, there were 90,322,045 shares of our common stock outstanding.

Q. How do I vote?

1. YOU MAY VOTE BY MAIL. If you properly complete, sign and date the accompanying proxy card or voting instruction card and return it in the enclosed envelope, it will be voted in accordance with your instructions. Votes submitted by mail must be received at the Company's headquarters on or before May 8, 2012. The enclosed envelope requires no additional postage if mailed in the United States.

2. YOU MAY VOTE BY TELEPHONE OR THROUGH THE INTERNET. If you are a registered stockholder (that is, if you hold your stock directly and not in street name), you may vote by telephone or through the Internet by following the instructions included on the proxy card. If you vote by telephone or through the Internet, you do not have to mail in your proxy card. Internet and telephone voting are available 24 hours a day. Votes submitted through the Internet or by telephone must be received by 1:00 a.m. Eastern time on May 9, 2012.

   If you are the beneficial owner of shares held in street name, you still may be able to vote your shares electronically by telephone or through the Internet. The availability of telephone and Internet voting will depend on the voting process of the record holder of your shares. We recommend that you follow the instructions set forth on the voting instruction card provided to you.

   > **NOTE: If you vote through the Internet, you may elect to have next year's proxy statement and annual report to stockholders delivered to you electronically. We strongly encourage you to enroll in electronic delivery. It is a cost-effective way for us to provide you with proxy materials and annual reports.**

3. YOU MAY VOTE IN PERSON AT THE MEETING. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. Additionally, we will pass out ballots to registered stockholders who wish to vote in person at the meeting. If you are a beneficial owner of shares held in street name who wishes to vote at the meeting, you will need to obtain a legal proxy from your record holder and bring it with you to the meeting.

Q. Can I change my mind after I vote?

A. You may change your vote at any time before the meeting by (1) signing and returning another proxy card with a later date (or voting through the Internet or telephone again), (2) voting at the meeting if you are a registered stockholder or have obtained a legal proxy from your bank or broker or (3) sending a notice to our Corporate Secretary prior to the meeting stating that you are revoking your proxy.

Q. What if I return my proxy card but do not provide voting instructions?

A. Proxies that are signed and returned but do not contain instructions will be voted (1) FOR the election of the eleven nominees for director, (2) FOR the ratification of our independent auditors, (3) FOR approval of our executive officer compensation and (4) in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

Q. Will my shares be voted if I do not provide my proxy instruction form?

A. If you are a registered stockholder and do not provide a proxy, you must attend the meeting in order to vote your shares. If you hold shares through an account with a bank or broker, your shares may be voted even if you do not provide voting instructions on your instruction form. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters. Under these rules, only the proposal to ratify our independent auditing firm is a "routine matter" being voted on by our stockholders this year.

Q. May stockholders ask questions at the meeting?

A. Yes. Our representatives will answer stockholders' questions of general interest at the end of the meeting. In order to give a greater number of stockholders an opportunity to ask questions, individuals or groups may be allowed to ask only one question and repetitive or follow-up questions may not be permitted.

Q. How many votes must be present to hold the meeting?

A. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy card or vote via the Internet or telephone. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of March 16, 2012 must be present in person or by proxy at the meeting (45,161,023). This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

Q. How many votes are needed to approve the proposals?

A. Regarding proposal 1, the eleven nominees receiving the highest number of "For" votes will be elected as directors. This number is called a plurality. Shares not voted, whether by marking "Abstain" on the proxy card or otherwise, will have no impact on the election of directors. Regarding proposals 2 and 3, each measure will pass if it receives the affirmative vote of a majority of the shares present and entitled to vote at the meeting.

Q. How do I vote my 401(k) shares?

A. If you participate in the Penske Automotive Group 401(k) Plan, you may vote the number of shares credited to your account as of 5:00 p.m. Eastern Daylight Time on March 16, 2012 by instructing the plan's trustee how to vote your shares pursuant to the instruction card being mailed with this proxy statement to plan participants. If you do not provide clear voting instructions, the trustee will not vote the shares in your account.

PROPOSAL 1 — Election of Directors

The first proposal to be voted on at the annual meeting will be the election of eleven director nominees. Our Nominating and Corporate Governance Committee and Board of Directors recommend approval of each of the nominees outlined below. If elected, each will serve a one-year term. Pursuant to a stockholders agreement, certain of our stockholders affiliated with Roger S. Penske and Mitsui & Co., Ltd. have agreed to vote together to elect members of our Board of Directors. See “Related Party Transactions” for a description of this stockholders agreement.

Director Nominees. Our Nominating and Corporate Governance Committee has established minimum qualifications for director nominees, including having personal integrity, loyalty to Penske Automotive Group and concern for its success and welfare, willingness to apply sound and independent business judgment and having sufficient time available for Penske Automotive Group matters. Experience in at least one of the following is also desired: high level of leadership experience in business or administration, breadth of knowledge concerning issues affecting Penske Automotive Group, willingness to contribute special competence to board activities, accomplishments within the director’s respective field, and experience reading and understanding financial statements.

The Nominating and Corporate Governance Committee and Board of Directors reviewed the qualities of the Board members as a group, including the diversity of the Board’s career experiences, viewpoints, company affiliations, expertise with respect to the various facets of our business operations, and business experiences. The Board did not employ any particular benchmarks with respect to these qualities, but was mindful of achieving an appropriate balance of these qualities with respect to the Board of Directors as a whole. Moreover, the Board of Directors and Nominating and Corporate Governance Committee considered each nominee’s overall service to Penske Automotive Group during the previous term, each nominee’s personal integrity and adherence to the standards noted above, as well as the individual experience of each director noted within their biographies below.

Our Board of Directors Recommends a Vote "FOR" Each of the Following Nominees:

John D. Barr — Chairman, Papa Murphy's International Inc.	*Mr. Barr,* 64, has served as a director since December 2002. Mr. Barr has been the Chairman of Papa Murphy's International Inc., a take-and-bake pizza chain, since September 2009 and was its Chief Executive Officer from April 2005 to January 1, 2012. From 1999 until April 2004, Mr. Barr served as President and Chief Executive Officer of Automotive Performance Industries, a vehicle transportation service provider. Prior thereto, Mr. Barr was President and Chief Operating Officer, as well as a member of the Board of Directors, of the Quaker State Corporation from June 1995 to 1999. Prior to joining Quaker State, Mr. Barr spent 25 years with The Valvoline Company, a subsidiary of Ashland, Inc., where he was President and Chief Executive Officer from 1987 to 1995. In the previous five years, Mr. Barr was formerly a director of Clean Harbors, Inc., UST, Inc. and James Hardie Industries. *Individual experience*: Extensive oil industry experience from serving ultimately as COO and director of Quaker State Corporation; breadth of knowledge concerning issues affecting our Company; experience with franchise business model as CEO of Papa Murphy's International.
Michael R. Eisenson — Managing Director and CEO of Charlesbank Capital Partners LLC	*Mr. Eisenson*, 56, has served as a director since December 1993. He is a Managing Director and CEO of Charlesbank Capital Partners LLC, a private investment firm and the successor to Harvard Private Capital Group, Inc., which he joined in 1986. Mr. Eisenson is also a director of Blueknight Energy Partners, L.P., CIFC Corp., Montpelier RE Holdings Ltd. and a number of private companies. In the previous five years, Mr. Eisenson was formerly a director of Animal Health International, Inc., Catlin Group Limited, Playtex Products, Inc., and Caliper Life Sciences, Inc. *Individual experience*: Familiarity with all of the Company's key operations from serving as our director since 1993; experience managing Charlesbank and affiliates and their portfolio companies; experience in commercial finance, private equity and leveraged finance; demonstrated success serving as our audit committee chairman.
Robert H. Kurnick, Jr. — President of Penske Automotive Group	*Mr. Kurnick, Jr.*, 50, has served as our President since April 2008. From March 2006 to April 2008 he served as our Vice Chairman and has been a director since May 2006. He also serves as President and a director of Penske Corporation, which he joined in 1995. Penske Corporation is a privately owned diversified transportation services company that holds, through its subsidiaries, interests in a number of businesses. *Individual experience*: Familiarity with all of the Company's key operations; breadth of knowledge concerning issues affecting our Company; extensive automotive industry experience; experience as President of Penske Corporation.

William J. Lovejoy — Manager of Lovejoy & Associates	*Mr. Lovejoy, 71*, has served as a director since March 2004. Since September 2003, Mr. Lovejoy has served as Manager of Lovejoy & Associates, an automotive consulting firm. From January 2000 until December 2002, Mr. Lovejoy served as Group Vice President, North American vehicle sales, service and marketing for General Motors Corporation. From 1994 until December 1999, Mr. Lovejoy served as Vice President of General Motors service and parts operation. From 1962 until 1992, Mr. Lovejoy served in various capacities for General Motors Acceptance Corporation ("GMAC") and ultimately President of GMAC in 1990. Mr. Lovejoy also serves on the Advisory Board of On My Own of Michigan. *Individual experience*: Extensive automotive industry experience with General Motors, including its sales and service and parts operations; automotive finance experience culminating with experience as President of GMAC; breadth of knowledge concerning issues affecting our Company.
Kimberly J. McWaters — CEO of Universal Technical Institute, Inc.	*Ms. McWaters,* 47, has served as a director since December 2004. Since October 2003, Ms. McWaters has served as CEO of Universal Technical Institute, Inc. ("UTI"), a nationwide provider of technical educational training for individuals seeking careers as professional automotive technicians. From February 2000 to February 2011, Ms. McWaters served as President of UTI. From 1984 until 2000, Ms. McWaters held several positions at UTI including Vice President of Marketing and Vice President of Sales and Marketing. *Individual experience*: Automotive industry experience with Universal Technical Institute; accomplishment within her field culminating with leadership experience as Chief Executive Officer of UTI; expertise relating to service and parts operations and particularly service technicians.
Yoshimi Namba — Senior Vice President International Business Development of Penske Automotive Group	*Mr. Namba,* 46, has served as a director and our Senior Vice President — International Business Development since October 2010. Mr. Namba is currently an employee of Mitsui & Co., Ltd. (Japan) and has held several positions with Mitsui since August 2001. Mr. Namba served as the Deputy General Manager of Mitsui's Second Motor Vehicles Division from June 2010 to October 2010. From May 2009 to June 2010, he served as the General Manager of Mitsui's Mining and Construction Machinery First Department. From November 2005 to May 2009, Mr. Namba first served as the Deputy General Manager and then the General Manager of Mitsui's Yamaha Business Department. Mr. Namba began his career at Mitsui in August 2001 serving as the Chief Operating Officer and Vice President of its PT Bussan Auto Finance (Indonesia) subsidiary until November 2005. *Individual experience*: Global automotive industry experience; breadth of knowledge concerning international opportunities; affiliation with Mitsui, which is the Company's second largest stockholder.

Lucio A. Noto —
Retired Vice Chairman of ExxonMobil Corporation

Mr. Noto, 73, has served as a director since March 2001. Mr. Noto retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he had held since the merger of Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and CEO of Mobil Corporation, where he had been employed since 1962. Mr. Noto is a managing partner of Midstream Partners LLC, an investment company specializing in energy and transportation projects. He is also a director of RHJ International SA, Philip Morris International, an Emeritus member of Temasek's International Advisory Panel, and was formerly a director of Commercial International Bank of Egypt, International Business Machines Corporation, Stem Cell Innovations, Inc. and Shinsei Bank in the previous five years. *Individual experience*: Extensive oil industry experience culminating with appointments as CEO of Mobil Corporation and Vice Chairman of ExxonMobil Corporation; breadth of knowledge concerning issues affecting our Company; experience as an executive and a director of some of the world's leading global corporations.

