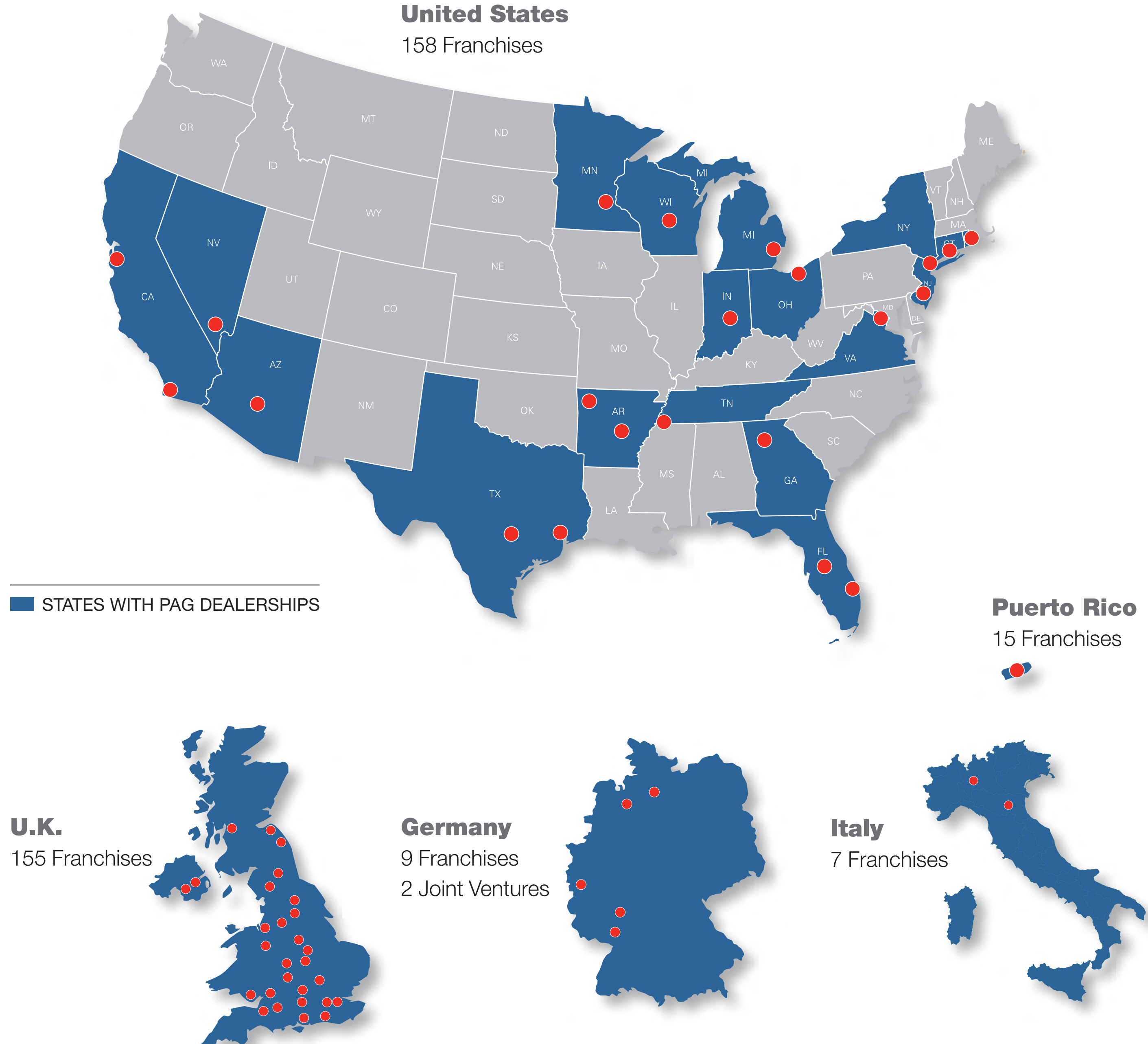
2012 ANNUAL REPORT

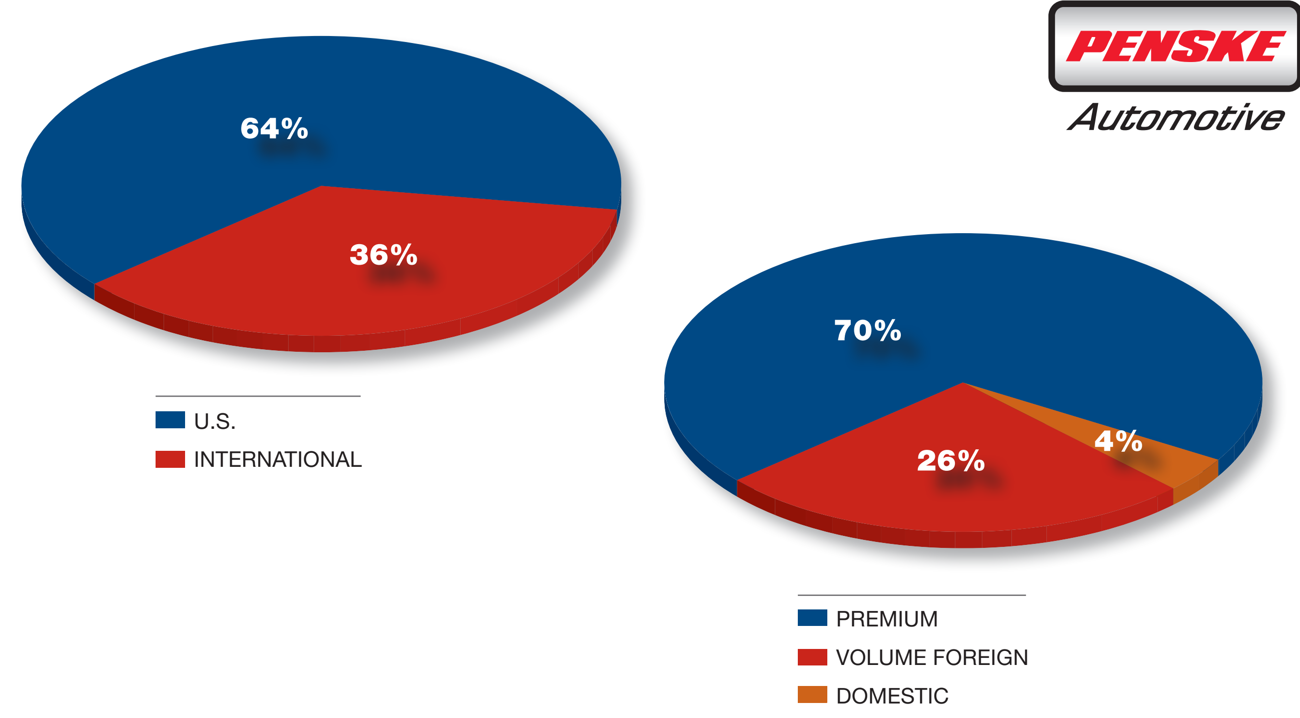
- 326,000 Vehicles Retailed
- $13.2 Billion in Revenue
- 9.9% Same-Store Retail Revenue Growth
- $750 Million in Estimated Annualized Acquired Revenue
- Over 3 Million Repair Orders
- Most Profitable Year in Company History
- International — Expanded Into Northern Ireland and Italy
- U.S. — Expanded Into Madison, Wisconsin

2012 HIGHLIGHTS

KEY MARKETS



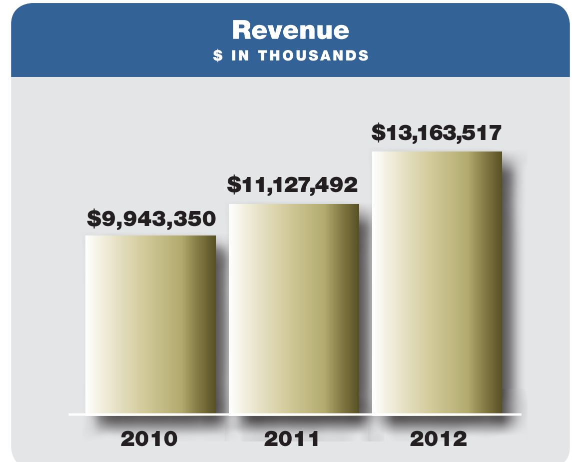
REVENUE MIX

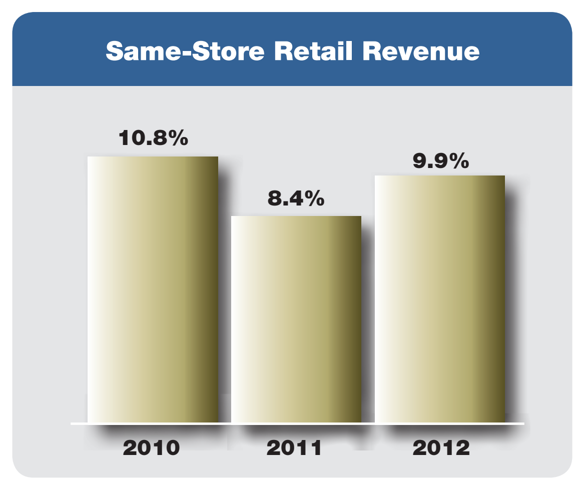


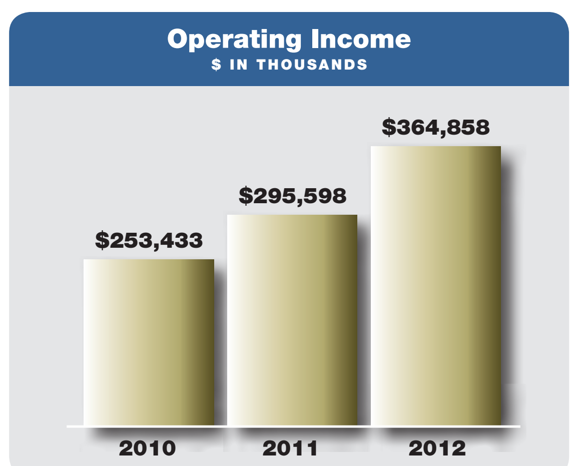
BEST IN CLASS BRAND MIX

BENTLEY 1%
PORSCHE 4%
BMW MINI 26%
NISSAN 1%
ACURA 2%
HONDA 11%
LAND ROVER 4%
Audi 12%
2%
OTHER 4%
Ferrari Maserati 3%
TOYOTA 10%
LEXUS 4%
Mercedes-Benz 11%
GM Ford CHRYSLER 4%
JAGUAR 1%

FINANCIAL HIGHLIGHTS





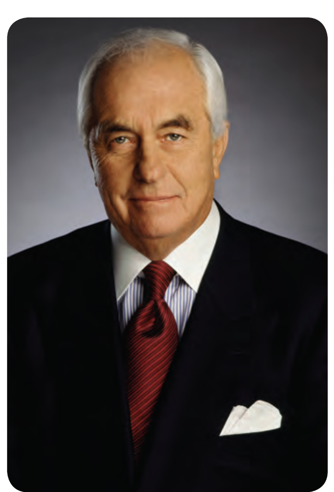


($ in Thousands)	**2010**	**2011**	**2012**
RETAIL UNITS SOLD	247,084	270,569	326,344
REVENUE	$9,943,350	$11,127,492	$13,163,517
OPERATING INCOME	$253,433	$295,598	$364,858
TOTAL ASSETS	$4,066,946	$4,499,401	$5,378,990
NON-VEHICLE DEBT	$776,055	$850,191	$937,517
STOCKHOLDERS' EQUITY	$1,055,012	$1,149,572	$1,316,321

TO OUR STOCKHOLDERS

During the past year, Penske Automotive Group achieved record results for retail unit sales, revenue, income from continuing operations and earnings per share. Our business produced an 18% increase in revenue to just over $13 billion while adjusted[1] income from continuing operations increased 26% and related earnings per share improved 27%.

The record performance is directly attributable to the dedication of, and outstanding execution by, our Human Capital – the nearly 17,000 worldwide team members and seasoned management team – each of whom drive our performance every day.



Roger S. Penske
Chairman

At Penske Automotive Group, our business success is driven by our core values. These values – the importance of human capital, maintaining OEM relationships, our commitment to a premium brand mix, diversification, capital investment and fostering repeat and referral business through a commitment to customer satisfaction and exceeding expectations – are the key building blocks that drive our business every day.

The past year was particularly rewarding as our U.K.-based operations were recognized among the *Best Big Companies To Work For*, finishing in third place on the annual list produced by the *Sunday Times*. In addition, five of our U.S.-based dealerships were named to the *Automotive News* inaugural list of *100 Best Dealerships To Work For* in the United States. We are extremely proud of these recognitions and congratulate every person on these teams.

Motorwerks BMW

[1] Excludes costs associated with the redemption of the company's $375 million of 7.75% senior subordinated notes due 2016 of $17.8 million ($13.0 million net of taxes), or $0.14 per share in 2012. 2011 excludes a net income tax benefit reflecting a positive adjustment for the resolution of certain items in the U.K. of $17.0 million ($0.19 per share), partially offset by a reduction of deferred tax assets of $6.0 million, or $0.07 per share.

AutoVanti MINI

During 2012, we invested more than $115 million in the expansion and improvement of our dealership operations, including newly built or remodeled facilities in many locations. Over the last ten-plus years, we have committed more than $2 billion for facility improvements designed to drive the individual look and feel of our dealerships and to enhance our OEM relationships for the brands we represent.

Investing in facilities is an important element of our culture. It's what motivates our team members, improves our performance and drives our desire to exceed the expectations of our customers. In addition to our facility investments, we complemented our existing brand mix by completing several strategic acquisitions with estimated annualized revenues of approximately $750 million.

Through these efforts we continued to diversify our geographic footprint and business model. In January, we entered the Northern Ireland market with the purchase of a dealership group located mainly in Belfast. In November, we expanded into our eighteenth state in the continental U.S. by acquiring two dealerships in Madison, Wisconsin. We also strengthened our position in Southern California with the acquisition of BMW and MINI dealerships. In September, we became the franchisee of the Hertz rental car operations for both on-airport and off-airport locations in the Memphis, Tennessee, market. We also established a joint venture in Italy for the BMW/MINI brands where we now operate seven franchises in Bologna and Monza.

"Our business success is driven by our core values — the importance of human capital, maintaining OEM relationships, our commitment to a premium brand mix, diversification, capital investment and fostering repeat and referral business through a commitment to customer satisfaction and exceeding expectations."

– Roger S. Penske

During 2012, our revenue mix was 64% from U.S. operations and 36% international, and our industry-leading position of revenue attributable to premium/luxury nameplates was 70%, while the percentage of our total revenue attributable to foreign nameplates was 96%.

In March, we completed ten years of operation in the United Kingdom. Since entering that market in 2002, our revenues have increased five times – from $900 million in 2002 to approximately $4.5 billion in 2012. We remain the largest premium/luxury retailer in the U.K. market, ranking either as #1 or #2 with Audi, Bentley, BMW, Ferrari, Maserati, Land Rover, Lexus, Mercedes-Benz and Porsche.

West London Audi

During 2012, the company solidified its capital structure and locked in attractive interest rates to enhance our financial flexibility and continue the execution of our growth strategies by issuing $550 million in senior subordinated notes with an interest rate of 5.75%. This allowed us to redeem our outstanding senior subordinated convertible notes for cash and refinance our existing 7.75% senior subordinated notes, generating a 200-basis-point reduction in the interest rate while pushing out the maturity from 2016 to 2022, a six-year improvement.

We continue returning capital to stockholders through stock repurchases, dividends and share appreciation. In 2012, we repurchased 405,000 shares of company stock for an average price of $24.31, and increased the cash dividend four times, most recently to $0.14 per share, while PAG shares appreciated 56% during 2012.

With a strong balance sheet, a solid foundation and a positive outlook for the automotive industry, our business is poised for continued growth. We will continue to evaluate our market position, and we remain committed to pursuing strategic and opportunistic acquisitions to help our company grow.

As we look forward to 2013, we remain confident in the ability of our business model to adapt to changing market conditions. We see a backdrop of an improving U.S. marketplace driven by pent-up demand, excellent credit availability and significant new model launches as key elements which should drive a strong market.

I want to thank every member of the Penske Automotive Group team for their continued support to our long-term success. As the most important asset in our organization, the passion they show for pursuing customer satisfaction, exceeding expectations and moving our business forward continues to energize the management team each day.

Roger S. Penske
Chairman

Porsche Tysons Corner

Service bay with tool benches, drop ceilings, and tiled floors.

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, 2012

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

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

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, 2012 was $900,150,690. As of February 15, 2013, there were 90,302,095 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 2013 Annual Meeting of the Stockholders to be held May 9, 2013 are incorporated by reference into Part III, Items 10-14.

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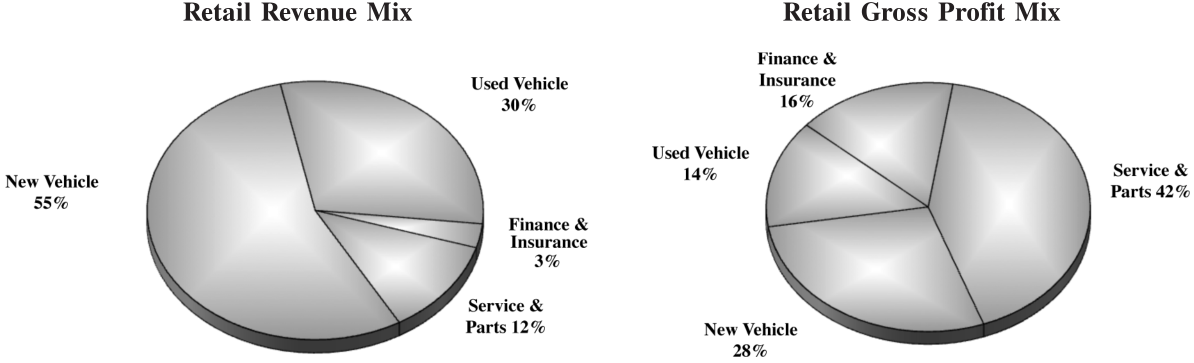
PART I

Item 1. *Business*

We are the second largest automotive retailer headquartered in the U.S. as measured by the $13.2 billion in total revenue we generated in 2012. As of December 31, 2012, we operated 344 retail automotive franchises, of which 173 franchises are located in the U.S. and 171 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2012, we retailed and wholesaled more than 402,000 vehicles. We are diversified geographically, with 64% of our total revenues in 2012 generated in the U.S. and Puerto Rico and 36% generated outside the U.S. We offer approximately 40 vehicle brands, with 96% of our total retail revenue in 2012 generated from brands of non-U.S. based manufacturers, and 70% 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 third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products.

We also hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management. PTL operates 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. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics 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 ("GECC"). We account for our investment in PTL under the equity method, and we therefore record our share of PTL's earnings each quarter on our statements of operations under the caption "Equity in Earnings of Affiliates" which also includes the results of our other investments.

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 include warranty, customer pay, collision repair, and wholesale parts and 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 and their respective contribution to our overall gross profit:



2012 Key Developments

Dealership Acquisitions. We acquired or were granted open points (new franchises awarded from the automotive manufacturer) representing 34 automotive franchises. We expect that these franchises will represent approximately $750 million in annualized revenue. These acquisitions include three new geographic markets for our company: the Agnew Group in Northern Ireland (U.K.) representing 14 franchises, Lancaster Toyota and Lexus of Madison, Wisconsin, and seven BMW/MINI franchises in Northern Italy (Monza/Bologna) that we acquired in a joint venture. We also disposed of, or classified as discontinued operations, 26 franchises representing approximately $600 million in annual revenue.

Debt Refinancings. In May 2012, we redeemed $63.3 million of our 3.5% convertible senior subordinated notes for $62.6 million in cash. In August and September 2012, we repurchased all of our $375 million of 7.75% senior subordinated notes in connection with the issuance of $550 million of ten year 5.75% senior subordinated notes. We used the remaining proceeds of the 5.75% notes to repay amounts outstanding under our U.S. credit agreement and a portion of our U.S. floor plan borrowings.

Shareholder Dividends and Stock Repurchases. We increased our quarterly dividend each quarter. Our latest declared dividend is $0.14 per share payable March 1, 2013, which represents a dividend yield of 1.7% using our January 31st closing stock price. We also repurchased approximately 405,000 shares of our common stock in 2012 for $9.8 million, which, together with the quarterly dividends, represents a return to shareholders of approximately $51 million.

Hertz Rental Car Franchise Acquisitions. We signed an agreement with Hertz System, Inc. to join Hertz's franchise network in the Memphis, Tennessee market. In accordance with that agreement, in October 2012, we purchased the assets of Hertz's Memphis market, which provides us the opportunity to operate airport and off-airport rental locations in that area. In December 2012, we signed a similar agreement to purchase the assets of Hertz's Indianapolis market, which we expect to complete in the first quarter of 2013.

PTL Debt Refinancing. Historically GECC has provided PTL with a majority of its financing. During 2012, PTL refinanced a significant amount of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ("Holdings") which, together with GECC, co-issued $700 million of 3.8% senior unsecured notes due 2019 which funds were invested in PTL in exchange for a 21.5% limited partner interest in PTL. PTL used the $700 million of funds to reduce its outstanding debt owed to GECC. Because the PTL partners hold the same relative percentage ownership in Holdings as they did of PTL immediately prior to the transaction, the ultimate economic ownership of PTL did not change, however PTL has diversified its funding sources.

Named "Best Dealerships To Work For". We were pleased that five of our dealerships in the U.S. were named by Automotive News as "Among the 100 Best Dealerships to Work For." In addition, our U.K dealerships, collectively known as the Sytner Group, were ranked as the third "Best Big Company to Work for in the U.K." by the London Sunday Times. We believe these awards reflect our ongoing commitment to our valuable dealership employees, which enhances customer satisfaction and may result in improved sales over time.

Outlook

The level of new automotive unit sales in our markets affects our results. The new vehicle market and the amount of customer traffic visiting our dealerships have improved during the past few years, and there are market expectations for continued improvement in the automotive market in the U.S. over the next several years. During 2012, 14.5 million cars and light trucks were sold in the U.S., representing a 13% improvement over the 12.8 million cars and light trucks sold during 2011. We believe the U.S. automotive market will continue to improve based upon industry forecasts from companies such as JD Power, coupled with demand in the marketplace, an aging vehicle population,

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 2.04 million during 2012, compared to 1.94 million during 2011, representing an increase of 5.3%. Based on industry forecasts from entities such as the Society of Motor Manufacturers and Traders (www.smmt.co.uk), we believe despite domestic and international economic concerns, the U.K. market will continue to grow as a result of U.K. motorists responding positively to new products and the latest fuel-efficient technology. We also expect continued resiliency in premium brand sales in the U.K. in 2013. See Item 1A. "Risk Factors."

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 superior customer service;
- Diversification;
- Expand revenues at existing locations and increase higher-margin businesses;
- Grow through opportunistic acquisitions;
- Enhance customer satisfaction;
- Leverage scale and implement "best practices" and
- Leverage Internet Marketing

Attract, Develop, and Empower Associates to Grow our Business

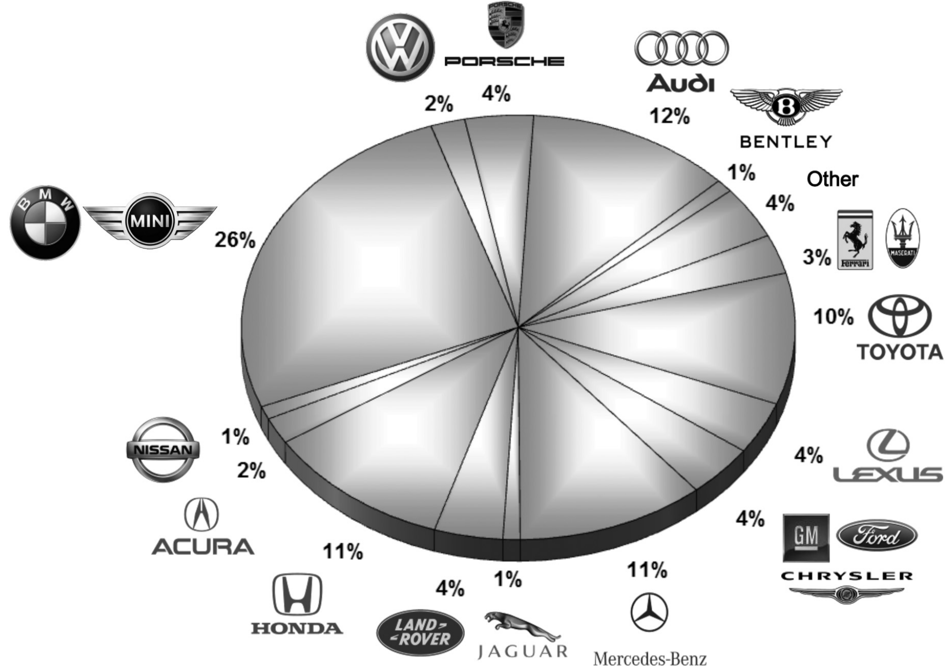
We view our local dealership general managers and associates as one of our most important assets. We operate in a decentralized manner that fosters an entrepreneurial spirit where each dealership or group of dealerships has independent operational and financial management responsible for day-to-day operations. 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 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. Our revenue mix consists of 70% related to premium brands, 26% 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:



We sell and service outstanding automotive brands in our premium facilities, in attractive geographic markets. Where advantageous, we 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 U.S. based 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 36% of our consolidated revenue during 2012 was generated outside the U.S. and Puerto Rico, predominately in the U.K. The U.K. is the second largest retail automotive market in Western Europe. Our brand mix in the U.K. is predominantly premium. We believe that as of December 31, 2012, 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. We also expanded into two new international markets in 2012, acquiring seven BMW/MINI franchises in Northern Italy (Milan/Bologna) via a joint venture, and by acquiring a group of dealerships in Northern Ireland representing 14 franchises.

Diversification Through Penske Truck Leasing. We hold a 9.0% ownership interest in PTL, a leading provider of transportation services and supply chain management. PTL operates 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. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics provider.

Diversification Through Hertz Car Rental Business. During the third quarter of 2012, we signed an agreement with Hertz System, Inc. to join Hertz's franchise network in the Memphis, Tennessee market. In accordance with that agreement, in October 2012, we purchased the assets of Hertz's Memphis market, which provides us the opportunity to operate airport and off-airport rental locations in that area. In December 2012, we signed a similar agreement to purchase the assets of Hertz's Indianapolis market, which we expect to complete in the first quarter of 2013.

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. With this strategy, we have increased our efforts to retail a used vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this strategy has helped to increase the number of used retail vehicle sales in 2012.

Grow Finance, Insurance, and Other Aftermarket Revenues. Each sale of a vehicle provides us the opportunity to assist in arranging financing for 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 30 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 Opportunistic 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 2012, we acquired or were granted open points representing 34 franchises which we expect will generate approximately $750 million in annualized revenue, including entering three new markets, Madison Wisconsin, Northern Ireland (U.K.) and Northern Italy. We also divested or classified as discontinued operations 26 franchises that generated approximately $600 million of revenue on an annualized basis in 2012.