Roger S. Penske —
Chairman of the Board and CEO of Penske Automotive Group

Mr. Penske, 75, has served as our Chairman and CEO since May 1999. Mr. Penske has also been Chairman of the Board and CEO of Penske Corporation since 1969. Mr. Penske has also been Chairman of the Board of Penske Truck Leasing Corporation since 1982. Mr. Penske serves as a member of the Boards of Directors of General Electric Company and Universal Technical Institute, and was formerly a director of Internet Brands, Inc. in the previous five years. Mr. Penske also is Vice Chairman of the Downtown Detroit Partnership and a director of Business Leaders for Michigan. *Individual experience*: Extensive automotive industry experience; relationships with our key automotive partners; familiarity with all of the Company's key operations; experience as an executive and a director of some of the world's leading companies; significant ownership position of our stock through Penske Corporation and other affiliates.

Richard J. Peters —
Managing Director of Transportation Resource Partners, LP

Mr. Peters, 64, has served as a director since May 1999. Since January 2003, Mr. Peters has been a Managing Director of Transportation Resource Partners, an organization that undertakes investments in transportation-related industries ("TRP"). Since 1997, Mr. Peters has also served as President and CEO of R.J. Peters & Company, LLC, a private investment company. From 1985 to 2003, Mr. Peters served in several senior management capacities for Penske Corporation, including President, CFO/Treasurer, and CEO of Penske Motorsports, Inc. Mr. Peters has been a Director of Penske Corporation since 1990. *Individual experience*: Extensive transportation industry experience; familiarity with all of the Company's key operations; experience as an executive and a director of numerous transportation companies; general industry knowledge concerning other transportation companies; experience in commercial finance, private equity and leveraged finance.

Ronald G. Steinhart — Retired Chairman and CEO, Commercial Banking Group, Bank One Corporation	*Mr. Steinhart*, 71, has served as a director since March 2001. Mr. Steinhart served as Chairman and CEO, Commercial Banking Group, of Bank One Corporation from December 1996 until his retirement in January 2000. From January 1995 to December 1996, Mr. Steinhart was Chairman and CEO of Bank One, Texas, N.A. Mr. Steinhart joined Bank One in connection with its merger with Team Bank, which he founded in 1988. Mr. Steinhart also serves as a director of Susser Holdings Corporation and Texas Industries Inc. In the previous five years, Mr. Steinhart formerly served as a director of Animal Health International, Inc. and Penson Worldwide, Inc and as a Trustee of the MFS/Compass Group of mutual funds. *Individual experience*: Extensive experience in banking and commercial lending industries; experience with respect to automotive retail finance and insurance operations; extensive public company audit committee experience.
H. Brian Thompson — Executive Chairman of Global Telecom & Technology (GTT)	*Mr. Thompson*, 72, has served as a director since March 2002. Mr. Thompson is Executive Chairman of Global Telecom & Technology (GTT). Mr. Thompson continues to head his own private equity investment and advisory firm, Universal Telecommunications, Inc. From December 2002 to June 2007, Mr. Thompson was Chairman of Comsat International, one of the largest independent telecommunications operators serving all of Latin America. He also served as Chairman and Chief Executive Officer of Global TeleSystems Group, Inc. from March 1999 through September of 2000. Mr. Thompson was Chairman and CEO of LCI International from 1991 until its merger with Qwest Communications International Inc. in June 1998. Mr. Thompson became Vice Chairman of the board for Qwest until his resignation in December 1998. Mr. Thompson previously served as Executive Vice President of MCI Communications Corporation from 1981 to 1990, and prior to MCI, was a management consultant with the Washington, DC offices of McKinsey & Company for nine years, where he specialized in the management of telecommunications. He currently serves as a member of the board of directors of Axcelis Technologies, Inc, Pendrell Corporation, and Sonus Networks, Inc., and was formerly a director of Bell Canada International, Inc. in the previous five years. Mr. Thompson received his MBA from Harvard's Graduate School of Business, and holds an undergraduate degree in chemical engineering from the University of Massachusetts. *Individual experience*: Extensive experience as an executive and director of numerous public companies; experience in a leadership role directing international corporations; perspective gained from leadership role in ultra-competitive communications industry; demonstrated success serving as our lead independent director.

OUR CORPORATE GOVERNANCE

CURRENT DIRECTORS	BOD	Audit	Compensation & Management Development	Nominating & Corporate Governance	Executive
John D. Barr	X	X			
Michael R. Eisenson	X	C			X
Robert H. Kurnick, Jr.	X				X
William J. Lovejoy	X		X		
Kimberly J. McWaters	X			C	
Yoshimi Namba	X				
Lucio A. Noto	X		X		X
Roger S. Penske	C				C
Richard J. Peters	X				
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		C	X	X
No. of Meetings 2011	9	6	5	2	0

*Chairperson of each committee is denoted by a "C."

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee and the Executive Committee. Charters for the Audit, Compensation and Management Development, and Nominating and Corporate Governance committees are available on our website, www.penskeautomotive.com, under the tab "Corporate Governance." The principal responsibilities of each committee are described below. Collectively, our directors attended over 94% of our board and committee meetings in 2011, and each director attended at least 78% of their meetings. All of our directors are encouraged to attend the annual meeting of stockholders and all directors serving at that time attended the annual meeting in 2011.

Committee Member Qualifications. Each of the members of our Audit, Compensation and Management Development, and Nominating and Corporate Governance Committees are independent under New York Stock Exchange guidelines and our guidelines for director independence. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" under New York Stock Exchange rules and applicable law, and each is an "audit committee financial expert," as that term is defined in Securities and Exchange Commission rules.

Audit Committee. This committee assists the Board of Directors in fulfilling its oversight responsibility relating to the:

- integrity of our financial statements, financial reporting processes and systems of internal accounting and financial controls
- activities of the internal audit function
- engagement of the Company's independent auditing firms and the evaluation of their qualifications, independence and performance
- annual independent audit of our financial statements
- review of our financial statements prior to being filed with the Securities and Exchange Commission
- review with management of significant business risks or exposures and evaluating the steps management has taken to assess, monitor and mitigate such risks or exposures

- fulfillment of the other responsibilities set out in the Audit Committee charter

Compensation and Management Development Committee. This committee assists the Board of Directors in discharging its responsibility relating to the:

- determination of each element of our executive officers' compensation
- compensation and benefits of other employees
- administration of our equity incentive plans
- development of recommendations to the Board of Directors with respect to director compensation
- review of management progression and succession plans

Nominating and Corporate Governance Committee. This committee:

- identifies individuals qualified to become members of the Board of Directors
- recommends director nominees for each annual meeting of stockholders and any interim vacancies the Board of Directors determines to fill
- develops and recommends to the Board of Directors corporate governance principles
- leads the annual review of our corporate governance policies and the Board of Directors' performance evaluation
- oversees our compliance with legal and regulatory requirements

Executive Committee. Our Executive Committee's primary function is to assist our Board of Directors by acting upon matters when the Board of Directors is not in session. The Executive Committee has the full power and authority of the Board of Directors, except to the extent limited by law or our certificate of incorporation or bylaws or other governance documents. This committee did not meet in 2011.

Corporate Governance Documents. Our corporate governance guidelines and the other documents referenced in this section are posted on our website, www.penskeautomotive.com, under the tab "Corporate Governance." We have also adopted a Code of Business Conduct and Ethics that applies to all of our employees and directors. We intend to disclose waivers, if any, for our executive officers or directors from the code, and changes to the code, on our website. We have a securities trading policy which applies to all of our directors and officers, which restricts trading in our securities while in possession of material nonpublic information and prohibits our directors and officers from engaging in short sales and other speculative trading techniques without the approval of our General Counsel. No such approvals were requested in 2011.

Risk Management. We have designed and implemented processes to manage risk in our operations. The Board of Director's role in risk management is primarily one of oversight. Management is responsible for the implementation and execution of our risk management initiatives. Our Board of Directors executes its oversight role directly and also through its various committees as set forth below.

Audit Committee.

- principally responsible for implementing the Board's risk management oversight role
- reviews management's assessment of the key risks facing our Company, including the key controls we rely on to mitigate those risks

- monitors certain key risks at each of its regularly scheduled meetings, such as liquidity risk, risk relating to compliance with credit covenants, and related party transaction risk

Nominating and Corporate Governance Committee.

- oversees compliance with legal and regulatory requirements
- reviews risks relating to our governance structure

Compensation and Management Development Committee.

- reviews risks inherent in our compensation policies
- reviews the Company's succession planning

Full Board of Directors.

- reviews strategic and operational risk in the context of reports from corporate management, regional executives and other officers
- receives reports on all significant committee activities at each regular meeting
- reviews the risks inherent in any significant Company transactions

Board Structure and Lead Director. Roger S. Penske is the Chairman of our Board of Directors and our Chief Executive Officer. We believe the combination of these two offices represents the most appropriate approach for our company due to Mr. Penske's significant ownership position through Penske Corporation, his extensive automotive industry experience, his relationships with our key automotive partners and his experience as an executive and a director of some of the world's leading companies. In light of the combination of the Chairman of the Board and Chief Executive Officer positions, one of our governance principles is to have an independent "Lead Director." Our Lead Director is responsible for:

- coordinating and leading the activities of the outside directors
- establishing the agenda for executive sessions of the outside directors
- presiding at the executive sessions of the outside directors which generally occur as part of each Board meeting
- facilitating communication between the outside directors as a group and our management team

Our Lead Director is H. Brian Thompson. He may be contacted by leaving a message at the following telephone number: 800-469-1634. All messages will be reviewed by our Corporate Secretary's office and all (other than frivolous messages) will be forwarded to the Lead Director. Any written communications to the independent directors as a group or the entire Board of Directors may be sent care of the Corporate Secretary to our principal executive office. These communications (other than frivolous messages) will also be forwarded to the Lead Director.

Director Independence. A majority of our Board of Directors is independent and each of the members of our audit, compensation and nominating committees is independent. The Board of Directors has determined that Ms. McWaters and Messrs. Barr, Eisenson, Lovejoy, Noto, Steinhart and Thompson are each independent in accordance with the listing requirements of the New York Stock Exchange and our guidelines for independent directors which can be found in our corporate governance guidelines on our website www.penskeautomotive.com and as set forth below. As required by New York Stock Exchange rules, our Board of Directors determined that no material relationship exists which would interfere with the exercise of independent judgment in carrying out the responsibilities of the independent directors.

For a director to be considered independent under our corporate governance guidelines, the Board of Directors must determine that the director does not have any direct or indirect material relationship with us. In addition to applying these guidelines, the Board of Directors considers relevant facts and circumstances in making the determination of independence, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. With respect to our independent directors, the Board considers the transactions, relationships and arrangements described under "Related Party Transactions" in its independence determination. The Board also considers any ownership of our securities by the directors and any of their affiliates, ownership by our management team of any securities of affiliates of directors, as well as any direct or indirect investments with Transportation Resource Partners, an affiliate of Penske Corporation.