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, thereby driving increased 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, 2010 to December 31, 2012:

Dealership	Date Opened or Acquired	Location	Franchises
U.S.			
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
MINI of Marin	03/12	Marin, CA	MINI
Nissan/Infiniti San Francisco	03/12	San Francisco, CA	Nissan, Infiniti
Landers Fiat	04/12	Benton, AR	Fiat
Triangle Suzuki de San Juan	04/12	San Juan, PR	Suzuki
Fisker of Scottsdale	05/12	Scottsdale, AZ	Fisker
Lexus de Ponce	06/12	Ponce, PR	Lexus
BMW/MINI of Ontario	10/12	Ontario, CA	BMW, MINI
Jon Lancaster Toyota	11/12	Madison, WI	Toyota, Scion
Lexus of Madison	11/12	Middleton, WI	Lexus
Outside the U.S.			
smart Northampton	07/10	Northampton, England	smart
Sytner Maidenhead BMW	02/11	Maidenhead, England	BMW
Sytner Slough MINI	02/11	West Midlands, England	MINI
McLaren Manchester	07/11	Manchester, England	McLaren

Dealership	Date Opened or Acquired	Location	Franchises
Belfast Audi	01/12	Belfast, Ireland	Audi
Portadown Audi	01/12	Portadown, Ireland	Audi
Agnew Seat Boucher	01/12	Belfast, Ireland	Seat
Bavarian Garages (NI) Ltd.	01/12	Belfast, Ireland	BMW, MINI
Mercedes-Benz of Belfast	01/12	Belfast, Ireland	Mercedes-Benz
smart of Belfast	01/12	Belfast, Ireland	smart
Mercedes-Benz of Portadown	01/12	Portedown, Ireland	Mercedes-Benz
Stanley Motor Works	01/12	Belfast, Ireland	Suzuki, Volvo
Isaac Agnew Volkswagen	01/12	Belfast, Ireland	Volkswagen
Isaac Agnew Volkswagen Mallusk	01/12	Newtownabbey, Ireland	Volkswagen, VW-Van
Porsche Centre Belfast	01/12	Belfast, Ireland	Porsche
AutoVanti Monza	03/12	Monza, Italy	BMW, MINI
Alba Motors	07/12	Bologna, Italy	BMW, MINI
AutoVanti	07/12	Bologna, Italy	BMW (2), MINI
Guy Salmon Jaguar Stockport	10/12	Stockport, England	Jaguar

In 2012, 2011, and 2010, we disposed of 11, 16, 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, 2012:

Location	Franchises
Arizona	24
Arkansas	12
California	32
Connecticut	7
Florida	8
Georgia	4
Indiana	2
Michigan	2
Minnesota	2
Nevada	2
New Jersey	22
New York	1
Ohio	8
Puerto Rico	15
Rhode Island	12
Tennessee	2
Texas	8
Virginia	7
Wisconsin	3
Total U.S.	173
U.K.	155
Germany	9
Italy	7
Total Foreign	171
Total Worldwide	344

Franchises	U.S.	Non-U.S.	Total
BMW/MINI	20	41	61
Toyota/Lexus/Scion	37	13	50
Mercedes-Benz/Sprinter/smart	19	23	42
Audi/Volkswagen/Bentley	16	22	38
Chrysler/Jeep/Dodge/Fiat	16	15	31
Others	12	17	29
Honda/Acura	25	2	27
Ferrari/Maserati	6	12	18
Porsche	6	8	14
Land Rover	1	11	12
Nissan/Infiniti	8	—	8
Jaguar	1	7	8
Cadillac/Chevrolet	6	—	6
Total	173	171	344

New Vehicle Retail Sales. In 2012, we sold 180,764 new vehicles which generated 55% of our retail revenue and 28% 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., Italy 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, our commitment to drive customer satisfaction, 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 2012, we sold 145,580 used vehicles, which generated 30% 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. Most of our dealerships have implemented software tools which assist in procuring and selling used vehicles. 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 strategy, we have increased our efforts to retail a used vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this strategy has helped to increase the number of used retail vehicles sales in 2012. 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, extended service and insurance sales represented 3% of our retail revenue and 16% of our retail gross profit in 2012. 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 12% of our retail revenue and 42% of our retail gross profit in 2012. 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 30 collision repair centers, each of which is operated as an integral part of our dealership operations.

Penske Truck Leasing

We hold a 9.0% ownership interest in PTL, a leading provider of transportation services and supply chain management. PTL operates 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. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics provider. 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.

Full-service truck leasing, truck rental and contract maintenance. Full-service truck leasing, truck rental and contract maintenance of commercial trucks constitutes PTL's largest business. PTL manages a fleet of approximately 205,000 trucks, tractors and trailers, consisting of approximately 140,000 vehicles owned by PTL and operated by its customers under full-service leases and rental agreements and approximately 65,000 customer-owned and—operated vehicles for which PTL provided contract maintenance services. PTL's commercial and consumer rental fleet consists of approximately 55,000 vehicles for use by its full-service truck leasing, small business and consumer customers for periods ranging from one hour to 12 months.

Commercial customers often outsource to PTL to reduce the complexity and cost of vehicle ownership. PTL integrates most aspects of fleet management, including the provision of custom configured equipment and the delivery of a package of support and maintenance services, as well as making additional short-term rental vehicles available to its contract customers. Its broad service offering has enabled its customers to reduce the large number of vendors that an in-house fleet manager must coordinate. The services provided under its full-service lease and contract maintenance agreements generally include preventive maintenance, sophisticated diagnostics, emergency road service, fleet services, safety programs and fuel services through its network of approximately 700 locations across the United States and Canada. Its commercial 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 leasing and contract maintenance customers that are seeking flexibility in their fleet management.

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 local small businesses and individuals seeking a do-it-yourself solution to their moving needs. Its fleet consists generally of late model vehicles ranging in size from small vans to 26-foot trucks. Its consumer rentals are conducted through approximately 1,900 independent rental agents and 320 of its PTL-operated leasing and rental facilities.

Logistics. PTL's logistics business offers an extensive variety of services, including dedicated contract carriage, distribution center management, transportation management and lead logistics provider. PTL coordinates services for its customers across the supply chain, including: inbound material flow, handling and packaging, inventory management, distribution and technologies, and sourcing of third-party carriers. These services are available individually or on a combined basis and often involve its associates performing services at the customer's location. By offering a scalable series of products to its customers, PTL can manage the customer's entire supply chain or any component parts. It also 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. PTL's international logistics business has approximately 300 locations in North America, South America, Europe and Asia.

PAG Dealership Locations

The following is a list of all of our dealerships as of December 31, 2012:

U.S. DEALERSHIPS

ARIZONA
Acura North Scottsdale
Audi of Chandler
Audi North Scottsdale
Bentley Scottsdale
BMW North Scottsdale
Bugatti Scottsdale
Fisker of 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
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 Fiat
Landers Ford
Toyota-Scion of Fayetteville
CALIFORNIA
Acura of Escondido
Audi Escondido
Audi Stevens Creek
BMW of San Diego
BMW/MINI of Ontario
Capitol Honda
Commonwealth Audi
Commonwealth Volkswagen
Crevier BMW
Crevier 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 Marin
MINI of San Diego
Mazda of Escondido
Mercedes-Benz of San Diego
Nissan/Infiniti San Francisco
Peter Pan BMW
Porsche of Stevens Creek
smart center San Diego
Sprinter @ Mercedes-Benz of San Diego
Toyota Scion of Clovis
CONNECTICUT
Audi of Fairfield
Honda of Danbury
Mercedes-Benz of Fairfield
Mercedes-Benz 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
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
WISCONSIN
Jon Lancaster Toyota-Scion
Lexus of Madison
PUERTO RICO
Lexus de Ponce
Lexus de San Juan
Triangle Chrysler, Dodge, Jeep de Ponce
Triangle Chrysler, Dodge, Jeep, del Oeste
Triangle Honda 65 de Infanteria
Triangle Nissan del Oeste
Triangle Suzuki de San Juan
Triangle Toyota-Scion de San Juan
Triangle Fiat del Oeste
Triangle Fiat de Ponce

NON-U.S. DEALERSHIPS

U.K.

Audi
Belfast Audi
Bradford Audi
Derby Audi
Harrogate Audi
Huddersfield Audi
Leeds Audi
Leicester Audi
Mayfair Audi
Nottingham Audi
Portadown Audi
Reading Audi
Slough Audi
Wakefield Audi
West London Audi

Bentley
Bentley Birmingham
Bentley Edinburgh
Bentley Leicester
Bentley Manchester

BMW/MINI
Bavarian Garages (NI) Ltd.
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 Slough
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 Maidstone
Guy Salmon Jaguar/Land Rover Thames Ditton
Guy Salmon Jaguar Northampton
Guy Salmon Jaguar Oxford
Guy Salmon Jaguar Stockport
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/smart of Belfast
Mercedes-Benz of Carlisle
Mercedes-Benz of Cheltenham and Gloucester
Mercedes-Benz of Newbury
Mercedes-Benz/smart of Northampton
Mercedes-Benz of Portadown
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 Belfast
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

Suzuki
Stanley Motor Works

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
Agnew SEAT Boucher
Isaac Agnew Volkswagen
Isaac Agnew Volkswagen Mallusk
SEAT Huddersfield
VW Harrogate
VW Huddersfield
VW Leeds

Volvo
Stanley Motor Works
Tollbar Warwick

GERMANY
Penske Sportwagenzentrum (Porsche)
Tamsen, Bremen (Aston Martin, Bentley, Ferrari, Maserati)
Tamsen, Hamburg (Aston Martin, Ferrari, Lamborghini, Maserati)

ITALY
AutoVanti Monza (BMW, MINI)
Alba Motors (Bologna) (BMW, MINI)
AutoVanti (Bologna) (BMW (2), MINI)

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) (Volkswagen)
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)

Industry Information

Approximately 64% of our revenues are generated in the U.S., which in 2012 was the world's second largest automotive retail market. In 2012, sales of cars and light trucks were approximately 14.5 million units, which represents an increase of 13% over 2011. The majority of automotive retail sales in the U.S. are generated at approximately 17,800 franchised dealerships as of January 1, 2013, which generated revenues of approximately $670 billion in 2012 according to the U.S. Census Bureau Monthly and Annual Retail Trade Report. According to the latest available data from the National Automobile Dealers Association, dealership revenue is derived as follows: 55% from new vehicle sales, 32% from used vehicle sales and 13% 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, the U.K., and Italy, which represented the first, second, and fourth largest automotive retail markets, respectively, in Western Europe in 2012, and accounted for approximately 56% of the total vehicle sales in Western Europe. Unit sales of automobiles in Western Europe were approximately 11.8 million in 2012, an 8.2% decrease compared to 2011. In Germany, the U.K., and Italy, new car sales were approximately 3.1 million, 2.0 million, and 1.4 million units, respectively, in 2012.

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 possible impact of a poor 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 such as used vehicle sales and service and parts sales. 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.

Business Description

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 centralized 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 common 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 increasingly 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 traditional marketing avenues in many markets, including, 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 distributor's 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 the dealerships from us at fair market value. 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, 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, franchised and independent aftermarket auto repair shops, 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.

PTL Competition. As an alternative to using PTL's full-service truck leasing or contract maintenance services, PTL believes that most potential customers perform some or all of these services themselves. They may also purchase similar or alternative services from other third-party vendors. PTL's full-service truck leasing operations compete with companies providing similar services on a national, regional and local level. PTL's contract maintenance offering competes primarily with truck and trailer manufacturers and independent dealers who provide maintenance services. Its commercial and consumer rental operations compete with several other nationwide truck rental systems, a large number of truck leasing and rental companies with multiple branches operating on a regional basis, and many similar companies operating primarily on a local basis. Its logistics business competes with other dedicated logistics providers, transportation management businesses, freight brokers, warehouse providers and truckload carriers on a national, regional and local level, as well as with the internal supply chain functions of prospective customers who rely on their own resources for logistics management.

Employees and Labor Relations

As of December 31, 2012, we employed approximately 16,700 people, approximately 595 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, state attorneys general and federal agencies 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 retailer's abilities will be more limited. We do not currently believe that the rule changes will have a material effect 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 2025. Furthermore, in response to concerns 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, or have been implemented, at state and federal levels. Furthermore, numerous states, including California, have adopted or are considering requiring the sale of specified numbers of zero-emission vehicles. Significant increases in fuel economy requirements or new federal and 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 have a proactive strategy related to environmental, health and safety compliance, which includes contracting with third-parties to inspect our facilities periodically. 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. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. 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 2012, revenue generated at our BMW/MINI, Audi/Volkswagen/Porsche/Bentley, Toyota/Lexus/Scion, Honda/Acura, and Mercedes-Benz/Sprinter/smart dealerships represented 26%, 19%, 14%, 13%, and 11% 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 in March 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. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. 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 $2.1 billion of floor plan notes payable, $937.5 million of non vehicle long-term debt and $4.8 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 or lease 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 Italy, and a 9.0% ownership 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 2012 totaled approximately $11.5 million. In the aggregate, we remain ultimately liable for approximately $194.6 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 and we rely on them to operate effectively, including with respect to: 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. The failure of our information systems to perform as designed or the failure to protect the integrity of these systems could disrupt our business operations, impact sales and results of operations, expose us to customer or third-party claims, or result in adverse publicity.

Cybersecurity. We collect, process, and retain sensitive and confidential customer information in the normal course of our business. Despite the security measures we have in place and any additional measures we may implement in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, human errors, acts of vandalism, or other events. Any security breach or event resulting in the misappropriation, loss, or other unauthorized disclosure of confidential information, whether by us directly or our third-party service providers, could damage our reputation, expose us to the risks of litigation and liability, disrupt our business, or otherwise affect our results of operations.

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.

Vehicle Requirements. Federal and state governments in our markets have increasingly placed restrictions and limitations on the vehicles sold in the market in an effort to combat perceived negative environmental effects. For example, in the U.S., vehicle manufacturers are subject to federally mandated corporate average fuel economy standards which will increase substantially through 2025. Furthermore, numerous states, including California, have adopted or are considering requiring the sale of specified numbers of zero-emission vehicles. Significant increases in fuel economy requirements and new federal or state restrictions on emissions on vehicles and automobile fuels in the U.S. could adversely affect prices of and demand for the new vehicles that we sell.

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 approximately 53% 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 approximately 53% 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, 2013, there were approximately 200 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 2012 and 2011.

	High	Low	Dividend
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
2012:			
First Quarter	$25.90	$18.47	$0.10
Second Quarter	27.58	20.26	0.11
Third Quarter	31.04	21.32	0.12
Fourth Quarter	32.35	26.10	0.13

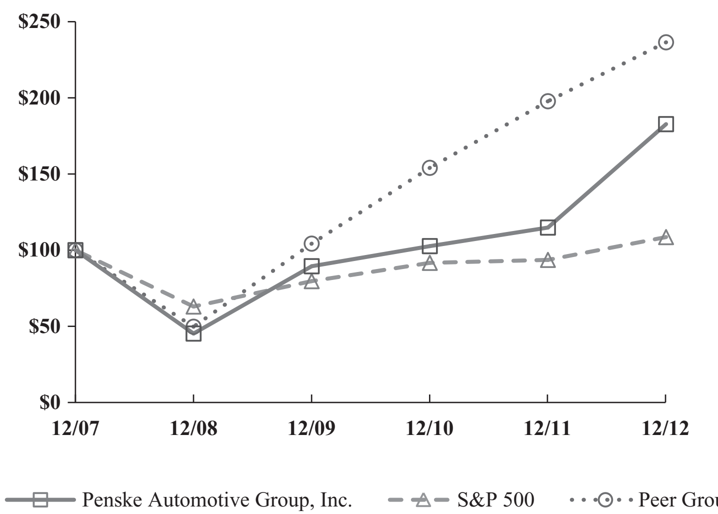
Dividends

In addition to the dividends noted above, we have announced the payment of a dividend of $0.14 per share to be paid on March 1, 2013 to record holders as of February 11, 2013. 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 5.75% 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, 2007 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 An Industry Peer Group



* $100 invested on 12/31/07 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/07	12/08	12/09	12/10	12/11	12/12
Penske Automotive Group, Inc.	100.00	45.25	89.45	102.65	114.83	182.74
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
Peer Group	100.00	49.73	104.28	154.05	197.77	236.46

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 page 42.

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, 2012, 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 or made available for sale 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,				
	2012(1)	2011(2)	2010(3)	2009(4)	2008(5)
	(In millions, except per share data)				
Consolidated Statement of Operations Data:					
Total revenues	$13,163.5	$11,127.5	$9,943.4	$8,716.2	$10,518.6
Gross profit	$ 2,012.9	$ 1,761.8	$1,585.3	$1,459.0	$ 1,626.1
Income (loss) from continuing operations attributable to Penske Automotive Group common stockholders(6)	$ 193.0	$ 174.8	$ 121.1	$ 77.6	$ (434.0)
Net income (loss) attributable to Penske Automotive Group common stockholders	$ 185.5	$ 176.9	$ 108.3	$ 76.5	$ (420.0)
Diluted earnings (loss) per share from continuing operations attributable to Penske Automotive Group common stockholders	$ 2.14	$ 1.92	$ 1.32	$ 0.85	$ (4.62)
Diluted earnings (loss) per share attributable to Penske Automotive Group common stockholders	$ 2.05	$ 1.94	$ 1.18	$ 0.83	$ (4.47)
Shares used in computing diluted share data	90.3	91.3	92.1	91.7	94.0
Balance Sheet Data:					
Total assets	$ 5,379.0	$ 4,499.4	$4,066.9	$3,793.2	$ 3,959.1
Total floor plan notes payable	$ 2,125.0	$ 1,635.2	$1,353.5	$1,115.7	$ 1,370.0
Total debt (excluding floor plan notes payable)	$ 937.5	$ 850.2	$ 776.1	$ 946.4	$ 1,063.4
Total equity attributable to Penske Automotive Group common stockholders	$ 1,304.2	$ 1,145.1	$1,050.7	$ 951.7	$ 813.8
Cash dividends per share	$ 0.46	$ 0.24	$ —	$ —	$ 0.36

(1) Includes charges of $17.8 million ($13.0 million after-tax), or $0.14 per share, relating to costs associated with the repurchase and redemption of our 7.75% senior subordinated notes.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) Excludes income from continuing operations attributable to non-controlling interests of $1.6 million, $1.4 million, $1.1 million, $0.5 million, and $1.1 million in 2012, 2011, 2010, 2009, and 2008, 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 during the periods presented and addressed in this Management's Discussion and Analysis of Financial Condition and Results of Operations. Our financial statements include the results of operations of those businesses from the date acquired or when they commenced operations. This Management's Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the revision of our financial statements for entities which have been treated as discontinued operations through December 31, 2012.

Overview

We are the second largest automotive retailer headquartered in the U.S. as measured by the $13.2 billion in total revenue we generated in 2012. As of December 31, 2012, we operated 344 retail automotive franchises, of which 173 franchises are located in the U.S. and 171 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2012, we retailed and wholesaled more than 402,000 vehicles. We are diversified geographically, with 64% of our total revenues in 2012 generated in the U.S. and Puerto Rico and 36% generated outside the U.S. We offer approximately 40 vehicle brands, with 96% of our total retail revenue in 2012 generated from brands of non-U.S. based manufacturers, and 70% 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 third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products.

We also hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management. PTL operates 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. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics 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 (“GECC”). We account for our investment in PTL under the equity method, and we therefore record our share of PTL’s earnings each quarter on our statements of operations under the caption “Equity in Earnings of Affiliates” which also includes the results of our other investments.

Outlook

The level of new automotive unit sales in our markets affects our results. The new vehicle market and the amount of customer traffic visiting our dealerships have improved during the past few years, and there are market expectations for continued improvement in the automotive market in the U.S. over the next several years. During 2012, 14.5 million cars and light trucks were sold in the U.S., representing a 13% improvement over the 12.8 million cars and light trucks sold during 2011. We believe the U.S. automotive market will continue to improve based upon industry forecasts from companies such as JD Power, coupled with demand in the marketplace, an aging vehicle population, 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 2.04 million during 2012, compared to 1.94 million during 2011, representing an increase of 5.3%. Based on industry forecasts from entities such as the Society of Motor Manufacturers and Traders (www.smmt.co.uk), we believe despite domestic and international economic concerns, the U.K. market will continue to grow as a result of U.K. motorists responding positively to new products and the latest fuel-efficient technology. We also expect continued resiliency in premium brand sales in the U.K. in 2013. See Item 1A. “Risk Factors.”

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 $251.1 million, or 14.3%, during 2012 compared to 2011. The increase in gross profit is largely attributable to a 9.9% increase in same store retail revenue. Our retail gross margin percentage declined from 16.8% during 2011 to 16.3% during 2012, due primarily to lower gross margin on new and used vehicle retail sales as well as an increase in the percentage of our revenues generated by 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 increased during 2012 as a result of higher applicable interest rates due to the impact of interest rate swap transactions that began in 2012, as well as an increase in the amounts outstanding under floor plan arrangements. Our other interest expense has increased during 2012 due to the increase in borrowings under our revolving credit agreements in the U.S. and U.K. due to significant acquisitions in 2012.

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

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'' below.

Critical Accounting Policies and Estimates

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

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

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 2012, 2011, and 2010, we earned $475.0 million, $373.5 million, and $350.2 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which $463.2 million, $363.5 million, and $341.5 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. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions we received may be charged back based on the terms of the contracts. The revenue we record relating to these transactions is net of an estimate of the amount of chargebacks we will be required to pay. Our estimate is based upon our historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $23.4 million and $21.0 million as of December 31, 2012 and 2011, respectively.

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. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting, including: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our PAG Investments operating segment, which includes our investments in non-automotive retail operations, and our Hertz rental business operating segment. 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). The goodwill included in our Other reportable segment relates to our Hertz rental business operating segment and was initially recorded in the fourth quarter of 2012.

We prepare a qualitative assessment of the carrying value of goodwill in our Retail reportable segment using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If it were determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, additional analysis would be unnecessary. During 2012, we concluded that it was not more likely than not that any of the four reporting units' fair value were less than their carrying amount. If the

additional impairment testing was necessary, we would have estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using our weighted average cost of capital as the discount rate. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization. We believe that this reconciliation process is consistent with a market participant perspective. This consideration would also include a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and our cost of capital.

Investments

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee's income each period. The net book value of our investments was $303.2 million and $298.6 million as of December 31, 2012 and 2011, 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. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $20.1 million and $25.9 million as of December 31, 2012 and 2011, respectively. Changes in the reserve estimate during 2012 relate primarily to positive claims experience in 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 $117.0 million, $98.4 million, and $97.0 million during 2012, 2011 and 2010, respectively. We believe these earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2012, we have not provided U.S. federal income taxes on a total of approximately $817.4 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 May 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-04, "Fair Value Measurements and Disclosures (Topic 820)—Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 clarifies the application of existing fair value measurement and disclosure requirements, changes certain principles related to measuring fair value, and requires additional disclosures about fair value measurements. ASU No. 2011-04 is effective for periods beginning after December 15, 2011. We adopted the standard on January 1, 2012. Adoption of ASU No. 2011-04 did not affect our consolidated financial position, results of operations, or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220)— Presentation of Comprehensive Income", which requires the presentation of components of other comprehensive income with the components of net income. We adopted the standard on January 1, 2012. In December 2011, the FASB issued ASU No. 2011-12, which included amendments that effectively deferred only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. In February 2013, the FASB issued ASU No. 2013-02, which includes amendments that supersede and replace the presentation requirements for reclassification out of other comprehensive income. ASU No. 2013-02 is effective for reporting periods beginning after December 15, 2012. Adoption of ASU No. 2011-05 and ASU No. 2011-12 did not affect our consolidated financial position, results of operations, or cash flows. We do not expect the adoption of ASU No. 2013-02 to affect our consolidated financial position, results of operations, or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11 will require disclosure of the effect or potential effect of offsetting arrangements on our financial position as well as enhanced disclosure of the rights of setoff associated with our recognized assets and recognized liabilities. In January 2013, the FASB issued ASU No. 2013-01, which included amendments that clarified the scope of ASU No. 2011-11. ASU No. 2011-11 and ASU No. 2013-01 are effective for periods beginning on or after January 1, 2013. Since these amended principles require only additional disclosures concerning offsetting and related arrangements, adoption will not affect our consolidated financial position, results of operations, or cash flows.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles—Goodwill and Other (Topic 350)— Testing Indefinite-Lived Intangible Assets for Impairment." In accordance with the amendments in

ASU No. 2012-02, we have the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset other than goodwill is impaired. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the indefinite-lived intangible asset is impaired, we are not required to take further action. We adopted the standard on October 1, 2012. Adoption of ASU No. 2012-02 did not affect our consolidated financial position, results of operations, or cash flows.

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, 2010, the results of the acquired entity would be included in annual same store comparisons beginning with the year ended December 31, 2012 and in quarterly same store comparisons beginning with the quarter ended June 30, 2011.

2012 compared to 2011 and 2011 compared to 2010 (in millions, except unit and per unit amounts)

Our results for 2012 include costs of $17.8 million ($13.0 million after-tax), or $0.14 per share, relating to the redemption of $375.0 million aggregate principal amount of our previously outstanding 7.75% Notes. Our results for 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 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 previously outstanding 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.

New Vehicle Data

			2012 vs. 2011				2011 vs. 2010	
New Vehicle Data	**2012**	**2011**	**Change**	**% Change**	**2011**	**2010**	**Change**	**% Change**
New retail unit sales	180,764	149,068	31,696	21.3%	149,068	143,862	5,206	3.6%
Same-store new retail unit sales	162,901	144,289	18,612	12.9%	141,406	141,000	406	0.3%
New retail sales revenue	$ 6,782.4	$ 5,639.4	$1,143.0	20.3%	$ 5,639.4	$ 5,106.7	$532.7	10.4%
Same-store new retail sales revenue	$ 6,121.8	$ 5,434.4	$ 687.4	12.6%	$ 5,307.9	$ 5,008.9	$299.0	6.0%
New retail sales revenue per unit	$ 37,521	$ 37,831	$ (310)	(0.8)%	$ 37,831	$ 35,497	$2,334	6.6%
Same-store new retail sales revenue per unit	$ 37,580	$ 37,663	$ (83)	(0.2)%	$ 37,536	$ 35,524	$2,012	5.7%
Gross profit—new	$ 549.0	$ 469.4	$ 79.6	17.0%	$ 469.4	$ 420.3	$ 49.1	11.7%
Same-store gross profit—new	$ 493.3	$ 452.9	$ 40.4	8.9%	$ 441.6	$ 411.3	$ 30.3	7.4%
Average gross profit per new vehicle retailed	$ 3,037	$ 3,149	$ (112)	(3.6)%	$ 3,149	$ 2,922	$ 227	7.8%
Same-store average gross profit per new vehicle retailed	$ 3,028	$ 3,139	$ (111)	(3.5)%	$ 3,123	$ 2,917	$ 206	7.1%
Gross margin%—new	8.1%	8.3%	(0.2)%	(2.4)%	8.3%	8.2%	0.1%	1.2%
Same-store gross margin%—new	8.1%	8.3%	(0.2)%	(2.4)%	8.3%	8.2%	0.1%	1.2%

Units

Retail unit sales of new vehicles increased 31,696 units, or 21.3%, from 2011 to 2012, and increased 5,206 units, or 3.6%, from 2010 to 2011. The increase from 2011 to 2012 is due to a 18,612 unit, or 12.9%, increase in same store new retail unit sales, coupled with a 13,084 unit increase from net dealership acquisitions during the year. Same store units increased 14.8% in the U.S. and 7.6% internationally. The same store increases were driven by a 9.5% increase in our premium brands, a 16.4% increase in our volume foreign brands, and a 20.4% increase in our domestic brands. We believe our premium, volume foreign, and domestic brands are being positively impacted by improved market conditions including increased credit availability, pent-up demand, introduction of new models, and specifically in the case of volume foreign Japanese brands, improved inventory levels, as these manufacturers have returned to normal production levels following the March 2011 tsunami.

The increase from 2010 to 2011 is due to a 406 unit, or 0.3%, increase in same store new retail unit sales, coupled with a 4,800 unit increase from net dealership acquisitions during the year. The same store increase is primarily due to an increase in premium brand unit sales.

Revenues

New vehicle retail sales revenue increased $1.14 billion, or 20.3%, from 2011 to 2012 and increased $532.7 million, or 10.4%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $687.4 million, or 12.6%, increase in same-store revenues, coupled with a $455.6 million increase from net dealership acquisitions during the year. The same store revenue increase is due primarily to the 12.9% increase in same store unit sales, which increased revenue by $699.4 million, somewhat offset by an $83, or 0.2%, decrease in comparative average selling prices per unit, which decreased revenue by $12.0 million.

The increase from 2010 to 2011 is due to a $299.0 million, or 6.0%, increase in same store revenues, coupled with a $233.7 million increase from net dealership acquisitions during the year. The same store revenue increase is due primarily to a $2,012, or 5.7%, increase in average selling prices per unit, which increased revenue by $283.7 million, coupled with the 0.3% increase in new retail unit sales, which increased revenue by $15.3 million. We believe the changes in comparative average selling price per unit were driven in part by inventory availability in our Japanese volume foreign brands as a result of the March 2011 tsunami.

Gross Profit

Retail gross profit from new vehicle sales increased $79.6 million, or 17.0%, from 2011 to 2012, and increased $49.1 million, or 11.7%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $40.4 million, or 8.9%, increase in same store gross profit, coupled with a $39.2 million increase from net dealership acquisitions during the year. The same store increase is due primarily to the 12.9% increase in new retail unit sales, which increased gross profit by $56.4 million, somewhat offset by a $111, or 3.5%, decrease in average gross profit per new vehicle retailed, which decreased gross profit by $16.0 million. We believe that the changes in gross profit per unit and gross margin in 2012 and 2011 were driven in part by inventory availability of Japanese brands as a result of the March 2011 tsunami. Inventory levels normalized in 2012.

The increase from 2010 to 2011 is due to a $30.3 million, or 7.4%, increase in same store gross profit, coupled with a $18.8 million increase from net dealership acquisitions during the year. The same store increase is due primarily to a $206, or 7.1%, increase in the average gross profit per new vehicle retailed, which increased gross profit by $29.0 million, coupled with the 0.3% increase in retail unit sales, which increased gross profit by $1.3 million.