Under our guidelines, which are more stringent than the New York Stock Exchange guidelines, a director will not be independent if:

1. The director is employed by us, or an immediate family member is one of our executive officers.*
2. The director receives more than $60,000 of direct compensation from us, other than director fees and deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).*
3. The director is affiliated with or employed by one of our independent auditing firms, or an immediate family member is affiliated with or employed in a professional capacity by one of our independent auditing firms.
4. An executive officer of ours serves on the compensation committee of the board of directors of a company that employs the director or an immediate family member as an executive officer.
5. The director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with us and the sales by that company to us or purchases by that company from us, in any single fiscal year during the evaluation period, are more than the greater of one percent of the annual revenues of that company or $1 million.
6. The director serves as an officer, director or trustee of a charitable organization, and our charitable contributions to the organization are more than the greater of $250,000 or one percent of that organization's total annual charitable receipts during its last completed fiscal year.

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* Employment as an Interim Chairman, Interim CEO or other executive officer on an interim basis, and related compensation, shall not disqualify a director from being considered independent following that employment.

Controlled Company. Under the New York Stock Exchange rules, if a company is "controlled" it need not have a majority of independent directors or solely independent compensation or nominating committees. We are a "controlled company" because more than 50% of the voting power for the election of directors is held by Penske Corporation through its voting agreement with Mitsui & Co. and their affiliates. These entities are considered a group due to the provisions of the stockholders agreement between these parties described under "Related Party Transactions." Even though we are a "controlled company," we are fully compliant with the New York Stock Exchange rules for non-controlled companies.

Director Candidates. When considering new candidates for our Board of Directors, the Nominating and Corporate Governance Committee uses the network of contacts of the Board of Directors to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee considers whether the nominee would be independent and meets with each candidate to discuss and consider his or her qualifications. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders pursuant to procedures outlined below. Stockholder proposals for nominees should be addressed to our Corporate Secretary, Penske Automotive Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302. The committee's evaluation of stockholder-proposed candidates will be the same as for any other candidates.

Director candidate submissions are to include:

- sufficient biographical information concerning the recommended individual, including age, employment history with employer names and description of the employer's business
- whether such individual can read and understand basic financial statements
- a list of board memberships and other affiliations of the nominee
- a written consent of the individual to stand for election and serve if elected by the stockholders
- a statement of any relationships between the person recommended and the person submitting the recommendation
- a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier
- proof of ownership by the person submitting the recommendation of 500 shares of our common stock for one year

Recommendations received by November 19, 2012, will be considered for nomination at the 2013 annual meeting of stockholders. Recommendations received after November 19, 2012 will be considered for nomination at the 2014 annual meeting of stockholders.

Compensation Committee Interlocks and Insider Participation. An entity (the "Investor") controlled by one of our directors, Lucio A. Noto, owns a 13.4% interest in one of our subsidiaries, UAG Connecticut I, LLC ("UAG Connecticut I"), pursuant to an agreement which entitles the Investor to 20% of the operating profits of UAG Connecticut I. This agreement also provides the Investor with the right to appoint one of three directors, and "tag-along rights" in the event we intend to sell our interest in UAG Connecticut I. We have a right of first refusal with respect to any potential sale by the Investor of its interest. From time to time, we provide UAG Connecticut I with working capital and other debt financing. The Investor paid $381,671 to us in 2011 pursuant to its option to purchase up to a 20% interest in UAG Connecticut I. In addition, UAG Connecticut I makes periodic pro rata distributions pursuant to which the Investor was paid $1,412,740 during 2011.

PROPOSAL 2 — Ratification of the Selection of our Independent Auditors

Our Audit Committee has selected Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively referred to as "Deloitte") as our principal independent auditing firm for 2012. In performing its services for 2012, we anticipate Deloitte will not audit our subsidiaries which own the majority of our international operations and their opinions, insofar as they relate to those operations, will be based solely on the report of the independent auditor of those operations KPMG Audit Plc. ("KPMG"). We have determined to submit the selection of auditors to stockholder ratification, even though it is not required by our governing documents or Delaware law. If the selection of Deloitte as our independent auditing firm is not ratified by our stockholders, our Audit Committee will re-evaluate its selection, taking into consideration the stockholder vote on the ratification and the advisability of selecting new auditors prior to completion of the 2012 audit. Our Audit Committee is solely responsible for selecting, engaging and terminating our independent auditing firm, and may do so at any time at its discretion. It is anticipated that a representative of Deloitte will be present at the annual meeting with the opportunity to make a statement and to answer appropriate questions.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF DELOITTE & TOUCHE AS OUR INDEPENDENT AUDITORS

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of our accounting functions and internal controls as more fully discussed above under "— Our Corporate Governance." The Audit Committee has the sole authority to retain and terminate our independent auditing firms, and is responsible for recommending to the Board of Directors that our financial statements be included in our annual report on Form 10-K.

The Audit Committee took a number of steps in making this recommendation for our 2011 annual report. The Audit Committee discussed with our independent auditing firms those matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB"), including information regarding their independence and the scope and results of their audit. These communications and discussions were intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. The Audit Committee also discussed the independent auditing firms independence and received the letters and written disclosures from the independent auditing firms required by the PCAOB. Finally, the Audit Committee reviewed and discussed the annual audited financial statements with our management and the independent auditing firms in advance of the public release of operating results, and before the filing of our annual and quarterly reports with the Securities and Exchange Commission.

Based on the foregoing, and such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our 2011 annual report on Form 10-K as filed with the SEC on February 24, 2012.

The Audit Committee of the Board of Directors

Michael R. Eisenson (Chairman)
John D. Barr
Ronald G. Steinhart

INDEPENDENT AUDITING FIRMS

We anticipate that Deloitte will audit our consolidated financial statements for 2012. In 2011, Deloitte did not audit our subsidiaries which own the majority of our international operations and Deloitte's opinions, insofar as they relate to those operations, are based solely on the report of KPMG the independent auditor of those operations. We anticipate that this arrangement will continue in 2012. We refer to Deloitte and KPMG collectively as our independent auditing firms. We paid the independent auditing firms the fees described below for the enumerated services in 2011 and 2010, all of which services were approved by our Audit Committee:

Audit Services:

- audits of our consolidated financial statements
- audits of management's assessment of internal control over financial reporting
- reviews of quarterly financial statements
- other services normally provided in connection with statutory or regulatory engagements

Audit Related Services:

- services in connection with our communications with the Securities & Exchange Commission and registration statements
- acquisition due diligence
- audits of benefit plans
- accounting research and consultation

Tax Fees:

- services rendered by the independent auditing firms in connection with tax compliance, planning and advice.

All Other Fees:

- primarily related to employee benefit plan advisory services.

	Deloitte		KPMG	
	2011	**2010**	**2011**	**2010**
Audit Fees	$ 1,212,000	$ 1,296,200	$ 526,400	$ 492,800
Audit Related Fees	55,475	205,000	5,100	60,000
Tax Fees				
Tax Compliance	41,000	33,050	—	—
Other Tax Fees	196,635	212,260	272,800	—
	237,635	245,310	272,800	—
All Other Fees	—	—	72,000	108,800
Total Fees	$ 1,505,110	$ 1,746,510	$ 876,300	$ 661,600

The Audit Committee has considered the nature of the above-listed services provided by the independent auditing firms and determined that they are compatible with their provision of independent audit services under relevant guidance. The Audit Committee has discussed these services with the independent auditing firms and management and determined that they are permitted under the Code of Professional Conduct of the American Institute of Certified Public Accountants, the auditor independence requirements of the Public Company Accounting Oversight Board, and the laws and regulations administered by the Securities and Exchange Commission.

Pre-approval Policy. The Audit Committee has adopted a policy requiring pre-approval of all audit and non-audit services provided by the independent auditing firms. The primary purpose of this policy is to ensure that we engage our public accountants with a view toward maintaining independence. The Audit Committee is required to pre-approve all services relating to work performed for us by our independent auditing firms and related fees. The Audit Committee must also approve fees incurred for pre-approved services that are in excess of the approved amount prior to payment. Pre-approval of audit and non-audit services may be given at any time up to a year before commencement of the specified service. The Chairman of the Audit Committee may independently approve services as long as the pre-approved services are reviewed and ratified by the Audit Committee at its next regularly scheduled meeting. One hundred percent of the services and related fees set forth above were approved by the Audit Committee in accordance with this policy.

PROPOSAL 3 — Advisory Vote on Executive Compensation

The Board of Directors has approved the compensation of our named executive officers as described under "Compensation Discussion and Analysis" and "Executive Compensation" (see pages 21 through 32). We are seeking a non-binding advisory vote, commonly known as a "Say on Pay" proposal, to give you the opportunity to express your views on our executive compensation. Because your vote is advisory, it will not be binding upon the Compensation and Management Development Committee. However, the Compensation and Management Development Committee will take the outcome of the vote into account when making future executive compensation decisions. In 2011, over 97% of the votes cast by our stockholders approved of our 2010 executive compensation and there have not been any significant changes to the elements of our executive compensation program in 2011.

Our compensation program is designed to motivate our executive officers to enhance long-term stockholder value and to attract and retain the highest quality executive and key employee talent available. We believe our executive compensation is aligned with increasing the value of our common stock and promoting our key strategies, values and long term financial and operational objectives. In this regard, we note that:

- Mr. Penske beneficially owns approximately 32 million shares of our common stock, which significantly aligns his interests with the stockholders' interests
- The named executive officers receive restricted stock grants with vesting provisions weighted towards the third and fourth years, which encourages long-term stock ownership
- We do not have any employment agreements with our named executive officers and have no agreements that provide for severance payments upon termination of employment or in connection with a change in control
- Our executive officers do not earn any additional retirement income under any supplemental executive retirement plan
- Executive officers are subject to a "clawback" of incentive compensation for detrimental conduct to encourage compliance with policies and appropriate behavior
- We structure our compensation practices to be consistent with and support sound risk management. Our compensation committee reviews risk associated with our compensation policies and has determined such risk is not excessive

The Board of Directors believes that the compensation of our executive officers is appropriate and recommends a vote FOR the following advisory resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED."

EXECUTIVE OFFICERS

Our executive officers are elected by the Board of Directors and hold office until their successors have been duly elected and qualified or until their earlier resignation or removal from office. Biographies of Messrs. Kurnick and Penske are set forth above. Biographies of our other executive officers are provided below:

David K. Jones, 42, has served as our Executive Vice President and Chief Financial Officer since May 3, 2011. Mr. Jones served as our Vice President and Chief Financial Officer for our U.K. operations from October 2010 to May 2011. He also has served as our Vice President – Financial Compliance and Controls from April 2006 to May 2011. Mr. Jones joined the Company in 2003 as our Director of Financial Reporting. Prior to joining us, Mr. Jones was a Senior Manager at Andersen LLP, an accounting and financial advisory services firm, which he joined in 1991.

Calvin C. Sharp, 60, has served as our Executive Vice President — Human Resources since July 1, 2007. Mr. Sharp served as Senior Vice President — Human Resources for our Eastern Region from October 2003 to July 2007. From 1988 to 2003, Mr. Sharp served in numerous positions with Detroit Diesel Corporation, culminating in his appointment as Senior Vice President — Administration. From 1974 to 1988, Mr. Sharp held various positions in Human Resources Management with General Motors.