Used Vehicle Data

Used Vehicle Data	2012	2011	2012 vs. 2011 Change	2012 vs. 2011 % Change	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change
Used retail unit sales	145,580	121,501	24,079	19.8%	121,501	103,222	18,279	17.7%
Same-store used retail unit sales	131,987	118,295	13,692	11.6%	116,389	101,952	14,437	14.2%
Used retail sales revenue	$ 3,747.2	$ 3,238.2	$ 509.0	15.7%	$ 3,238.2	$ 2,728.1	$ 510.1	18.7%
Same-store used retail sales revenue	$ 3,421.4	$ 3,161.3	$ 260.1	8.2%	$ 3,110.4	$ 2,702.5	$ 407.9	15.1%
Used retail sales revenue per unit	$ 25,740	$ 26,651	$ (911)	(3.4)%	$ 26,651	$ 26,429	$ 222	0.8%
Same-store used retail sales revenue per unit	$ 25,922	$ 26,724	$ (802)	(3.0)%	$ 26,724	$ 26,507	$ 217	0.8%
Gross profit—used	$ 284.3	$ 253.9	$ 30.4	12.0%	$ 253.9	$ 212.7	$ 41.2	19.4%
Same-store gross profit—used	$ 260.9	$ 247.9	$ 13.0	5.2%	$ 243.9	$ 210.9	$ 33.0	15.6%
Average gross profit per used vehicle retailed	$ 1,953	$ 2,089	$ (136)	(6.5)%	$ 2,089	$ 2,061	$ 28	1.4%
Same-store average gross profit per used vehicle retailed	$ 1,977	$ 2,095	$ (118)	(5.6)%	$ 2,095	$ 2,069	$ 26	1.3%
Gross margin %—used	7.6%	7.8%	(0.2)%	(2.6)%	7.8%	7.8%	0.0%	0.0%
Same-store gross margin %—used	7.6%	7.8%	(0.2)%	(2.6)%	7.8%	7.8%	0.0%	0.0%

Units

Retail unit sales of used vehicles increased 24,079 units, or 19.8%, from 2011 to 2012 and increased 18,279 units, or 17.7%, from 2010 to 2011. The increase from 2011 to 2012 is due to a 13,692 unit, or 11.6%, increase in same store retail unit sales, coupled with a 10,387 unit increase from net dealership acquisitions. Same store units increased 14.2% in the U.S. and 6.2% internationally. The same store increases were driven by an 11.0% increase in our premium brands, a 12.6% increase in our volume foreign brands, and a 11.3% increase in our domestic brands. We believe that overall our same store used vehicle sales are being positively impacted by improved market conditions including increased credit availability, pent-up demand, an increase in trade-in units due to an increase in new unit sales, and our focus on retailing trade-ins and minimizing wholesaled vehicles.

The increase from 2010 to 2011 is due to a 14,437 or 14.2%, increase in same store used retail unit sales, coupled with a 3,842 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.

Revenues

Used vehicle retail sales revenue increased $509.0 million, or 15.7%, from 2011 to 2012 and increased $510.1 million, or 18.7%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $260.1 million, or 8.2%, increase in same store revenues, coupled with a $248.9 million increase from net dealership acquisitions. The same store revenue increase is due to the 11.6% increase in same store retail unit sales, which increased revenue by $354.9 million, somewhat offset by an $802, or 3.0%, decrease in comparative average selling prices per unit, which decreased revenue by $94.8 million.

The increase from 2010 to 2011 is due to a $407.9 million, or 15.1%, increase in same store revenues, coupled with a $102.2 million increase from net dealership acquisitions during the year. The same store revenue increase is due to the 14.2% increase in same store retail unit sales, which increased revenue by $385.8 million, coupled with a $217, or 0.8%, increase in comparative average selling price per unit, which increased revenue by $22.1 million.

Gross Profit

Retail gross profit from used vehicle sales increased $30.4 million, or 12.0%, from 2011 to 2012 and increased $41.2 million, or 19.4%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $13.0 million, or 5.2%, increase in same store gross profit, coupled with a $17.4 million increase from net dealership acquisitions. The increase in same store gross profit is due to the 11.6% increase in used retail unit sales, which increased gross profit by $27.0 million, somewhat offset by a $118, or 5.6%, decrease in average gross profit per used vehicle retailed, which decreased retail gross profit by $14.0 million.

The increase from 2010 to 2011 is due to a $33.0 million, or 15.6%, increase in same store gross profit, coupled with an $8.2 million increase from net dealership acquisitions during the year. The increase in same store gross profit is primarily due to the 14.2% increase in used retail unit sales, which increased gross profit by $30.3 million, coupled with a $26, or 1.3%, increase in average gross profit per used vehicle retailed, which increased gross profit by $2.7 million.

Finance and Insurance Data

			2012 vs. 2011				2011 vs. 2010	
Finance and Insurance Data	**2012**	**2011**	**Change**	**% Change**	**2011**	**2010**	**Change**	**% Change**
Total retail unit sales	326,344	270,569	55,775	20.6%	270,569	247,084	23,485	9.5%
Total same-store retail unit sales	294,888	262,584	32,304	12.3%	257,795	242,952	14,843	6.1%
Finance and insurance revenue	$ 322.6	$ 270.6	$ 52.0	19.2%	$ 270.6	$ 237.9	$ 32.7	13.7%
Same-store finance and insurance revenue	$ 298.8	$ 263.5	$ 35.3	13.4%	$ 259.3	$ 233.7	$ 25.6	11.0%
Finance and insurance revenue per unit	$ 988	$ 1,000	$ (12)	(1.2)%	$ 1,000	$ 963	$ 37	3.8%
Same-store finance and insurance revenue per unit	$ 1,013	$ 1,004	$ 9	0.9%	$ 1,006	$ 962	$ 44	4.6%

Finance and insurance revenue increased $52.0 million, or 19.2%, from 2011 to 2012 and increased $32.7 million, or 13.7%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $35.3 million, or 13.4%, increase in same store revenues during the period, coupled with a $16.7 million increase from net dealership acquisitions. The same store revenue increase is due to a 12.3% increase in same store retail unit sales, which increased revenue by $32.9 million, coupled with a $9, or 0.9%, increase in comparative average finance and insurance revenue per unit, which increased revenue by $2.4 million. The overall decreased revenue per unit was driven by lower per unit revenue at our recently acquired dealerships.

The increase from 2010 to 2011 is due to a $25.6 million, or 11.0%, increase in same store revenues, coupled with an $7.1 million increase from net dealership acquisitions during the year. The same store revenue increase is due to a 6.1% increase in retail unit sales, which increased revenue by $14.9 million, coupled with a $44, or 4.6%, increase in comparative average finance and insurance revenue per unit, which increased revenue by $10.7 million.

Service and Parts Data

			2012 vs. 2011				2011 vs. 2010	
Service and Parts Data	**2012**	**2011**	**Change**	**% Change**	**2011**	**2010**	**Change**	**% Change**
Service and parts revenue	$1,446.7	$1,329.1	$117.6	8.8%	$1,329.1	$1,244.0	$85.1	6.8%
Same-store service and parts revenue	$1,315.9	$1,289.8	$ 26.1	2.0%	$1,268.7	$1,230.4	$38.3	3.1%
Gross profit	$ 843.0	$ 762.7	$ 80.3	10.5%	$ 762.7	$ 707.8	$54.9	7.8%
Same-store gross profit	$ 768.6	$ 741.1	$ 27.5	3.7%	$ 726.5	$ 698.7	$27.8	4.0%
Gross margin	58.3%	57.4%	0.9%	1.6%	57.4%	56.9%	0.5%	0.9%
Same-store gross margin	58.4%	57.5%	0.9%	1.6%	57.3%	56.8%	0.5%	0.9%

Revenues

Service and parts revenue increased $117.6 million, or 8.8%, from 2011 to 2012 and increased $85.1 million, or 6.8%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $26.1 million, or 2.0%, increase in same store revenues during the year, coupled with a $91.5 million increase from net dealership acquisitions. The increase in same store revenue is due to a $16.9 million, or 1.8%, increase in customer pay revenue, a $5.2 million, or 2.0%, increase in warranty revenue, and a $4.4 million, or 29.4%, increase in vehicle preparation revenue. These same store revenue increases are somewhat offset by a $0.4 million, or 0.4%, decrease in body shop revenue.

The increase from 2010 to 2011 is due to a $38.3 million, or 3.1%, increase in same store revenues during the year, coupled with a $46.8 million increase from net dealership acquisitions. The increase in same store revenue is due to a $46.4 million, or 5.3%, increase in customer pay revenue. The customer pay increase is somewhat offset by a $6.2 million, or 2.4%, decrease in warranty revenue, a $1.3 million, or 1.4%, decrease in body shop revenue, and a $0.6 million, or 4.3%, decrease in vehicle preparation revenue.

Gross Profit

Service and parts gross profit increased $80.3 million, or 10.5%, from 2011 to 2012 and increased $54.9 million, or 7.8%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $27.5 million, or 3.7%, increase in same store gross profit during the year, coupled with a $52.8 million increase from net dealership acquisitions. The same store gross profit increase is due to the $26.1 million, or 2.0%, increase in same store revenues, which increased gross profit by $15.3 million, coupled with a 1.6% increase in gross margin percentage, which increased gross profit by $12.2 million. The same store gross profit increase is composed of an $8.8 million, or 2.0%, increase in customer pay gross profit, a $0.2 million, or 0.1%, increase in warranty gross profit, a $0.1 million, or 0.2%, increase in body shop gross profit, and an $18.4 million, or 17.3%, increase in vehicle preparation gross profit.

The increase from 2010 to 2011 is due to a $27.8 million, or 4.0%, increase in same store gross profit, coupled with a $27.1 million increase from net dealership acquisitions during the year. The same store gross profit increase is due to the $38.3 million, or 3.1%, increase in same store revenues, which increased gross profit by $21.9 million, coupled with a 0.9% increase in gross margin percentage, which increased gross profit by $5.9 million. The same store gross profit increase is composed of a $22.4 million, or 5.3%, increase in customer pay gross profit, a $2.3 million, or 4.5%, increase in body shop gross profit, and an $8.3 million, or 8.8%, increase in vehicle preparation gross profit. These same store increases are somewhat offset by a $5.2 million, or 3.9%, decrease in warranty gross profit.

Selling, General and Administrative

Selling, General and Administrative Data	2012	2011	2012 vs. 2011 Change	2012 vs. 2011 % Change	2011	2010	2011 vs. 2010 Change	2011 vs. 2010 % Change
Personnel expense	$ 885.0	$ 782.0	$103.0	13.2%	$ 782.0	$ 703.5	$ 78.5	11.2%
Advertising expense	$ 81.9	$ 69.8	$ 12.1	17.3%	$ 69.8	$ 65.0	$ 4.8	7.4%
Rent & related expense	$ 246.7	$ 231.1	$ 15.6	6.8%	$ 231.1	$ 220.0	$ 11.1	5.0%
Other expense	$ 380.5	$ 336.2	$ 44.3	13.2%	$ 336.2	$ 298.8	$ 37.4	12.5%
Total SG&A expenses	$1,594.1	$1,419.1	$175.0	12.3%	$1,419.1	$1,287.3	$131.8	10.2%
Same store SG&A expenses	$1,447.2	$1,378.3	$ 68.9	5.0%	$1,354.8	$1,265.9	$ 88.9	7.0%
Personnel expense as % of gross profit	44.0%	44.4%	−0.4%	−0.9%	44.4%	44.4%	0.0%	0.0%
Advertising expense as % of gross profit	4.1%	4.0%	0.1%	2.5%	4.0%	4.1%	(0.1)%	(2.4)%
Rent & related expense as % of gross profit	12.3%	13.1%	(0.8)%	(6.1)%	13.1%	13.9%	(0.8)%	(5.8)%
Other expense as % of gross profit	18.9%	19.1%	(0.2)%	(1.0)%	19.1%	18.8%	0.3%	1.6%
Total SG&A expenses as % of gross profit	79.2%	80.5%	(1.3)%	(1.6)%	80.5%	81.2%	(0.7)%	(0.9)%
Same store SG&A expenses as % of gross profit	79.1%	80.6%	(1.5)%	(1.9)%	80.8%	81.1%	(0.3)%	(0.4)%

Selling, general and administrative ("SG&A") expenses increased $175.0 million, or 12.3%, from 2011 to 2012 and increased $131.8 million, or 10.2%, from 2010 to 2011. The aggregate increase from 2011 to 2012 is due to a $68.9 million, or 5.0%, increase in same store SG&A, coupled with a $106.1 million increase from net dealership acquisitions. The increase in same store SG&A is due primarily to a net increase in variable personnel expenses, as a result of the 6.8% increase in same store retail gross profit versus the prior year.

The aggregate increase from 2010 to 2011 is due primarily to a $88.9 million, or 7.0%, increase in same store SG&A expenses, coupled with a $42.9 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 personnel expenses, as a result of the 7.5% increase in same store retail gross profit versus the prior year.

SG&A expenses as a percentage of total revenue were 12.1%, 12.8% and 12.9% in 2012, 2011, and 2010, respectively, and as a percentage of gross profit were 79.2%, 80.5%, and 81.2% in 2012, 2011, and 2010, respectively.

Depreciation

Depreciation increased $6.9 million, or 14.6%, from 2011 to 2012 and increased $2.6 million, or 5.8%, from 2010 to 2011. The increase from 2011 to 2012 is due to a $3.1 million, or 6.7%, increase in same store depreciation, coupled with a $3.8 million increase from net dealership acquisitions during the year. The increase from 2010 to 2011 is due to a $1.3 million, or 2.9%, increase in same store depreciation, coupled with a $1.3 million increase from net dealership acquisitions during the year. The same store increases are primarily related to our ongoing facility improvement and expansion programs.

Floor Plan Interest Expense

Floor plan interest expense, including the impact of swap transactions, increased $11.6 million, or 42.5%, from 2011 to 2012 and decreased $5.6 million, or 17.1%, from 2010 to 2011. The increase from 2011 to 2012 is due primarily to a $10.4 million, or 39.7%, increase in same store floor plan interest expense and a $1.2 million increase from net dealership acquisitions. The same store increase is due primarily to an increase in the effective interest rate due to the impact of our swap transactions in 2012, as well as increased amounts outstanding under floor plan arrangements.

The decrease from 2010 to 2011 is primarily due to a $6.5 million, or 20.2%, decrease in same store floor plan interest expense, offset by a $0.9 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.

Other Interest Expense

Other interest expense increased $2.6 million, or 6.0%, from 2011 to 2012 and decreased $4.2 million, or 8.8%, from 2010 to 2011. The increase from 2011 to 2012 is due primarily to incremental borrowings made during 2012 relating to acquisitions. The decrease from 2010 to 2011 is due to 2010 and 2011 repurchases of our 3.5% senior subordinated convertible notes and term loan repayments, somewhat offset by increased average borrowings on the revolving credit line under the U.S. credit agreement.

Equity in Earnings of Affiliates

Equity in earnings of affiliates increased $2.1 million, or 8.3%, from 2011 to 2012, and increased $4.9 million, or 23.7%, from 2010 to 2011. These increases were primarily attributable to an increase in equity in earnings from our investment in PTL and increases in earnings at our foreign automotive joint ventures.