Shane M. Spradlin, 42, has served as our Executive Vice President since February 2010, our General Counsel since December 2007, and our Corporate Secretary since March 2004. Mr. Spradlin joined our Company in March 2003. From 1999 to 2003, he served as Corporate Counsel to Nextel Communications in Reston, Virginia. From 1995 through 1999, Mr. Spradlin was an associate with the New York and Washington, D.C. offices of Latham & Watkins, specializing in corporate finance and mergers and acquisitions.

J.D. Carlson, 42, has served as our Senior Vice President and Principal Accounting Officer since May 3, 2011. Mr. Carlson has served as our Corporate Controller since April 2006. Prior to joining us, Mr. Carlson was Corporate Controller for Tecumseh Products. He was previously a Senior Manager for PricewaterhouseCoopers, an accounting and financial advisory services firm, which he joined in 1995.

COMPENSATION COMMITTEE REPORT

The Compensation and Management Development Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis set forth below with management. Based on this review and these discussions with management, the committee has recommended to our Board of Directors that the Compensation Disclosure and Analysis be included in this proxy statement.

The Compensation & Management
Development Committee of the Board of Directors

H. Brian Thompson (Chairman)
William J. Lovejoy
Lucio A. Noto

COMPENSATION DISCUSSION AND ANALYSIS ("CD&A")

Executive Summary Our compensation program is designed to motivate our executive officers to enhance long-term stockholder value and to attract and retain the highest quality executive and key employee talent available. We believe our executive compensation should be aligned with increasing the value of our common stock and promoting our key strategies, values and long term financial and operational objectives. As further discussed below:

- Mr. Penske beneficially owns approximately 32 million shares of our common stock, which significantly aligns his interests with the stockholders' interests
- The named executive officers receive long-term restricted stock grants with vesting provisions weighted towards the third and fourth years, which encourages long-term stock ownership
- We do not have any employment agreements with our named executive officers and have no agreements that provide for severance payments upon termination of employment or in connection with a change in control
- Our executive officers do not earn any additional retirement income under any supplemental executive retirement plan
- Executive officers are subject to a "clawback" of incentive compensation for detrimental conduct to encourage compliance with policies and appropriate behavior
- We structure our compensation practices to be consistent with and support sound risk management. Our compensation committee reviews risk associated with our compensation policies and has determined such risk is not excessive

In recent years, Mr. Penske has received an annual performance based award payable in shares of restricted stock. For 2011, Mr. Penske achieved 90% of the performance targets listed below, entitling him to a $3,150,000 restricted stock grant awarded in March 2012.

In 2011, over 97% of the votes cast by our stockholders approved of our 2010 executive compensation and there have not been any significant changes to the elements of our executive compensation in 2011.

Compensation Philosophy. Other than with respect to Mr. Penske, the majority of our executive and employee compensation is payable in cash in the short-term, and is comprised principally of salary and cash bonuses. We use cash compensation as the majority of our compensation because we believe it provides the most flexibility for our employees and is less dilutive to existing stockholders than equity compensation. The compensation committee also recognizes that stock prices may reflect factors other than long-term performance, such as general economic conditions and varying attitudes among investors toward the stock market in general and toward automotive retail companies specifically. However, we also provide long-term compensation in the form of restricted stock awards for certain employees. Our restricted stock program awards typically vest over four years, with 70% of any award vesting in the third and fourth years. We believe this long term compensation helps to align management's goals with those of our other stockholders and provides a long-term retention inducement for our key employees, as discussed below under the heading "Restricted Stock."

Outside Advisors and Consultants. Our compensation committee has the authority to hire outside consultants and advisors at its discretion, and it has full access to any of our employees. While it may do so in the future, neither the committee nor company management has retained outside consultants to assist them in determining or recommending the amount or form of executive or director compensation.

Role of Executive Officers. The committee relies on our senior management to assist in fulfilling many of its duties, in particular our Executive Vice President — Human Resources and Chief Executive Officer, each of whom attends part of most committee meetings. These executives make recommendations concerning our compensation policies generally, certain specific elements of compensation for senior management (such as equity awards and bonuses), and report to the committee as to company personnel and developments. Our Chief Executive Officer also makes specific compensation recommendations concerning our other executive officers and certain other employees. Our Chief Executive Officer does not participate in determining his own compensation.

Addressing Risk. Our compensation committee recognizes that any incentive based compensation arrangement induces an inherent element of risk taking by senior management. We incent management through annual discretionary bonuses, restricted stock grants and, in some cases, performance based bonuses. The committee assesses the risk related to our compensation policies for the named executive officers and for the employees generally, and has determined that our compensation arrangements do not lend themselves to unnecessary or excessive risk taking. The committee believes that any inherent risk is mitigated by the following factors:

- Our compensation recovery policy noted below
- Our committee's negative discretion to reduce any performance based award
- Approximately 70% of the equity compensation we issue vests in the third and fourth years
- Rigorous internal and external audits of our dealership and consolidated results
- Our commitment to full compliance with our code of conduct
- Thorough investigation of all fraud and financial-related complaints, including those received on our anonymous hotline

The responsibilities of the compensation committee and committee member independence are described under "Our Corporate Governance" beginning on page 11.

Compensation Recovery Policy. We have a policy regarding the recovery of unfairly earned compensation. Under the policy, if our Board determines that a member of management earned performance based compensation or incentive compensation within the last three years due to fraud, negligence or intentional misconduct, and such conduct was a significant contributing factor to our restating our financial statements or the reporting of material inaccuracies relating to financial reporting or other performance metrics used in those awards, our Board has the discretion to cause that employee to repay and/or forfeit all compensation that was expressly conditioned upon the achievement of the misreported financial results.

Equity Award Approval Policy. We have an equity award approval policy which generally requires that all equity awards be approved by the committee, that the committee shall endeavor to approve all such awards at a committee meeting, and that the grant date of all such awards shall be the date of the approval by the committee. As part of that policy, the committee delegated to our Chief Executive Officer the authority to grant awards of up to an aggregate of 50,000 shares of our common stock (or stock equivalents) for new hires or spot awards, provided that the awards are reported to the committee at its next meeting. Our compensation committee believes that this delegation of authority allows us to meet our ongoing business needs in a practical manner. Our Chief Executive Officer approved awards for 2,098 shares of restricted common stock under that authority in 2011, leaving remaining authority for 45,602 shares (giving effect to certain forfeitures).

Stock Ownership Guidelines. In 2012, we adopted stock ownership guidelines for our directors and officers in order to further align their interests and actions with the interests of the Company's stockholders. For executive officers, the requirements are based on the following multiples of base salary.

Executive Officer Level	**Multiple Base Salary**
CEO	8x
President	4x
Executive Vice Presidents	2x
Principal Accounting Officer	1x

Board members who are not also employees of the Company are required to own common stock equal to 5 times our annual retainer (currently, $40,000 x 5= $200,000). Non-Employee Directors and executive officers have until the later of five years from adoption of this policy or appointment, to reach the minimum ownership level, though our policy allows extensions at the discretion of the Chairman and Lead Independent Director.

Determination of Amounts. The committee reviews and determines all aspects of compensation for our executive officers. In making decisions regarding non-CEO compensation, the committee receives input from our Chief Executive Officer. Except with respect to our Management Incentive Plan awards, which depend on achieving the specific quantitative performance objectives noted below, our compensation committee does not use formulas in determining the amount and mix of compensation. The committee believes that solely using annual quantitative performance measurements does not create the appropriate balance of incentives to build long-term value. Thus, the committee evaluates a broad range of qualitative factors, including reliability, a track record of integrity, good judgment, foresight and the ability to lead others.

The committee reviews salary adjustments with a view toward maintaining external compensation competitiveness. External competitiveness with respect to each element of our compensation was benchmarked in 2011 against a group of publicly traded automotive retailers (Asbury Automotive Group, AutoNation, CarMax, Group1 Automotive, Lithia Motors and Sonic Automotive). While we benchmark our compensation against our industry peers, we do not target a specific quartile of pay for our executive officers as compared to our peers as we believe each of our executive officer's circumstances and challenges are unique to the individual and we base our compensation accordingly.

Management Incentive Plan. Section 162(m) of the Internal Revenue Code of 1986, as amended, generally imposes a $1 million per year ceiling on the tax-deductibility of remuneration paid to any one of the named executive officers of a public company (except for the chief financial officer), unless the remuneration is treated as performance-based or is otherwise exempt from the provisions of Section 162(m). We have designed our Management Incentive Plan to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code. We expect to continue to issue awards under the Management Incentive Plan for our Chief Executive Officer and certain other officers in order to provide motivation to advance specific annual objectives of the Company, while also maximizing the tax deductibility of our compensation expense. For any awards under the Management Incentive Plan, the compensation committee reserves discretion to reduce (but not increase) the payout under the award.

Our Compensation Program. Our compensation program primarily consists of four elements:

- Base salary
- Annual discretionary cash bonus payments
- Restricted stock awards
- Employee health and welfare plan participation and other benefits, such as a vehicle allowance

Base Salary. The salaries of our executive officers are determined by scope of job responsibility, experience, individual performance, historical salary levels and the benchmarking information discussed earlier under "Determination of Amounts." The committee approves salary levels for executive officers and certain key employees in order to maintain external compensation competitiveness using the benchmarks noted above, and to reflect the performance of those employees in the prior year and to reflect any change in the employee's responsibilities. The evaluation of the individual's performance is based upon the committee's subjective perception of that performance, based in large part on input from our Chief Executive Officer and the factors noted above under "Determination of Amounts."

The committee also considers our Company-wide performance and general economic factors. The items of corporate performance that are considered for our named executive officers are the same as those with respect to the Management Incentive Plan award detailed below under "Chief Executive Officer Compensation." Our compensation committee uses these factors in a subjective evaluation to gauge Company performance, keeping in mind the impact of the general performance of the automotive retail industry.

Annual Bonus Payments. Our senior management is eligible to receive annual discretionary cash bonus payments. In the past several years, our Chief Executive Officer and President have not received any discretionary bonus payments, receiving only the amounts resulting from their performance based awards described below under "Chief Executive Officer Compensation" and "President Compensation." We pay annual bonuses to provide an incentive for future performance and as a reward for performance during the prior year. These discretionary bonus payments are determined in varying degrees based on three criteria:

- Company-wide performance in the prior year
- Evaluation of an individual's performance in the prior year
- Evaluation of the annual performance of an individual's business unit in the prior year

The items of Company-wide performance that are considered for our named executive officers are the same as those with respect to the Management Incentive Plan award detailed below under “Chief Executive Officer Compensation.” Our compensation committee uses these factors in a subjective evaluation to gauge Company performance, keeping in mind the impact of the overall performance of the automotive retail industry. The evaluation of the individual’s performance and the performance of the individual’s business unit is based on the committee’s perception of that performance, based in part on input from our Chief Executive Officer and the factors noted above under “Determination of Amounts.”

Restricted Stock Awards. Each member of senior management is eligible to receive a restricted stock award because we believe these awards effectively align management’s goals with those of our other stockholders. Restricted stock grants for management typically vest over four years at a rate of 15%, 15%, 20% and 50% per year, and are subject to forfeiture in the event the employee departs from the Company before vesting. We believe these awards provide a longer-term incentive for management because the majority of the award vests in the third and fourth year. We employ this form of compensation in part because many of our initiatives may take several years to yield benefits. We also believe that weighted vesting of these awards provides an additional incentive to retain our valuable employees due to the unvested value that may be created over time. Our restricted stock awards mirror our other outstanding stock, including the right to vote with our other stockholders and receive dividends.

Restricted stock grants for our named executive officers are generally discretionary (other than those awarded to our Chief Executive Officer, President and others under our Management Incentive Plan discussed above), and are based upon the awards granted in the prior year adjusted to reflect changes in the responsibilities of the named executive officers, the individual’s performance and Company-wide performance measures detailed below under “Chief Executive Officer Compensation,” keeping in mind the overall performance of the automotive retail industry. The amounts are also established to induce retention, as the awards are the sole aspect of long-term compensation for our named executive officers. In 2011, the committee approved the grant of approximately 378,851 shares of restricted stock to employees (representing approximately 0.4% of our current outstanding equity), including the awards relating to the 2010 management incentive plans for our Chief Executive Officer and President.

Other Compensation. We may also provide employees with selected other benefits or perquisites in order to attract and retain highly skilled employees. With respect to health and welfare benefits, the committee believes that our employees should receive a meaningful benefit package commensurate with those of other automotive retailers, recognizing the increasing cost of those benefits in recent years. We also provide our U.S. employees with company matching under our 401(k) plan. Our named executive officers and certain other members of senior management are also provided with an automobile allowance or the use of a company vehicle, company-sponsored automobile insurance, and a tax gross-up relating to these amounts. We have valued the use of company vehicles in the following disclosure tables based on the value of our lease payments or, in situations where the employee has used a company owned vehicle, on Internal Revenue Service guidelines. Similar to any company providing its products to employees, we provide these vehicles as an inducement and retention benefit.

From time to time, we may provide other benefits to certain members of our senior management, such as payment for a country club membership or tax gross-ups for certain items. We review these benefits on a case-by-case basis and believe, if limited in scope, such benefits can provide an incentive to long term performance and help retain our valuable employees. We have valued these other types of perquisites in the following disclosure tables based on our cost.

No Employment Agreements, Change of Control and Pre-arranged Severance Compensation. None of our current executive officers have been provided an employment agreement, nor are they entitled to any pre-arranged severance compensation or compensation upon a change of control. We believe our mix of short-term and long-term compensation provides a retention incentive that makes an employment contract unnecessary, while providing us flexibility with respect to managing the departure of an executive officer. Our lack of pre-arranged severance compensation is consistent with our performance based compensation philosophy, and provides us the flexibility to enter into post-employment arrangements based on circumstances existing upon departure. We have historically entered into varying types of severance arrangements with departing members of our senior management, which have included vesting of restricted stock and consulting agreements, as we believe it may be important to have continuing access to these individuals' knowledge base and guidance. In the event we employ consulting agreements, we have typically obtained a non-compete agreement with these individuals. With respect to a change in control, none of our current executive officers have been guaranteed any change of control payments. However, our outstanding equity awards provide that in the event of a change of control, the compensation committee has the discretion to accelerate, vest or roll over any outstanding equity awards.

2011 Compensation

Chief Executive Officer Compensation. In 2011, Mr. Penske's salary was increased from $1.0 million to $1.2 million. Our compensation committee approved this increase in recognition of the Company's performance in 2010 and based upon its benchmarking against our peer companies in 2010. Our compensation committee established fiscal 2011 performance targets for a performance based award for Mr. Penske in February 2011 under our Management Incentive Plan discussed above. The maximum potential amount Mr. Penske could have earned pursuant to this award was $3.5 million, to be paid in shares of restricted stock to be granted in 2012. Mr. Penske achieved 90% of the performance metrics noted below, which entitled him to $3,150,000 in shares of restricted stock.

The specific 2011 performance objectives and related performance were as follows:

Objective	Result	% of Award	Achievement
• EBITDA (earnings before interest, taxes, depreciation and amortization) of $305 million (100% attainment). EBITDA below $275 million results in no attainment, and between $275 million and $305 million yields pro rata achievement (1)	$344.0 million	20%	20%
• worldwide credit availability of at least $125 million, excluding funds used for repurchases of outstanding debt or common stock	achieved	10%	10%
• compliance with the covenants in our credit facilities	compliant	20%	20%
• customer satisfaction scores exceed manufacturer objectives at 85% of our U.S. franchises	exceeds	10%	10%
• no material weaknesses in our internal controls	None	10%	10%
• common stock price performance exceeds the S&P 500 Index during 2011	10% v. 0% S&P	20%	20%
• reduce SG&A as a percentage of gross profit by 100 basis points (1)	53 bps	10%	0%
Total		100%	90%

(1) This performance target excludes income or loss from discontinued operations, extraordinary items, changes in accounting principles, or any items of gain or loss relating to strategic or financial restructurings, the divestiture of assets or a business and, in each case, only if excluded from the definition of consolidated net income under the Company's U.S. credit agreement.

In March 2012, the committee established a similar award for Mr. Penske with respect to 2012, with a maximum potential payout of $3.5 million to be paid in shares of restricted stock to be granted in 2013. The performance objectives for 2012 are as follows:

Objective	% of Award
• 2012 EBITDA (earnings before interest, taxes, depreciation and amortization) of $400 million (100% attainment). EBITDA below $349 million results in no attainment. EBITDA between amounts yields pro rata achievement (1)	20%
• same-store revenue growth of 5%	10%
• worldwide credit availability of at least $125 million, excluding funds used for repurchases of outstanding debt or common stock	10%
• compliance with the covenants in our credit facilities	10%
• customer satisfaction scores exceed manufacturer objectives at 85% of our U.S. franchises	10%
• no material weaknesses in our internal controls	10%
• common stock price performance exceeds the S&P 500 Index during 2012	20%
• reduce SG&A as a percentage of gross profit by 100 basis points (1)	10%
Total	100%

(1) This performance target excludes income or loss from discontinued operations, extraordinary items, changes in accounting principles, or any items of gain or loss relating to strategic or financial restructurings, the divestiture of assets or a business and, in each case, only if excluded from the definition of consolidated net income under the Company's U.S. credit agreement.

President Compensation. In 2011, Mr. Kurnick's salary was increased from $600,000 to $700,000. Our compensation committee approved this increase in recognition of the Company's performance in 2010 and based upon its benchmarking against our peer companies in 2010. Our compensation committee established fiscal 2011 performance targets for a performance based award for Mr. Kurnick in February 2011 under our Management Incentive Plan discussed above. The maximum potential amount Mr. Kurnick could have earned pursuant to this award was $600,000 to be paid in shares of restricted stock to be granted in 2012. Mr. Kurnick achieved 90% of the performance metrics relating to the award, which are the same as those noted above with respect to Mr. Penske's award. This performance entitled Mr. Kurnick to $540,000 in the form of restricted stock.

In March 2012, the committee established a similar award for Mr. Kurnick with respect to 2012, with a maximum potential payout of $600,000 to be paid in shares of restricted stock to be granted in 2013. The performance objectives and component percentages are the same as those set forth above with respect to the 2012 award for Mr. Penske.

Mr. Kurnick is also the President of Penske Corporation (our controlling stockholder) and he receives a substantial amount of compensation from Penske Corporation. While Mr. Kurnick devotes a substantial amount of time and effort to our company, his total compensation paid by us reflects that he devotes time to Penske Corporation. Our committee does not track the exact percentage of time spent on Penske Automotive matters, recognizing that the amount varies from year to year, but it is generally expected to represent approximately 75% of his time. In determining Mr. Kurnick's pay, our compensation committee considers the impact of the time Mr. Kurnick spends on Penske Automotive matters, including the benefits of his leadership capabilities.

Other Executive Officer Compensation. In 2011, Mr. Jones was appointed our Chief Financial Officer. In connection with his appointment, Mr. Jones' base salary was increased to $400,000, he was awarded 6,000 shares of restricted stock vesting over a four year period and we provided him a lump sum of $400,000 in regards to relocation benefits in connection with his move to our corporate office in Bloomfield Hills, Michigan. If Mr. Jones departs from our Company under certain circumstances during the next three years, he is required to repay the relocation amount to us according to the following schedule: 100% if he departs in the first year, 66% in the second year and 33% in the third year.

Also in 2011, Messrs. Sharp and Spradlin's salaries were increased from $350,000 and $325,000, respectively, to $400,000. Our compensation committee approved these increases in recognition of the Company's performance in 2010 and based upon its benchmarking against our peer companies in 2010. Each of our named executive officers received the stock awards and bonuses set forth in the tables below. In addition, in March 2012, Messrs. Jones, Sharp and Spradlin received 10,000, 4,500 and 8,000 shares of restricted stock, respectively, vesting over four years at a rate of 15%, 15%, 20% and 50% as part of our annual grant. In 2011, we were reimbursed approximately six percent of Mr. Spradlin's base salary by Penske Corporation to reflect his efforts on behalf of Penske Corporation. The full amount of Mr. Spradlin's base salary is shown in the table below.

EXECUTIVE COMPENSATION

The following table contains information concerning 2011 annual and long-term compensation for our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers, collectively referred to as the "named executive officers." For a discussion of our methodology in valuing the items set forth under "All Other Compensation," see "CD&A — Other Compensation."

2011 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Roger S. Penske	2011	$1,200,000	—	$3,150,000(2)	$114,933(3)	$4,464,933
Chief Executive Officer	2010	1,000,000	—	2,883,000	25,000	3,908,000
	2009	1,000,000	—	2,850,000	25,000	3,875,000
Robert H. Kurnick, Jr.	2011	700,000	—	540,00(4)	57,115(5)	1,297,115
President	2010	600,000	—	480,500	20,409	1,100,909
	2009	600,000	—	285,000	46,278	931,278
David K. Jones (6)	2011	364,038	$125,000	189,240	464,559(7)	1,142,837
Executive Vice President & Chief Financial Officer						
Calvin C. Sharp	2011	400,000	90,000	68,390	43,000(8)	601,390
Executive Vice President —	2010	350,000	75,000	46,080	44,858	515,938
Human Resources	2009	350,000	95,000	60,540	43,346	548,886
Shane M. Spradlin	2011	400,000	160,000	117,240	53,287(9)	730,527
Executive Vice President,	2010	325,000	140,000	69,120	39,050	573,170
General Counsel & Secretary	2009	250,000	85,000	118,082	15,815	468,897
Robert T. O'Shaughnessy (10)	2011	279,327	—	175,860	27,211(11)	482,398
Former Chief Financial Officer	2010	590,000	300,000	76,800	45,456	1,012,256
	2009	590,000	184,000	51,999	59,254	885,253

(1) These amounts represent the grant date fair value of awards computed in accordance with FASB ASC Topic 718 in connection with restricted stock awards granted under our 2002 Equity Compensation Plan.

(2) In March 2012, Mr. Penske received an equity incentive plan-based award under the Management Incentive Plan payable upon achievement of 2011 performance targets. The maximum total award for this grant was $3.5 million, payable in restricted stock. Mr. Penske achieved 90% of the performance metrics relating to this award, which entitled him to $3,150,000 in shares of restricted stock. See the narrative discussion following this table for further discussion of this award.