Debt Redemption Costs

We incurred a $17.8 million pre-tax charge in connection with the redemption of our 7.75% senior subordinated notes during 2012, consisting of a $15.8 million redemption premium and the write-off of $2.0 million of unamortized deferred financing costs.

Income Taxes

Income taxes increased $22.6 million, or 31.6%, from 2011 to 2012, and increased $8.3 million, or 13.0%, from 2010 to 2011. The increase from 2011 to 2012 is due to an overall increase in our pre-tax income versus the prior year despite the $17.8 million of debt redemption costs in 2012; however, 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 the $11.0 million net tax benefit, income taxes increased $19.2 million, or 30.3%, from 2010 to 2011, due primarily to an increase in our pre-tax income versus prior year.

Liquidity and Capital Resources

Our cash requirements are primarily for working capital, inventory financing, the acquisition of new businesses, the improvement and expansion of existing facilities, the purchase or construction of new facilities, debt service and repayments, dividends, and potentially 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, 2012, we had working capital of $79.5 million, including $43.8 million of cash, available to fund our operations and capital commitments. In addition, we had $325.0 million and £77.1 million ($125.3 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 or debt on the open market, in privately negotiated transactions, via a tender offer, or through a pre-arranged trading plan. We have historically funded any such repurchases using cash flow from operations, borrowings under our U.S. credit facility, and borrowings under our U.S. floor plan arrangements. The decision to make repurchases will be based on factors such as the market price of the relevant security versus our view of its intrinsic value, the potential impact of such repurchases on our capital structure, and our consideration of any alternative uses of our capital, such as for strategic investments in our current businesses, in addition to any then-existing limits imposed by our finance agreements and securities trading policy.

During 2012, we acquired 55,631 shares of our common stock for $1.3 million, or an average of $23.49 per share, from employees in connection with vesting of employee restricted stock awards. During 2012, we also repurchased 350,000 shares of our outstanding common stock on the open market for a total of $8.5 million, or an average of $24.35 per share, under a program approved by our Board of Directors. We have $98.3 million in repurchase authorization under the existing securities repurchase program.

Dividends

We paid the following cash dividends on our common stock in 2011 and 2012:

Per Share Dividends

2011	
Second Quarter	$0.07
Third Quarter	0.08
Fourth Quarter	0.09
2012	
First Quarter	$0.10
Second Quarter	0.11
Third Quarter	0.12
Fourth Quarter	0.13

We also have announced a cash dividend of $0.14 per share payable on March 1, 2013 to shareholders of record on February 11, 2013. Future quarterly or other cash dividends will depend upon a variety of factors considered relevant by our Board of Directors which may include our earnings, capital requirements, restrictions relating to any then-existing indebtedness, financial condition, and other factors.

Vehicle Financing

We finance substantially all of 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 million 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 $110 million, and for an additional $10 million of availability for letters of credit, through September 2015. The revolving loans bear interest at a defined LIBOR plus 2.25%, subject to an incremental 1.25% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.25%, may be prepaid at any time, but then may not be re-borrowed. We repaid $17 million and $7 million under the term loan in 2012 and 2011, respectively.

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 the amounts owed. As of December 31, 2012, 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 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" below.

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, 2012, $110.0 million of term loans, $0.5 million of letters of credit, and $50.0 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 a £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, 2012, outstanding loans under the U.K. credit agreement amounted to £34.2 million ($55.6 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, 2012, 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 "Forward Looking Statements" below.

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). As of December 31, 2012, the amount outstanding under the U.K. term loan was £24.0 million ($39.0 million).

3.5% Senior Subordinated Convertible Notes

In May 2012, we provided notice to holders of our 3.5% Senior Subordinated Convertible Notes due 2026 that we were exercising our right to redeem the Convertible Notes at a price of 100% of the principal amount outstanding plus accrued and unpaid interest to, but excluding June 25, 2012. In lieu of surrendering the Notes for redemption, Note holders could elect to convert the Notes at any time prior to the close of business on June 21, 2012 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).

Upon conversion of the Convertible Notes, for each $1,000 Note, a holder was entitled to 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. To the extent the conversion value

exceeded $1,000, we were required to also deliver, cash, common stock or a combination of cash and common stock with respect to the value in excess of $1,000.

Holders of $25.5 million outstanding principal amount of Convertible Notes elected to convert their Notes. We settled the principal and interest due on the remaining $37.8 million on June 25, 2012. In July, we paid the converting holders the conversion balance due of $24.9 million in cash. Following this payment, we had fulfilled all of our obligations under the Convertible Notes.

5.75% Senior Subordinated Notes

In August 2012, we issued $550 million in aggregate principal amount of 5.75% Senior Subordinated Notes due 2022 (the "5.75% Notes") in a private offering under Rule 144A and Regulation S of the Securities Act of 1933.

We used a portion of the net proceeds of the 5.75% Notes to redeem $375 million in aggregate principal amount of our 7.75% Senior Subordinated Notes due 2016, and to pay fees and expenses in connection with the offering. The remaining proceeds from the 5.75% Notes were used to repay amounts outstanding under our U.S. credit agreement and our U.S. floor plan borrowings.

Interest on the 5.75% Notes is payable semiannually on April 1 and October 1 of each year, beginning on April 1, 2013. The 5.75% Notes mature on October 1, 2022, unless earlier redeemed or purchased by us. The Notes are our unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing wholly-owned domestic subsidiaries. The 5.75% Notes also contain customary negative covenants and events of default. As of December 31, 2012, we were in compliance with all negative covenants, and there were no events of default.

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.75% Notes using the proceeds of specified equity offerings at any time prior to October 1, 2015 at a price specified in the indenture.

If we experience certain "change of control" events specified in the indenture, holders of the 5.75% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

7.75% Senior Subordinated Notes

In the third quarter of 2012, we redeemed our $375 million principal amount of 7.75% Notes plus accrued interest. We incurred a $17.8 million pre-tax charge in connection with the redemption, consisting of a $15.8 million redemption premium and the write-off of $2.0 million of unamortized deferred financing costs.

Car Rental Revolver

We are party to a credit agreement with Toyota Motor Credit Corporation that currently provides us with up to $50 million in revolving loans for the acquisition of rental vehicles. The revolving loans bear interest at 3 month LIBOR plus 2.50%. This agreement provides the lender with a secured interest in the vehicles and our rental car operations' other assets, requires us to make monthly curtailment payments and expires in October 2014. As of December 31, 2012 outstanding loans under the car rental revolver amounted to $23.2 million.

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, 2012, we owed $104.0 million of principal under our mortgage facilities.

Short-term Borrowings

We have three principal sources of short-term borrowings: 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. 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 2012, outstanding revolving commitments varied between no balance and $188.5 million under the U.S. credit agreement and between no balance and £92.0 million ($149.5 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 interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt is fixed at 2.135% and $100.0 million of our floating rate floor plan debt is fixed at 1.55%. 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. During 2012, the swaps increased the weighted average interest rate on our floor plan borrowings by 38 basis points.

PTL Dividends

We own a 9.0% limited partnership interest in Penske Truck Leasing. During 2012, 2011, and 2010 we received $18.5 million, $7.8 million, and $8.8 million, respectively, of pro rata cash distributions relating to this investment. We currently expect to continue to receive future distributions from PTL quarterly, subject to its financial performance.

Operating Leases

We have historically structured our operations so as to minimize our ownership of real property. As a result, we lease or sublease a majority 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 $4.8 billion. Pursuant to the leases for some of our 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, 2012, we were in compliance with all covenants under these leases, and we believe we will remain in compliance with such covenants for the next twelve months.

Sale/Leaseback Arrangements

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

Off-Balance Sheet Arrangements

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 2012 was approximately $11.5 million, and, in aggregate, we guarantee or are otherwise liable for approximately $194.6 million of third-party lease payments, including lease payments during available renewal periods.

We hold a 9.0% limited partnership interest in PTL. Historically General Electric Capital Corporation ("GECC") has provided PTL with a majority of its financing. Since April 2012, PTL has refinanced a significant amount of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ("Holdings"), which, together with GECC, co-issued $700 million of 3.8% senior unsecured notes due 2019 to certain investors through an offering pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Holdings Bonds"). A wholly-owned subsidiary of Holdings contributed $700 million derived from the net proceeds from the offering of the Holdings Bonds and a portion of its cash on hand to PTL in exchange for a 21.5% limited partner interest in PTL. PTL used the $700 million of funds to reduce its outstanding debt owed to GECC. GECC agreed to be a co-obligor of the Holdings Bonds in order to achieve lower interest rates on the Holdings Bonds.

Additional capital contributions from the members may be required to fund interest and principal payments on the Holdings Bonds. In addition, we have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay as co-obligor, and pay GECC an annual fee of approximately $0.95 million for acting as co-obligor. The maximum amount of our potential obligations to GECC under this agreement are 9.0% of the required principal repayment due in 2019 (which is expected to be $63.1 million) and 9% of interest payments under the Holdings Bonds, plus fees and default interest, if any. Although we do not currently expect to make material payments to GECC under this agreement, this outcome cannot be predicted with certainty.

Cash Flows

Cash and cash equivalents increased by $16.6 million, $9.0 million and $4.1 million during 2012, 2011 and 2010, respectively. The major components of these changes are discussed below.

Cash Flows from Continuing Operating Activities

Cash provided by continuing operating activities was $327.9 million, $133.3 million, and $207.4 million during 2012, 2011, and 2010, 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,		
	2012	2011	2010
Net cash from continuing operating activities as reported	$327.9	$133.3	$207.4
Floor plan notes payable—non-trade as reported	65.3	202.9	64.0
Net cash from continuing operating activities including all floor plan notes payable	$393.2	$336.2	$271.4

Cash Flows from Continuing Investing Activities

Cash used in continuing investing activities was $401.1 million, $361.2 million, and $83.3 million during 2012, 2011, and 2010, 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 $161.3 million, $132.0 million, and $74.9 million during 2012, 2011, and 2010, respectively. Capital expenditures relate primarily to improvements to our existing dealership facilities, the construction of new facilities and the acquisition of the property or buildings associated with existing leased facilities in our retail automotive segment. In 2012, we also incurred $9.9 million of capital expenditures relating to the acquisition of rental vehicles in our Hertz vehicle rental business. We currently expect to finance our retail automotive segment capital expenditures with operating cash flows or borrowings under our U.S. or U.K. credit facilities and to use our car rental revolver for Hertz capital expenditures. Cash used in acquisitions and other investments, net of cash acquired, was $250.2 million, $232.1 million, and $22.2 million during 2012, 2011, and 2010, respectively, and included cash used to repay sellers floor plan liabilities in such business acquisitions of $74.9 million, $54.5 million, and $9.9 million, respectively. Proceeds from sale-leaseback transactions were $1.6 million during 2012. No sale-leaseback transactions occurred in 2010 or 2011.

Cash Flows from Continuing Financing Activities

Cash provided by continuing financing activities was $73.3 million and $208.0 million during 2012 and 2011, respectively. Cash used in continuing financing activities was $122.1 million during 2010.

Cash flows from continuing financing activities include net borrowings or repayments of long-term debt, issuance and repurchases of long-term debt, repurchases of common stock, net borrowings or repayments of floor plan notes payable non-trade, payment of deferred financing costs, proceeds from the issuance of common stock and the exercise of stock options, and dividends.

We had net repayments of long-term debt of $27.6 million during 2012, which included net repayments on our U.S. credit agreement revolving loans of $82.0 million. We had net borrowings of long-term debt of $155.2 million, which included a net borrowing of $125.0 million on our U.S. credit agreement revolving loans. We had net repayments of long-term debt of $29.4 million 2010, which included a $15.0 million net repayment under our U.S. credit agreement term loan. During 2012, 2011 and 2010, we used $62.7 million, $87.3 million and $156.6 million to repurchase $63.3 million, $87.3 million and $155.7 million aggregate principal amount, respectively, of our Convertible Notes. We had net borrowings of floor plan notes payable non-trade of $65.3 million, $202.9 million, and $64.0 million during 2012, 2011, and 2010, respectively. In 2012, 2011, and 2010, we repurchased 405,631, 2.4 million, and 68,340 shares of common stock for $9.8 million, $44.3 million, and $0.8 million, respectively. During 2012 and 2011, we also paid $41.5 million and $22.0 million, respectively, of cash dividends to our stockholders. No cash dividends were paid to our stockholders during 2010.

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, 2012, 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
			(In thousands)		
Floorplan notes payable(A)	$2,124,984.0	$2,124,984.0	$ —	$ —	$ —
Long-term debt obligations	937,517.0	19,493.0	276,956.0	51,154.0	589,914.0
Operating lease commitments	4,832,560.1	180,552.8	355,971.9	354,041.7	3,941,993.7
Scheduled interest payments(B)	322,632.6	34,560.7	68,627.3	66,432.8	153,011.8
Other liabilities(C)	14,682.0	—	—	14,682.0	—
	$8,232,375.7	$2,359,590.5	$701,555.2	$486,310.5	$4,684,919.5

(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) 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.

(C) 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 these 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 or borrowings under our credit agreements. 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. Yoshimi Namba, one of our directors and officers, is also an employee of Mitsui & Co.

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

As discussed above, we are a 9.0% limited partner of PTL, a leading provider of transportation services and supply chain management. 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 relevant agreements provide us with specified distribution and governance rights and restrict our ability to transfer our interests.

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

Joint Venture Relationships

We are party to a number of joint ventures pursuant to which we own and operate automotive dealerships together with other investors. We may provide these dealerships with working capital and other debt financing at costs that are based on our incremental borrowing rate. As of December 31, 2012, our retail automotive joint venture relationships included:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	84.95%(A)(B)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(C)
Frankfurt, Germany	Lexus, Toyota	50.00%(C)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen, Citroën	50.00%(C)
Northern Italy	BMW, MINI	70.00%(B)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 15.05% 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 consolidated in our financial statements.

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

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. 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;
- results of self insurance plans;
- trends affecting our future financial condition or results of operations; and
- our business strategy.

Forward-looking statements involve known and unknown risks and uncertainties and are not assurances of future performance. Actual results may differ materially from anticipated results due to a variety of factors, including the factors identified 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, including the adverse impact on the vehicle and parts supply chain due to natural disasters or other disruptions that interrupt the supply of vehicles and parts to us, may negatively impact our revenue 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 have substantial risk of loss not covered by insurance;

- 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;
- higher interest rates may significantly increase our variable rate interest costs and, because many customers finance their vehicle purchases, decrease vehicle sales;
- 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, 2012, a 100 basis point change in interest rates would result in an approximate $2.2 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 2010 and early January 2011, we were party to interest rate swap agreements pursuant to which the LIBOR portion of $300 million of our 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 million of our floating rate floor plan debt is fixed at a rate of 2.135% and $100 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, 2012, including consideration of the notional value of the swap agreements, a 100 basis point change in interest rates would result in an approximate $14.3 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, 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, 2012, we had dealership operations in the U.K., Germany, and Italy. In each of these markets, the local currency is the functional currency. 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 $476 million change to our revenues for the year ended December 31, 2012.

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

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 our 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.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table provides details regarding the shares of common stock issuable upon the exercise of outstanding options, warrants and rights granted under our equity compensation plans (including individual equity compensation arrangements) as of December 31, 2012. The securities noted below in reference to “plans not approved by security holders” are issuable under our 2012 Equity Incentive Plan, which is subject to shareholder approval at our May 9, 2013 annual meeting. The plan is described in more detail in footnote 13 to our consolidated financial statements appearing below in this report.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders	—	$ —	—
Equity compensation plans not approved by security holders	—	—	1,998,000
Total	—	$ —	1,998,000

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 28, 2013.

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 28, 2013
/s/ DAVID K. JONES David K. Jones	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2013
/s/ J.D. CARLSON J.D. Carlson	Senior Vice President and Corporate Controller (Principal Accounting Officer)	February 28, 2013
/s/ JOHN D. BARR John D. Barr	Director	February 28, 2013
/s/ MICHAEL R. EISENSON Michael R. Eisenson	Director	February 28, 2013
/s/ ROBERT H. KURNICK, JR. Robert H. Kurnick, Jr.	Director	February 28, 2013
/s/ WILLIAM J. LOVEJOY William J. Lovejoy	Director	February 28, 2013

Signature	Title	Date
/s/ KIMBERLY J. MCWATERS Kimberly J. McWaters	Director	February 28, 2013
/s/ YOSHIMI NAMBA Yoshimi Namba	Director	February 28, 2013
/s/ LUCIO A. NOTO Lucio A. Noto	Director	February 28, 2013
/s/ RICHARD J. PETERS Richard J. Peters	Director	February 28, 2013
/s/ SANDRA E. PIERCE Sandra E. Pierce	Director	February 28, 2013
/s/ RONALD G. STEINHART Ronald G. Steinhart	Director	February 28, 2013
/s/ H. BRIAN THOMPSON H. Brian Thompson	Director	February 28, 2013
/s/ RONALD G. STEINHART Ronald G. Steinhart	Director	February 28, 2013

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 Indenture, regarding our 5.75% senior subordinated notes due 2022, dated as of August 28, 2012, by and among us, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 8-K filed August 28, 2012).

4.1.1 Form of 5.75% senior subordinated notes due 2022 (included within the Indenture filed as Exhibit 4.1).

4.1.2 Registration Rights Agreement, dated August 28, 2012, by and among us, the subsidiary guarantors named therein, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, U.S. Bancorp Investments, Inc. Stephens Inc. and BNP Paribas Securities Corp., relating to the 5.75% senior subordinated notes due 2022 (incorporated by reference to Exhibit 4.3 to our Form 8-K filed August 28, 2012).

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 (the "U.S. Credit Agreement") (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 the U.S. Credit Agreement (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 the U.S. Credit Agreement (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 the U.S. Credit Agreement (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 U.S. Credit Agreement (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 U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the Form 8-K filed December 6, 2011).

4.3.7 Sixth Amendment dated April 30, 2012 to the U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the Form 8-K filed December 6, 2011) which also amends the Second Amended and Restated Security Agreement dated as of September 4, 2004 among these same parties (incorporated by reference to exhibit 4.1 to the Form 10-Q filed on May 4, 2012.

4.3.8 Seventh Amendment dated September 28, 2012 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.1 to our Form 8-K filed on October 1, 2012).

4.3.9 Eighth Amendment dated January 14, 2013 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.1 to our Form 8-K filed on January 14, 2013).

4.3.10 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 Penske Automotive Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to exhibit 4.3 to our Form S-8 filed November 2, 2012).

*10.15 Form of 2002 Restricted Stock Agreement (incorporated by reference to exhibit 10.4 to our Form 10-Q filed May 4, 2012).

*10.16 Form of 2012 Restricted Stock Agreement.

*10.17 Amended and Restated Penske Automotive Group, Inc. Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.16 to our 2010 Form 10-K filed February 28, 2011).

*10.18 Penske Automotive Group, Inc. Amended and Restated Management Incentive Plan (incorporated by reference to exhibit 10.12 to our January 21, 2010 Form S-1).

10.19.1 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).

10.19.2 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).

10.20 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).

10.21 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).

10.22 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).

10.23 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).

10.24 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).

10.25 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).

10.26 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).

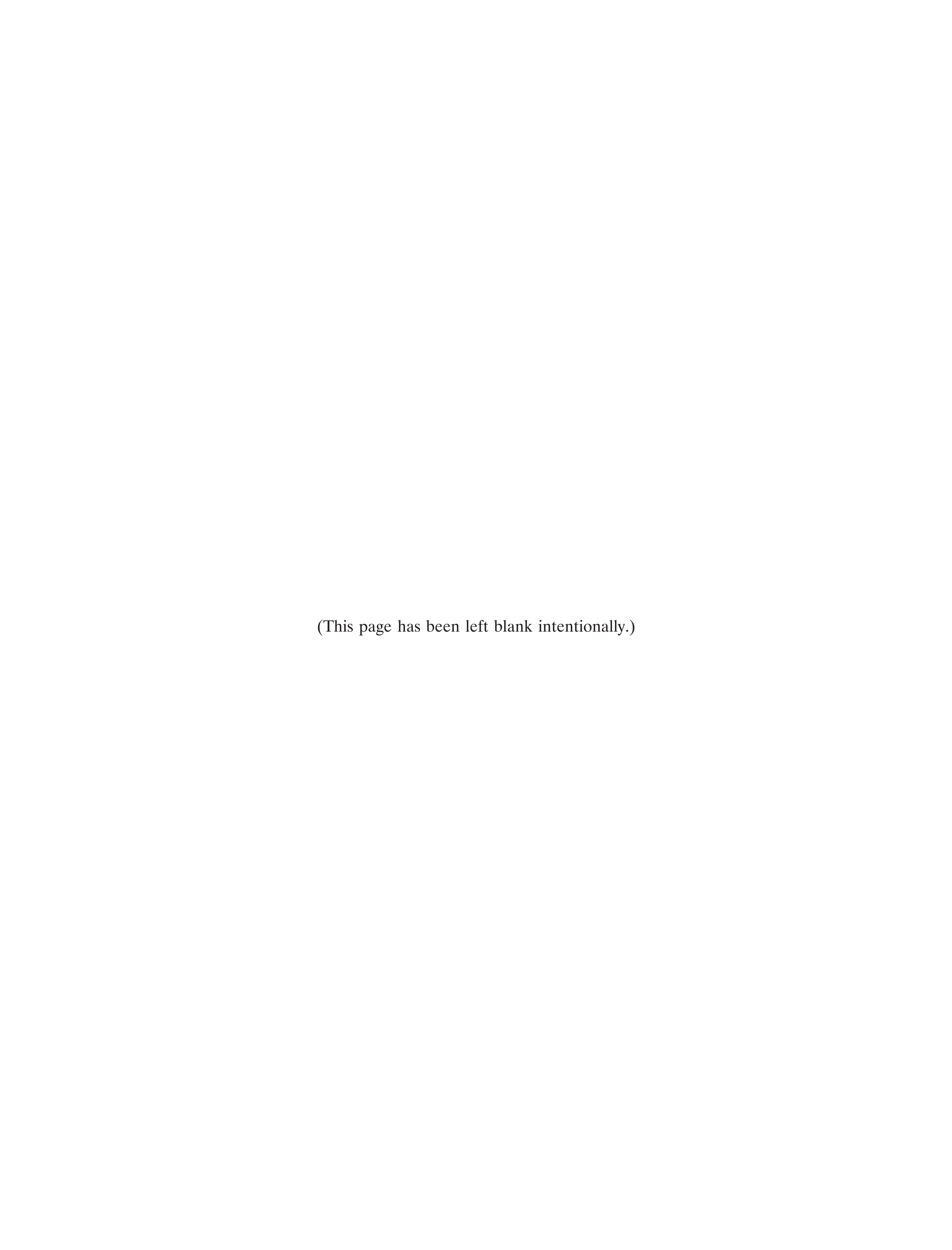
10.27 Fourth Amended and Restated Agreement of Limited Partnership of Penske Truck Leasing Co., L.P. dated April 30, 2012 by and among Penske Truck Leasing Corporation, LJ VP LLC, GE Capital Truck Leasing Holding Corp., Logistics Holding Corp., General Electric Credit Corporation of Tennessee, and us (incorporated by reference to Exhibit 10.3 to quarterly report on Form 10-Q filed May 4, 2012).

10.28	Amended and Restated Rights Agreement dated June 4, 2012 by and between Penske Automotive Group, Inc. and Penske Truck Leasing Corporation (incorporated by reference to exhibit 10.1 to the quarterly report on Form 10-Q filed August 3, 2012).
10.29	Amended And Restated Limited Liability Company Agreement of LJ VP Holdings LLC dated April 30, 2012 by and among Penske Truck Leasing Corporation, GE Capital Truck Leasing Holding Corp., Logistics Holding Corp., General Electric Credit Corporation of Tennessee, and us (incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q filed May 4, 2012).
10.30.1	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).
10.30.2	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).
10.30.3	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).
10.31	Co-obligation Fee, Indemnity and Security Agreement dated April 30, 2012 between General Electric Capital Corporation and us (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed May 4, 2012).
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, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2012 and 2011, (ii) the Consolidated Statements of Income for the years ended December 31, 2012, 2011, and 2010, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011, and 2010, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011, and 2010, (v) the Consolidated Statement of Equity for the years ended December 31, 2012, 2011, and 2010, and (vi) the Notes to the Consolidated 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, 2012 and 2011 and For the Years Ended
December 31, 2012, 2011 and 2010

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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, 2012. 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, 2012, 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-4.

Penske Automotive Group, Inc.
February 28, 2013

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, 2012. 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, 2012, 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-6.

UAG UK Holdings Limited
February 28, 2013

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, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012. 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, 2012, 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, 2012 and 2011, respectively, and total revenues constituting 36%, 36%, and 37% of consolidated total revenues for the years ended December 31, 2012, 2011 and 2010, 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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, 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, 2012, 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 28, 2013

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, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule. We also have audited the Company's internal control over financial reporting as of December 31, 2012, 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 the 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 the 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, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. 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, 2012, 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 28, 2013

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	2011
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 43,753	$ 27,201
Accounts receivable, net of allowance for doubtful accounts of $2,919 and $2,086	552,868	429,633
Inventories	1,991,167	1,535,386
Other current assets	90,854	72,981
Assets held for sale	94,441	159,243
Total current assets	2,773,083	2,224,444
Property and equipment, net	1,023,781	839,630
Goodwill	974,720	897,305
Franchise value	283,292	225,901
Equity method investments	303,160	298,640
Other long-term assets	20,954	13,481
Total assets	$5,378,990	$4,499,401
LIABILITIES AND EQUITY		
Floor plan notes payable	$1,408,363	$ 966,579
Floor plan notes payable—non-trade	716,621	668,581
Accounts payable	263,349	214,870
Accrued expenses	223,574	195,108
Current portion of long-term debt	19,493	3,414
Liabilities held for sale	62,156	103,001
Total current liabilities	2,693,556	2,151,553
Long-term debt	918,024	846,777
Deferred tax liabilities	287,818	205,845
Other long-term liabilities	163,271	145,654
Total liabilities	4,062,669	3,349,829
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; 90,295 shares issued and outstanding at December 31, 2012; 90,277 shares issued and outstanding at December 31, 2011	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	700,013	702,335
Retained earnings	611,026	466,991
Accumulated other comprehensive income (loss)	(6,833)	(24,191)
Total Penske Automotive Group stockholders' equity	1,304,215	1,145,144
Non-controlling interest	12,106	4,428
Total equity	1,316,321	1,149,572
Total liabilities and equity	$5,378,990	$4,499,401

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2012	2011	2010
	(In thousands, except per share amounts)		
Revenue:			
New vehicle	$ 6,782,389	$ 5,639,381	$5,106,698
Used vehicle	3,747,236	3,238,152	2,728,051
Finance and insurance, net	322,567	270,579	237,894
Service and parts	1,446,729	1,329,064	1,244,035
Other	864,596	650,316	626,672
Total revenues	$13,163,517	$11,127,492	$9,943,350
Cost of sales:			
New vehicle	6,233,338	5,169,968	4,686,398
Used vehicle	3,462,908	2,984,267	2,515,325
Service and parts	603,682	566,380	536,200
Other	850,641	645,055	620,156
Total cost of sales	11,150,569	9,365,670	8,358,079
Gross profit	2,012,948	1,761,822	1,585,271
Selling, general and administrative expenses	1,594,095	1,419,123	1,287,315
Depreciation	53,995	47,101	44,523
Operating income	364,858	295,598	253,433
Floor plan interest expense	(38,797)	(27,218)	(32,822)
Other interest expense	(46,892)	(44,256)	(48,541)
Debt discount amortization	—	(1,718)	(8,637)
Equity in earnings of affiliates	27,572	25,451	20,569
Debt redemption costs	(17,753)	—	—
Gain on debt repurchase	—	—	1,634
Income from continuing operations before income taxes	288,988	247,857	185,636
Income taxes	(94,330)	(71,690)	(63,441)
Income from continuing operations	194,658	176,167	122,195
Income (Loss) from discontinued operations, net of tax	(7,491)	2,091	(12,848)
Net income	187,167	178,258	109,347
Less: Income attributable to non-controlling interests	1,627	1,377	1,066
Net income attributable to Penske Automotive Group common stockholders	$ 185,540	$ 176,881	$ 108,281
Basic earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 2.14	$ 1.92	$ 1.32
Discontinued operations	(0.08)	0.02	(0.14)
Net income attributable to Penske Automotive Group common stockholders	$ 2.05	$ 1.94	$ 1.18
Shares used in determining basic earnings per share	90,318	91,154	92,018
Diluted earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 2.14	$ 1.92	$ 1.32
Discontinued operations	(0.08)	0.02	(0.14)
Net income attributable to Penske Automotive Group common stockholders	$ 2.05	$ 1.94	$ 1.18
Shares used in determining diluted earnings per share	90,342	91,274	92,091
Amounts attributable to Penske Automotive Group common stockholders:			
Income from continuing operations	$ 194,658	$ 176,167	$ 122,195
Less: Income attributable to non-controlling interests	1,627	1,377	1,066
Income from continuing operations, net of tax	193,031	174,790	121,129
Income (loss) from discontinued operations, net of tax	(7,491)	2,091	(12,848)
Net income attributable to Penske Automotive Group common stockholders	$ 185,540	$ 176,881	$ 108,281
Cash dividends per share	$ 0.46	$ 0.24	$ —