(3) Reflects $25,000 in matching charitable donations pursuant to our director charitable matching program (see below "Director Compensation – Charitable Donation Matching Program") and $89,933 in dividends on unvested restricted stock awards.

(4) In March 2012, Mr. Kurnick received an equity incentive plan-based award under the Management Incentive Plan payable upon achievement of 2011 performance targets. The maximum total award for this grant was $600,000, payable in restricted stock. Mr. Kurnick, achieved approximately 90% of the performance metrics noted above relating to this award, which entitled him to $540,000 in shares of restricted stock. See the narrative discussion following this table for further discussion of this award.

(5) Represents an automobile allowance, dividends on unvested restricted stock awards and $25,000 in charitable donations pursuant to our director charitable matching program.

(6) Mr. Jones was promoted to Executive Vice President and Chief Financial Officer on May 3, 2011.

(7) Represents the use of Company vehicles, fuel and related automobile insurance, $405,074 in relocation benefits in connection to his move to our corporate office in Bloomfield Hills, MI, expenses relating to his relocation to our U.K offices including family travel expenses, tax preparation assistance, matching funds under our U.S. 401(k) plan, company-sponsored life insurance, company-sponsored lunch program, personal use of sporting event tickets, dividends on unvested restricted stock awards and a tax allowance of $707.

(8) Represents the use of Company vehicles and related automobile insurance, matching funds under our U.S. 401(k) plan, dividends on unvested restricted stock, payments for a country club membership (though this membership is used for personal and business purposes), company-sponsored life insurance, company-sponsored lunch program and a tax allowance of $8,123.

(9) Represents the use of Company vehicles and related automobile insurance, company-sponsored life insurance, matching funds under our U.S. 401(k) plan, company-sponsored lunch program, payments for a country club membership (though this membership is used for personal and business purposes), personal use of sporting event tickets, dividends on unvested restricted stock and a tax allowance of $7,851.

(10) Mr. O'Shaughnessy resigned as our Chief Financial Officer on May 3, 2011 and as a result his restricted stock awards outstanding were forfeited.

(11) Represents the use of company vehicles and related automobile insurance, company-sponsored life insurance, company-sponsored lunch program, matching funds under our U.S. 401(k) plan, payments for a country club membership (though this membership used for personal and business purposes), personal use of sporting event tickets, dividends on unvested restricted stock and a tax allowance of $8,121.

Grants of Plan-Based Awards in 2011

		Estimated Future Payouts Under Equity Incentive Plan Awards			
Name and Principal Position	**Grant Date**	**Threshold ($)**	**Maximum ($)**	**All other Awards: Number of Shares of Stock**	**Grant Date Fair Value of Stock Awards ($)**
Roger S. Penske	2/14/2011	—	$3,500,000 (1)		
Chief Executive Officer	2/14/2011			147,544 (3)	$2,883,010 (3)
Robert H. Kurnick, Jr.	2/14/2011	—	600,000 (2)		
President	2/14/2011			24,591 (3)	480,508 (3)
David K. Jones	2/14/2011			3,000	58,620
Executive Vice President & Chief Financial Officer	5/09/2011			6,000	130,620
Calvin C. Sharp Executive Vice President – Human Resources	2/14/2011			3,500	68,390
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	2/14/2011			6,000	117,240
Robert T. O'Shaughnessy Former Chief Financial Officer	2/14/2011			9,000	175,860(4)

(1) See the following narrative discussion for an explanation of this award. This entry reflects the total potential award for 2011 of which $3,150,000 was received in 2012 in shares of restricted stock.
(2) See the following narrative discussion for an explanation of this award. This entry reflects the total potential award for 2011 of which $540,000 was received in 2012 in shares of restricted stock.
(3) This represents the shares of restricted stock issued in February 2011 resulting from attainment of goals outlined in the 2010 incentive award. As a result, this table reflects two years of awards for Messrs. Penske and Kurnick: the 2010 awards attained, and the total potential awards relating to 2011.
(4) These shares were forfeited upon separation from the Company.

Narrative Discussion of Summary Compensation Table and Plan Based Awards

The amounts set forth in the two preceding tables reflect payments and awards to our named executive officers based on the principles and descriptions discussed under "CD&A."

Mr. Penske's Performance Based Award. Our compensation committee established fiscal 2011 performance targets for a performance based award for Mr. Penske in February 2011 under our Management Incentive Plan discussed above, which was payable in 2012. A maximum potential payout of $3.5 million to be paid in shares of restricted stock was available under the award. Mr. Penske achieved 90% of the performance metrics noted above relating to this award, which entitled him to $3,150,000 paid in shares of restricted stock, as more fully discussed above in "CD&A – Chief Executive Officer Compensation."

Mr. Kurnick's Performance Based Award. Our compensation committee established fiscal 2011 performance targets for a performance based award for Mr. Kurnick in February 2011 under our Management Incentive Plan discussed above, which was payable in 2012. A maximum potential payout of $600,000 to be paid in shares of restricted stock was available under the award. Mr. Kurnick achieved 90% of the performance metrics noted above relating to this award, which entitled him to $540,000 in the form of restricted stock, as more fully discussed above in "CD&A – President Compensation."

Other Restricted Stock Awards. The equity awards granted in February 2011 to Messrs. Jones, Sharp and Spradlin were awarded as part of an annual grant of restricted stock pursuant to the terms of the 2002 Equity Compensation Plan. Mr. Jones also received an award of 6,000 shares of restricted stock upon his appointment as Chief Financial Officer. The awards vest annually on June 1 over four years at a rate of 15%, 15%, 20% and 50% and were issued based on principles described in the "CD&A — Restricted Stock."

Outstanding Equity Awards at 2011 Year-End

	Stock Awards	
Name	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (1)
Roger S. Penske Chief Executive Officer	480,544 (2)	$9,250,472
Robert H. Kurnick, Jr. President	68,260 (3)	1,314,005
David K. Jones Executive Vice President & Chief Financial Officer	15,200 (4)	292,600
Calvin C. Sharp Executive Vice President – Human Resources	10,806 (5)	208,016
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	18,737 (6)	360,687
Robert T. O'Shaughnessy Former Chief Financial Officer	0 (7)	0

(1) Market value is based upon the closing price of our common stock on December 30, 2011 ($19.25).
(2) These restricted shares vest as follows:

June 1, 2012 – 94,598	June 1, 2014 – 141,881	June 1, 2016 – 65,325
June 1, 2013 – 78,838	June 1, 2015 – 99,902	

(3) These restricted shares vest as follows:

June 1, 2012 – 11,972	June 1, 2014 – 17,556	June 1, 2016 – 11,197
June 1, 2013 – 10,760	June 1, 2015 – 16,775	

(4) These restricted shares vest as follows:

June 1, 2012 – 3,650	June 1, 2014 – 2,800
June 1, 2013 – 4,250	June 1, 2015 – 4,500

(5) These restricted shares vest as follows:

June 1, 2012 – 3,227	June 1, 2014 – 2,200
June 1, 2013 – 3,629	June 1, 2015 – 1,750

(6) The restricted shares vest as follows:

June 1, 2012 – 5,728	June 1, 2014 – 3,450
June 1, 2013 – 6,559	June 1, 2015 – 3,000

(7) Mr. O'Shaughnessy forfeited his unvested shares upon his resignation from the Company.

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized On Vesting ($)**
Roger S. Penske Chief Executive Officer	0	0	85,128	$1,709,370
Robert H. Kurnick, Jr. President	0	0	9,983	200,459
David K. Jones Executive Vice President & Chief Financial Officer	0	0	2,450	49,196
Calvin C. Sharp Executive Vice President – Human Resources	0	0	2,702	54,256
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	7,000	$108,430	4,628	92,930
Robert T. O'Shaughnessy... Former Chief Financial Officer	5,000	52,350	0	0

Pension Benefits and Nonqualified Deferred Compensation

Our executive officers are not eligible to participate in any defined benefit or non-qualified deferred compensation plans.

"Golden Parachutes" or Termination/Change in Control Payments

None of our named executive officers is employed under an employment agreement, has any contractual severance, termination payments or "Golden Parachutes," or the rights to any contractual payments relating to a change in control of the company.

DIRECTOR COMPENSATION

The Board of Directors believes that its members should receive a mix of cash and equity compensation, with the option to receive all compensation in the form of equity. The Board of Directors approves changes to director compensation only upon the recommendation of the Compensation and Management Development Committee, which is composed solely of independent directors. Although all of our directors are eligible for our charitable donation matching program discussed below, only those directors who are not our paid employees are eligible for director compensation.

Annual Fee and Stock Award. Each non-employee director receives an annual fee of $40,000, except for audit committee members, who receive $45,000. Committee chairpersons receive an additional $5,000. These fees are payable, at the option of each non-employee director, in cash or common stock valued on the date of receipt (generally in the first quarter of the year subsequent to service). Our non-employee directors also receive an annual grant of 4,000 shares of stock payable during the first quarter of the year following service.

Option to Defer Receipt until Termination of Board Service. Under our Non-Employee Director Compensation Plan, the annual fee and equity awards earned by our non-employee directors may be deferred in either cash (for the annual fee) and/or deferred stock. Each deferred stock unit is equal in value to a share of common stock, and ultimately will be paid in cash after a director retires. These stock units do not have voting rights, but do receive dividends in the form of additional stock units which are credited to the director's account on the date dividends are paid. All cash fees deferred are held in our general funds, and interest on such deferred fees is credited to the director's account at the then current U.S. 90-day Treasury bill rate on a quarterly basis.

Charitable Donation Matching Program. All directors are eligible to participate in a charitable matching gift program. Under this program, we match up to $25,000 per year in contributions by each director to institutions qualified as tax-exempt organizations under 501(c)(3) of the Internal Revenue Code and other institutions approved at the discretion of management. We may decline to match any contribution to an institution with goals that are incompatible with ours, or due to conflicts with our director independence policy. This program is not available for matching of political contributions. While the contributions are directed by our directors, we retain the tax deduction for matching contributions paid by us.

Other Amounts. As part of our director continuing education program, each director is eligible to be reimbursed by us for the cost and expenses relating to one education seminar per year. These amounts are excluded from the table below. Each non-employee director is also entitled to the use of a company vehicle, including the cost of routine maintenance and repairs and company-sponsored automobile insurance relating to that vehicle. All directors are also entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to, and attendance at, meetings of the Board of Directors or its committees. Because we expect attendance at all meetings, and a substantial portion of the Board of Directors' work is done outside of formal meetings, we do not pay meeting fees.

Director Compensation Table

Our directors who are also our employees (Messrs. Kurnick, Namba and Penske) receive no additional compensation for serving as directors, though they are eligible for the charitable matching program noted above.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation	Total
John D. Barr	$45,000	$97,360	$50,338 (3)	$ 192,698
Michael R. Eisenson	50,000	97,360	47,165 (4)	194,525
William J. Lovejoy	40,000	97,360	42,078 (5)	179,438
Kimberly J. McWaters	45,000	97,360	41,574 (6)	183,934
Lucio A. Noto	40,000	97,360	65,019 (7)	202,379
Richard J. Peters	40,000	97,360	45,191 (8)	182,551
Ronald G. Steinhart	45,000	97,360	42,431 (9)	184,791
H. Brian Thompson	45,000	97,360	58,308 (10)	200,668

(1) We pay our directors in the year subsequent to service. This column reflects fees earned in 2011, though these fees were paid in 2012. Messrs. Eisenson, Lovejoy and Noto elected to receive equity in lieu of cash for 2011. Mr. Thompson elected to receive 50% of his fee in equity in 2011.

(2) These amounts represent the grant date fair value of awards computed in accordance with FASB ASC Topic 718 in connection with stock awards granted under our 2002 Equity Compensation Plan, and excludes the amount of any equity compensation received in lieu of cash noted in footnote one.

(3) "All Other Compensation" consists of the use of a Company vehicle and related insurance. The grant date fair value of the 4,000 shares of stock granted to Mr. Barr on February 15, 2011 (in respect of 2010 service) was $80,600. Mr. Barr had 12,446.45 deferred stock units outstanding at December 31, 2011.

(4) "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of stock and the 2,481 shares of stock granted to Mr. Eisenson on February 15, 2011 (in respect of 2010 service) was $130,592.

(5) "All Other Compensation" reflects the use of a Company vehicle and related insurance and matching of charitable donations. The grant date fair value of the 4,000 shares of stock to Mr. Lovejoy on February 15, 2011 (in respect of 2010 service) was $80,600. Mr. Lovejoy had 32,438.73 deferred stock units outstanding at December 31, 2011.

(6) "All Other Compensation" reflects the use of a Company vehicle and related insurance and matching of charitable donations. The grant date fair value of the 4,000 shares of stock granted to Ms. McWaters on February 15, 2011 (in respect of 2010 service) was $80,600. Ms. McWaters had 8,100.14 deferred stock units outstanding at December 31, 2011.

(7) "All Other Compensation" reflects $40,019 the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of stock and the 1,985 shares of stock granted to Mr. Noto on February 15, 2011 (in respect of 2010 service) was $120,598. Mr. Noto had 23,396.80 deferred stock units outstanding at December 31, 2011.

(8) "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of stock granted to Mr. Peters on February 15, 2011 (in respect of 2010 service) was $80,600.

(9) "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of stock granted to Mr. Steinhart on February 15, 2011 (in respect of 2010 service) was $80,600.

(10) "All Other Compensation" reflects spousal travel expenses, $32,990 for use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of stock and the 1,117 shares of stock granted to Mr. Thompson on February 15, 2011 (in respect of 2010 service) was $103,108.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 16, 2012 by (1) each person known to us to own more than five percent of our common stock, (2) each of our directors, (3) each of our named executive officers and (4) all of our directors and executive officers as a group.

"Beneficial ownership" is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares, including shares of restricted but unvested stock. The percentage of ownership is based on 90,322,045 shares of our common stock outstanding on March 16, 2012. Unless otherwise indicated in a footnote, each person identified in the table below has sole voting and dispositive power with respect to the common stock beneficially owned by that person and none of the shares are pledged as security.

Name of Beneficial Owner	Economic Ownership(1)	Beneficial Ownership (2)	Percent
Principal Stockholders			
Penske Corporation(3)	30,787,952	30,787,952	34.1%
2555 Telegraph Road, Bloomfield Hills, MI 48302-0954			
Mitsui(4)	15,559,217	15,559,217	17.2%
2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan			
Shapiro Capital Management LLC (5)	5,024,739	5,024,739	5.6%
3060 Peachtree Road, Suite 1555 N.W., Atlanta, GA 30305			
Current Directors and Nominees			
John D. Barr	33,497	17,000	*
Michael R. Eisenson	65,732	65,732	*
Robert H. Kurnick, Jr.(6)	68,260	68,260	*
William J. Lovejoy	54,214	16,000	*
Kimberly J. McWaters	27,057	18,924	*
Yoshimi Namba	0	0	*
Lucio A. Noto	62,797	39,305	*
Roger S. Penske(7)	31,912,814	31,912,814	35.4%
Richard J. Peters(8)	58,760	58,760	*
Ronald G. Steinhart	44,500	44,500	*
H. Brian Thompson	61,882	61,882	*
Officers Who Are Not Directors			
David K. Jones (6)	25,200	25,200	*
Calvin C. Sharp(9)	27,186	27,186	*
Shane M. Spradlin(10)	41,557	41,557	
All directors and named executive officers as a group (14 persons)(11)	32,432,697	32,346,360	35.8%

* Less than 1%

(1) Economic Ownership is defined as "Beneficial Ownership" (see footnote 2), plus the amount of deferred stock units held by certain non-employee directors in connection with their director compensation.

(2) Pursuant to the regulations of the SEC, shares are deemed to be "beneficially owned" by a person if such person directly or indirectly has or shares the power to vote or dispose of such shares. Each person is deemed to be the beneficial owner of securities which may be acquired within sixty days through the exercise of options, warrants, and rights, if any, and such securities are deemed to be outstanding for the purpose of computing the percentage of the class beneficially owned by such person.

(3) Penske Corporation is the beneficial owner of 30,426,594 shares of common stock, of which it has shared power to vote and dispose together with a wholly owned subsidiary. Penske Corporation also has shared voting power over 361,358 shares under voting agreements. All of the shares deemed owned by Penske Corporation are pledged under a loan facility. Penske Corporation also has the right to vote the shares owned by the Mitsui entities (see note 4) under certain circumstances discussed under "Certain Relationships and Related Party Transactions." If these shares were deemed to be beneficially owned by Penske Corporation, its beneficial ownership would be 46,347,169 shares or 51.3%.

(4) Represents 3,111,444 shares held by Mitsui & Co., (U.S.A.), Inc. and 12,447,773 shares held by Mitsui & Co., Ltd.

(5) As reported on Schedule 13G as of 12/31/11 and filed with the SEC on February 3, 2012.

(6) Consists of restricted stock.

(7) Includes the 30,787,952 shares deemed to be beneficially owned by Penske Corporation, as to all of which shares Mr. Penske may be deemed to have shared voting and dispositive power. Mr. Penske is the Chairman and Chief Executive Officer of Penske Corporation. Mr. Penske disclaims beneficial ownership of the shares beneficially owned by Penske Corporation, except to the extent of his pecuniary interest therein. Penske Corporation also has the right to vote the shares owned by the Mitsui entities (see note 4) under certain circumstances discussed under "Certain Relationships and Related Party Transactions." If these shares were deemed to be beneficially owned by Mr. Penske, his beneficial ownership would be 47,472,031 shares or 52.6%. These figures include 480,544 shares of restricted stock.

(8) Mr. Peters has shared voting power with respect to 50,000 of these shares.

(9) Includes 15,306 shares of restricted stock.

(10) Includes 26,737 shares of restricted stock.

(11) Includes 616,047 shares of restricted stock.

RELATED PARTY TRANSACTIONS

Our Board of Directors has adopted a written policy with respect to the approval of related party transactions. Under the policy, related party transactions valued over $5,000 must be approved by a majority of either the members of our Audit Committee or our disinterested Board members. Our Audit Committee approves all individual related party transactions valued below $1 million, all multiple-payment transactions valued below $5 million (such as a lease), and any transaction substantially similar to a prior year's transaction (regardless of amount). Our Board, by a vote of the disinterested directors, reviews and approves all other related party transactions. At each regularly scheduled meeting, our Audit Committee reviews any proposed new related party transactions for approval and reviews the status of previously approved transactions. Each of the transactions noted below was approved by our Board of Directors or Audit Committee pursuant to this policy.

Entities affiliated with Roger S. Penske, our Chairman of the Board and Chief Executive Officer, are parties to a stockholders agreement described below. Mr. Penske is also Chairman of the Board and Chief Executive Officer of Penske Corporation, and, through entities affiliated with Penske Corporation, our largest stockholder. The parties to the stockholders agreement are Mitsui & Co., Ltd., Mitsui & Co, (USA), Inc. (collectively, "Mitsui"), Penske Corporation and Penske Automotive Holdings Corp. (collectively the "Penske affiliated companies").

In connection with a sale of shares of our common stock to Mitsui in March 2004, Mitsui and the Penske affiliated companies agreed that, until termination of the stockholders agreement discussed below and with some exceptions, the parties will not acquire or seek to acquire any of our capital stock or assets, enter into or propose business combinations involving us, participate in a proxy contest with respect to us or initiate or propose any stockholder proposals with respect to us. Notwithstanding the prior sentence, the purchase agreement permits (1) any transaction approved by either a majority of disinterested members of our Board of Directors or a majority of our disinterested stockholders, (2) in the case of Mitsui, the acquisition of securities if, after giving effect to such acquisition, its beneficial ownership in us is less than or equal to 49%, (3) in the case of the Penske affiliated companies, the acquisition of securities if, after giving effect to such acquisition, their aggregate beneficial ownership in us is less than or equal to 65%, and (4) the acquisition of securities resulting from equity grants by the Board of Directors to individuals for compensatory purposes.

We have also agreed to grant Mitsui the right to an observer to our Board of Directors as long as it owns at least 2.5% of our outstanding common stock, and the right to have an appointee designated as a senior vice president of Penske Automotive, as long as it owns at least 10% of our outstanding common stock. Mr. Yoshimi Namba, one of our directors, has been appointed as our Senior Vice President — International Business Development. We also agreed not to take any action that would restrict the ability of a stockholder to propose, nominate or vote for any person as a director of us, subject to specified limitations.

Stockholders Agreement. Simultaneously with a purchase of our stock from us by Mitsui, Mitsui and the Penske affiliated companies entered into a stockholders agreement, pursuant to which the Penske affiliated companies agreed to vote their shares for one director who is a representative of Mitsui and Mitsui agreed to vote its shares for up to fourteen directors voted for by the Penske affiliated companies. In addition, the Penske affiliated companies agreed that if they transfer any of our shares of common stock, Mitsui would be entitled to "tag along" by transferring a pro rata amount of its shares upon similar terms and conditions, subject to certain limitations. This agreement terminates in 2014, or, if earlier, upon the mutual consent of the parties or when either party no longer owns any of our common stock.

Registration Rights Agreements. We have granted the Penske affiliated companies registration rights pursuant to which the Penske affiliated companies are able on two remaining occasions to register all or part of our common stock held by them, subject to specified limitations. The Penske affiliated companies are also entitled to request inclusion of all or any part of their common stock in any registration of securities by us on Forms S-1 or S-3 under the Securities Act of 1933, as amended.

In connection with the purchase of our shares by Mitsui discussed above, we granted registration rights to Mitsui pursuant to which Mitsui may require us on two occasions to register all or part of its common stock, subject to specified limitations. Mitsui also is entitled to request inclusion of all or any part of its common stock in any registration of securities by us on Forms S-1 or S-3 under the Securities Act of 1933, as amended.

Other Related Party Interests. Several of our directors and officers are affiliated with Penske Corporation or related entities. Mr. Penske is a managing member of Transportation Resource Partners, a Penske affiliated organization that undertakes investments in transportation-related industries. Richard J. Peters, one of our directors, is a director of Penske Corporation and a managing director of Transportation Resource Partners. Robert H. Kurnick, Jr., our President and a director, is also the

President and a director of Penske Corporation. In 2011, we were reimbursed approximately six percent of the base salary of Shane Spradlin, our General Counsel, by Penske Corporation to reflect his efforts on behalf of Penske Corporation. These employees or directors may receive salary, bonus or other compensation from Penske Corporation or its affiliates unrelated to their service at Penske Automotive. Our director Lucio A. Noto is an investor in Transportation Resources Partners.

Penske Truck Leasing. We own a 9% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, transportation and distribution center management and supply chain management. The general partner of PTL is Penske Truck Leasing Corporation (the "General Partner"), a subsidiary of Penske Corporation which, together with other wholly owned subsidiaries of Penske Corporation (the "Penske Parties"), owns 41.1% of PTL. The remaining 49.9% of PTL is owned by GE Capital.

In connection with the acquisition of our 9% limited partnership interest in PTL, we became a party to a previously existing partnership agreement which, among other things, provides us with specified distribution and governance rights and restricts our ability to transfer our interests. Specifically, as a limited partner, we are entitled only to a limited number of rights, including the right to act as an observer at all meetings of PTL's Advisory Committee and a right to pro rata distributions of available profits. Further, we may only transfer our interests with the unanimous consent of the other partners, or if we and the Penske Parties provide the remaining partners with a right of first refusal to acquire our interests at fair market value. We and the Penske Parties have also agreed that (1) in the event of any transfer by the Penske Parties of their partnership interests to a third party, we shall be entitled to "tag-along" by transferring a pro rata amount of our partnership interests on similar terms and conditions, and (2) the Penske Parties are entitled to a right of first refusal in the event of any transfer of our partnership interests. Additionally, the partnership has agreed to indemnify the General Partner for any actions in connection with managing the partnership, except those taken in bad faith or in violation of the partnership agreement. In the event of certain changes to PTL's capital structure, GE Capital and the General Partner have agreed to provide us with certain "make whole" payments, as further described in the purchase agreement relating to the transaction, which is filed as an exhibit to our annual report on Form 10-K.

In 2011, we received $7.8 million from PTL in pro rata cash distributions. During 2011, we were also party to two agreements expiring in 2047 and 2013 (assuming exercise of all optional extension periods) pursuant to which PTL subleases a portion of certain dealership locations in New Jersey and Arizona each for $60,000 per year plus its pro rata share of certain property expenses. This lease for the Arizona location was terminated in April 2011. Aggregate payments are expected to be $0.1 million over the term of the remaining sublease, including all optional extension periods, but not including any potential increases in rent resulting from changes in the consumer price index. Our Chairman and Chief Executive Officer also serves as chairman of PTL, for which he is compensated by PTL. As a limited partner, we do not influence or control the amount of that compensation.

smart USA. Our former subsidiary, smart USA Distributor, LLC, was the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico through June 30, 2011. UAG Connecticut I, which is affiliated with one of our directors as discussed below, and affiliates of Roger S. Penske, Jr., the son of our Chairman and Chief Executive Officer, were each smart fortwo vehicle dealers and as such participated in transactions with smart USA on the same terms as those applicable to all other smart dealers. In connection with our termination of one of the two franchises held by Roger Penske, Jr., we paid $436,495 in termination assistance which amount was reimbursed to us by Mercedes-Benz USA.

Other Transactions. From time to time, we pay and/or receive fees from Penske Corporation and its affiliates for services rendered in the normal course of business, including payments to third parties by Penske Corporation on our behalf which we then reimburse to them, payments to third parties made by us on behalf of Penske Corporation which they then reimburse to us, shared office expenses, shared employee expenses and payments relating to the use of aircraft from Penske Jet, a subsidiary of Penske Corporation. These transactions are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. Aggregate payments relating to such transactions amounted to $4.9 million paid by us, excluding the payments to AGR discussed below.

We were a tenant under a number of lease agreements with Automotive Group Realty, LLC (AGR) and its subsidiaries in 2011. AGR is a wholly owned subsidiary of Penske Corporation. The aggregate amount paid by us to AGR in 2011 under these leases was $0.4 million. Remaining contractual payments from us to AGR under these leases through termination is $0.3 million. At February 29, 2012 two of the three remaining leases to which we were a party were eligible for renewal and were not renewed. In June 2011, we exercised our right under one of our lease agreements with AGR to purchase the underlying real property in Benton, Arkansas. The purchase price of $1.45 million was based on an independent valuation.

In June 2008, an affiliate of Mr. Penske, Jr., the son of our Chairman and Chief Executive Officer, purchased two of our subsidiaries operating six franchises in California. In connection with these transactions, the former subsidiaries continue to lease certain fixed assets from us. One of the leases has a term expiring in December 2037 with annual rent of $289,000 per year (or $7.5 million over the remaining period), and the second lease has a term expiring in February 2027 with annual rent of $219,000 per year (or $3.5 million over the remaining period).

We and Penske Corporation have entered into a joint insurance agreement which provides that, with respect to any joint insurance policies, any available coverage with respect to a loss shall be paid to each party as stipulated in the policies. In the event of losses that exceed the limit of liability for any policy or policy period, the total policy proceeds will be allocated based on the ratio of premiums paid. The only current insurance policy subject to this agreement is our crime policy.

We have entered into a license agreement with an affiliate of Penske Corporation for a license of the "Penske Automotive" name. This agreement provides us with a perpetual license of the name "Penske Automotive" and related trade names so long as Penske Corporation and its affiliates own in excess of 20% of our outstanding stock and we adhere to the other terms of the license agreement.

From time to time, we enter into arrangements between the Company, Penske Truck Leasing and/or other Penske Corporation affiliates and third party vendors in order to achieve the benefits of scale or synergy opportunities as between the companies. These arrangements are reviewed by the Board in accordance with our policy noted above. For example, we aggregate several Penske entities in connection with sourcing certain telecommunications services to achieve the benefits of scale. In addition, we have a preferred arrangement with Shell Oil whereby we purchase targeted amounts of lubricants, fuel and other products on terms competitive to the Company.

In 2011, we had continuing investments in two companies controlled by Transportation Resource Partners, an organization discussed above: a provider of outsourced vehicle management solutions and a mobile vehicle washing company. In addition, in 2011, Transportation Resource Partners purchased Commonwealth Laminating & Coating (SunTek), a leading provider of solar window film for the global automotive and architectural markets. In 2011, we purchased $249,000 in film from SunTek.

Our officers, directors and their affiliates periodically purchase, lease or sell vehicles from our dealerships at fair market value. Additionally, we hire automotive technicians who have graduated from Universal Technical Institute ("UTI"), a provider of technical education, whose Chief Executive Officer is one of our directors. We make no payments to UTI relating to the hiring of these graduates and hire them on the same terms as other employers. In 2011, Mr. Namba, one of our board members, received $300,000 in total cash compensation relating to his service as Senior Vice President – International Business Development. Mr. Namba is also an employee of Mitsui & Co., Ltd. (Japan). To the extent Mr. Namba's salary exceeds or is less than an amount set annually by Mitsui, he makes or receives payments to/from Mitsui.

An entity (the "Investor") controlled by one of our directors, Lucio A. Noto, owns a 13.4% interest in one of our subsidiaries, UAG Connecticut I, LLC, pursuant to an agreement which entitles the Investor to 20% of the operating profits of UAG Connecticut I. This agreement also provides the Investor with the right to appoint one of three directors, as well as "tag-along rights" in the event we intend to sell our interest in UAG Connecticut I. We have a right of first refusal with respect to any potential sale by the Investor of its interest. From time to time, we provide UAG Connecticut I with working capital and other debt financing. The Investor also paid $381,671 to us in 2011 pursuant to its option to purchase up to a 20% interest in UAG Connecticut I. In addition, UAG Connecticut I makes periodic pro rata distributions, pursuant to which the Investor was paid $1,412,740 during 2011.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and reports of changes of ownership with the SEC. To our knowledge, based solely on our review of the Section 16(a) forms furnished to us and representations from our executive officers, directors and greater than 10% beneficial owners, all Section 16(a) reports were timely filed in 2011.

Stockholder Nominations and Proposals for 2013. We must receive any proposals submitted pursuant to Rule 14(a)-8 of the proxy rules of the Securities and Exchange Commission (SEC) intended to be presented to stockholders at our 2013 annual meeting of stockholders at our principal executive offices at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302-0954 for inclusion in the proxy statement by November 19, 2012. These proposals must also meet other requirements of the rules of the SEC relating to stockholder proposals. Stockholders who intend to present an item of business at the annual meeting of stockholders in 2013 (other than a proposal submitted for inclusion in our proxy statement) must follow the procedures set forth in our bylaws and provide us notice of the business no later than February 8, 2013.

Proxies in the form enclosed are solicited by or on behalf of our Board of Directors. We will bear the cost of this solicitation. In addition to the solicitation of the proxies by mail, some of our officers and regular employees, without extra remuneration, may solicit proxies personally, or by telephone or otherwise. In addition, we will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses in forwarding soliciting materials, which are not expected to exceed an aggregate of $10,000.

It is important that proxies be returned promptly. Therefore, you are urged to sign, date and return the enclosed proxy card in the accompanying stamped and addressed envelope or vote electronically through the Internet or by telephone as soon as possible.

We will provide without charge to each of our stockholders, on the written request of such stockholder, a copy of our Form 10-K for the year ended December 31, 2011 and any of the other documents referenced herein. Copies can be obtained from Penske Automotive Group, Inc., Investor Relations, 2555 Telegraph Road, Bloomfield Hills, Michigan 48302-0954 (248-648-2500) or (866-715-5289).

Dated: March 19, 2012

LEADERSHIP

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Chairman of the Board and CEO

Robert H. Kurnick, Jr.
President

David K. Jones
Executive Vice President and
Chief Financial Officer

Calvin C. Sharp
Executive Vice President
Human Resources

Shane M. Spradlin
Executive Vice President,
General Counsel and Secretary

J.D. Carlson
Senior Vice President and
Corporate Controller

OPERATIONS

George W. Brochick
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West Operations

Gerard Nieuwenhuys
Managing Director
Sytner Group

R. Whitfield Ramonat
Executive Vice President
Central Operations and
Financial Services

Bernard W. Wolfe
Executive Vice President
East Operations

INVESTOR RELATIONS

Anthony R. Pordon
Executive Vice President
Investor Relations and
Corporate Development

BOARD OF DIRECTORS

Roger S. Penske
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Penske Automotive Group

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President
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Commercial Banking Group
Bank One Corporation

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Executive Chairman
Global Telecom & Technology

EXECUTIVE OFFICES

Penske Automotive Group, Inc.
2555 Telegraph Road
Bloomfield Hills, MI 48302-0954
248 648-2500

Investor Relations and
Corporate Communications
248 648-2540 or 1-866-715-5289
info@penskeautomotive.com

Stock Exchange Listing
Penske Automotive Group common stock is traded on the New York Stock Exchange under the ticker symbol PAG

Transfer Agent
Computershare Investor Services
P.O. Box 40378
Providence, RI 02940-3078

Independent Auditors
Deloitte & Touche LLP
600 Renaissance Center
Suite 900
Detroit, MI 48243

Form 10-K
The Company's Form 10-K is on file with the Securities and Exchange Commission. You may download an electronic copy by accessing the Company's Investor Relations section at *www.penskeautomotive.com*

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