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Net Income	$187,167	$178,258	$109,347
Other Comprehensive Income:			
Foreign currency translation adjustment	18,506	(5,792)	(16,852)
Unrealized gain (loss) on interest rate swaps:			
Unrealized gain (loss) arising during the period, net of tax provision (benefit) of ($2,138), ($6,310), and $291, respectively	(3,269)	(9,644)	445
Reclassification adjustment for loss included in floor plan interest expense, net of tax provision of $2,771, $46, and $3,265, respectively	4,235	70	4,990
Unrealized gain (loss) on interest rate swaps, net of tax	966	(9,574)	5,435
Other adjustments to Comprehensive Income, net	(1,862)	(8,695)	695
Other Comprehensive Income (Loss), Net of Taxes	17,610	(24,061)	(10,722)
Comprehensive Income	204,777	154,197	98,625
Less: Comprehensive income attributable to non-controlling interests	1,879	1,377	1,066
Comprehensive income attributable to Penske Automotive Group common stockholders	$202,898	$152,820	$ 97,559

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Operating Activities:			
Net income	$ 187,167	$ 178,258	$ 109,347
Adjustments to reconcile net income to net cash from continuing operating activities:			
Depreciation	53,995	47,101	44,523
Debt discount amortization	—	1,718	8,637
Earnings of equity method investments	(18,596)	(25,451)	(20,569)
(Income) loss from discontinued operations, net of tax	7,491	(2,091)	12,848
Deferred income taxes	83,838	47,187	27,568
Debt redemption costs	17,753	—	—
Gain on debt repurchase	—	—	(1,634)
Changes in operating assets and liabilities:			
Accounts receivable	(91,644)	(61,042)	(69,577)
Inventories	(326,235)	(90,091)	(185,185)
Floor plan notes payable	421,308	78,709	173,820
Accounts payable and accrued expenses	13,808	(32,896)	63,989
Other	(20,954)	(8,134)	43,649
Net cash from continuing operating activities	327,931	133,268	207,416
Investing Activities:			
Purchase of equipment and improvements	(161,286)	(131,971)	(74,900)
Proceeds from sale-leaseback transactions	1,584	—	—
Dealership acquisitions net, including repayment of sellers' floor plan notes payable of $74,867, $54,453 and $9,883, respectively	(250,170)	(232,106)	(22,232)
Other	8,778	2,865	13,822
Net cash (used in) continuing investing activities	(401,094)	(361,212)	(83,310)
Financing Activities:			
Proceeds from borrowings under U.S. credit agreement revolving credit line	761,300	663,400	632,000
Repayments under U.S. credit agreement revolving credit line	(843,300)	(531,400)	(632,000)
Repayments under U.S. credit agreement term loan	(17,000)	(7,000)	(15,000)
Issuance of 5.75% senior subordinated notes	550,000	—	—
Repurchase of 7.75% senior subordinated notes	(390,755)	—	—
Repurchase of 3.5% senior subordinated convertible notes	(62,687)	(87,278)	(156,604)
Net borrowings (repayments) of other long-term debt	48,195	30,218	(14,369)
Net borrowings (repayments) of floor plan notes payable—non-trade	65,329	202,938	64,036
Net borrowings of car rental revolver	23,171	—	—
Payment of deferred financing fees	(8,550)	—	—
Proceeds from exercises of options, including excess tax benefit	—	3,370	540
Repurchases of common stock	(9,829)	(44,263)	(751)
Dividends	(41,505)	(21,992)	—
Other	(1,116)	—	—
Net cash from (used in) continuing financing activities	73,253	207,993	(122,148)
Discontinued operations:			
Net cash from (used in) discontinued operating activities	(4,531)	(70,546)	(8,097)
Net cash from (used in) discontinued investing activities	32,595	90,086	1,932
Net cash from (used in) discontinued financing activities	(11,602)	9,364	8,316
Net cash from (used in) discontinued operations	16,462	28,904	2,151
Net change in cash and cash equivalents	16,552	8,953	4,109
Cash and cash equivalents, beginning of period	27,201	18,248	14,139
Cash and cash equivalents, end of period	$ 43,753	$ 27,201	$ 18,248
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 76,286	$ 73,121	$ 86,173
Income taxes	41,885	53,075	30,952
Seller financed/assumed debt	—	4,865	2,260

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY

	Voting and Non-voting Common Stock							
	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
Balance, January 1, 2010	91,617,746	$ 9	$737,104	$203,821	$ 10,592	$ 951,526	$ 3,578	$ 955,104
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)
Sale of subsidiary shares to non-controlling interest	—	—	94	—	—	94	—	94
Foreign currency translation	—	—	—	—	(16,852)	(16,852)	—	(16,852)
Interest rate swaps	—	—	—	—	5,435	5,435	—	5,435
Other	—	—	—	—	695	695	—	695
Net income	—	—	—	108,281	—	108,281	1,066	109,347
Balance, December 31, 2010	92,099,552	9	738,728	312,102	(130)	1,050,709	4,303	1,055,012
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)
Interest rate swaps	—	—	—	—	(9,574)	(9,574)	—	(9,574)
Other	—	—	—	—	(8,695)	(8,695)	—	(8,695)
Net income	—	—	—	176,881	—	176,881	1,377	178,258
Balance, December 31, 2011	90,277,356	9	702,335	466,991	(24,191)	1,145,144	4,428	1,149,572
Equity compensation	423,040	—	6,626	—	—	6,626	—	6,626
Repurchase of common stock	(405,631)	—	(9,829)	—	—	(9,829)	—	(9,829)
Repurchase of 3.5% senior subordinated convertible notes	—	—	564	—	—	564	—	564
Dividends	—	—	—	(41,505)	—	(41,505)	—	(41,505)
Distributions to non-controlling interests	—	—	—	—	—	—	(1,433)	(1,433)
Sale of subsidiary shares to non-controlling interest	—	—	317	—	—	317	7,232	7,549
Foreign currency translation	—	—	—	—	18,254	18,254	252	18,506
Interest rate swaps	—	—	—	—	966	966	—	966
Other	—	—	—	—	(1,862)	(1,862)	—	(1,862)
Net income	—	—	—	185,540	—	185,540	1,627	187,167
Balance, December 31, 2012	90,294,765	$ 9	$700,013	$611,026	$ (6,833)	$1,304,215	$12,106	$1,316,321

See Notes to Consolidated Financial Statements.

1. Organization and Summary of Significant Accounting Policies

Business Overview and Concentrations

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

We are the second largest automotive retailer headquartered in the U.S. as measured by total revenue. As of December 31, 2012, we operated 344 retail franchises, of which 173 franchises are located in the U.S. and 171 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K.

We are 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. We operate 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 our results of operations, financial position and cash flows.

For the year ended December 31, 2012, BMW/MINI franchises accounted for 26% of our total revenues, Audi/Volkswagen/Porsche/Bentley franchises accounted for 19%, Toyota/Lexus/Scion franchises accounted for 14%, Honda/Acura franchises accounted for 13%, and Mercedes-Benz/Sprinter/smart accounted for 11%. No other manufacturers' franchises accounted for more than 10% of our total revenue. At December 31, 2012 and 2011, we had receivables from manufacturers of $125,626 and $106,127, respectively. In addition, a large portion of our contracts in transit, which are included in accounts receivable, are due from manufacturers' captive finance subsidiaries. We also hold a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management.

During the third quarter of 2012, we signed an agreement with Hertz System, Inc. to join Hertz's franchise network in the Memphis, Tennessee market. In October 2012, we purchased the assets of Hertz's Memphis market, which provides us the opportunity to operate airport and off-airport rental locations in that area. In December 2012, we signed a similar agreement to purchase the assets of Hertz's Indianapolis market, which we expect to complete in the first quarter of 2013.

Basis of Presentation

Results for 2012 include $17,753 of pre-tax costs associated with the repurchase and redemption of our previously outstanding $375,000 of 7.75% senior subordinated notes. Results for 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 2010 include a $1,634 pre-tax gain relating to the repurchase of $155,658 aggregate principal amount of our previously outstanding 3.5% senior subordinated convertible notes due 2026.

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 our investment is more than minor, are stated at the cost of acquisition plus our equity in undistributed net earnings since acquisition. All intercompany accounts and transactions have been eliminated in consolidation. We evaluated subsequent events through February 28, 2013, 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, 2012 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 our consolidated balance sheets, amounted to $235,699 and $183,548 as of December 31, 2012 and 2011, 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. Car rental fleet vehicles are depreciated over a period between 12 and 18 months. 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.

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 our tax return at different times than those items are reflected in our financial statements. Some of the 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 return in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax return that have not yet been recognized as an expense in our financial statements. We establish valuation allowances for our 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

Our principal intangible assets relate to our 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. We believe the franchise values of our 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
- Our 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 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. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting, including: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our PAG Investments operating segment, which includes our investments in non-automotive retail operations, and our Hertz rental business operating segment. 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). The goodwill included in our Other reportable segment relates to our Hertz rental business operating segment and was initially recorded in the fourth quarter of 2012.

We prepare a qualitative assessment of the carrying value of goodwill in our Retail reportable segment using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If it were determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, additional analysis would be unnecessary. During 2012, we concluded that it was not more likely than not that any of the four reporting units' fair value were less than their carrying amount. If the additional impairment testing was necessary, we would have estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using our weighted average cost of capital as the discount rate. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization. We believe that this reconciliation process is consistent with a market participant perspective. This consideration would also include a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and our cost of capital.

Investments

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee's income each period. The net book value of our investments was $303,160 and $298,640 as of December 31, 2012 and 2011, 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 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.

Foreign Currency Translation

For all of our foreign operations, the functional currency is the local currency. The revenue and expense accounts of our 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

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

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

	December 31, 2012	
	Carrying Value	Fair Value
5.75% senior subordinated notes due 2022	$550,000	$563,750
Mortgage facilities	104,043	105,528

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.

Finance and Insurance Sales

Subsequent to the sale of a vehicle to a customer, we sell our 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. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions we received may be charged back based on the terms of the contracts. The revenue we record relating to these transactions is net of an estimate of the amount of chargebacks we will be required to pay. Our estimate is based upon our historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $23,437 and $21,037 as of December 31, 2012 and 2011, respectively.

Defined Contribution Plans

We sponsor a number of defined contribution plans covering a significant majority of our employees. Our contributions to such plans are discretionary and are based on the level of compensation and contributions by plan participants. We incurred expense of $13,690, $11,847, and $9,426 relating to such plans during the years ended December 31, 2012, 2011, and 2010, respectively.

Advertising

Advertising costs are expensed as incurred or when such advertising takes place. We incurred net advertising costs of $81,859, $70,526, and $64,968 during the years ended December 31, 2012, 2011, and 2010, respectively. Qualified advertising expenditures reimbursed by manufacturers, which are treated as a reduction of advertising expense, were $11,781, $10,067, and $8,671 during the years ended December 31, 2012, 2011, and 2010, respectively.

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 such pre-determined loss limits are paid by third-party insurance carriers. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $20,129 and $25,884 as of December 31, 2012 and 2011, respectively. Changes in the reserve estimate during 2012 relate primarily to positive claims experience in our general liability and workers compensation programs.

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, 2012, 2011, and 2010 follows:

	Year Ended December 31,		
	2012	2011	2010
Weighted average number of common shares outstanding	90,318	91,154	92,018
Effect of non-participatory equity compensation	24	120	73
Weighted average number of common shares outstanding, including effect of dilutive securities	90,342	91,274	92,091

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 as 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 us to record compensation expense for all awards based on their grant-date fair value. Our 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.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-04, "Fair Value Measurements and Disclosures (Topic 820)—Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 clarifies the application of existing fair value measurement and disclosure requirements, changes certain principles related to measuring fair value, and requires additional disclosures about fair value measurements. ASU No. 2011-04 is effective for periods beginning after December 15, 2011. We adopted the standard on January 1, 2012. Adoption of ASU No. 2011-04 did not affect our consolidated financial position, results of operations, or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220)—Presentation of Comprehensive Income", which requires the presentation of components of other comprehensive income with the components of net income. We adopted the standard on January 1, 2012. In December 2011, the FASB issued ASU No. 2011-12, which included amendments that effectively deferred only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. In February 2013, the FASB issued ASU No. 2013-02, which includes amendments that supersede and replace the presentation requirements for reclassification out of other comprehensive income. ASU No. 2013-02 is effective for reporting periods beginning after December 15, 2012. Adoption of ASU No. 2011-05 and ASU No. 2011-12 did not affect our consolidated financial position, results of operations, or cash flows. We do not expect the adoption of ASU No. 2013-02 to affect our consolidated financial position, results of operations, or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11 will require disclosure of the effect or potential effect of offsetting arrangements on our financial position as well as enhanced disclosure of the rights of setoff associated with our recognized assets and recognized liabilities. In January 2013, the FASB issued ASU No. 2013-01, which included amendments that clarified the scope of ASU No. 2011-11. ASU No. 2011-11 and ASU No. 2013-01 are effective for periods beginning on or after January 1, 2013. Since these amended principles require only additional disclosures concerning offsetting and related arrangements, adoption will not affect our consolidated financial position, results of operations, or cash flows.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment." In accordance with the amendments in ASU No. 2012-02, we have the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset other than goodwill is impaired. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the indefinite-lived intangible asset is impaired, we are not required to take further action. We adopted the standard on October 1, 2012. Adoption of ASU No. 2012-02 did not affect our consolidated financial position, results of operations, or cash flows.

2. Equity Method Investees

As of December 31, 2012, we have 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%), Fleetwash, LLC (7%), and National Powersport Auctions (7%), which we reacquired in 2012. 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, Fleetwash provides vehicle fleet washing services, and National Powersport Auctions is an auctioneer of powersport vehicles. We sold our original investment in National Powersport Auctions in the fourth quarter of 2010 for $14,616, which resulted in a pre-tax gain of $5,295. These investments in entities accounted for under the equity method amounted to $60,369 and $58,386 at December 31, 2012 and 2011, respectively.

We also have a 9.0% limited partnership interest in PTL, a leading provider of transportation services and supply chain management. Our investment in PTL, which is accounted for under the equity method, amounted to $242,791 and $240,254 at December 31, 2012 and 2011, respectively.

The combined results of operations and financial position of our equity method investees are summarized as follows:

Condensed income statement information:

	Year Ended December 31,		
	2012	2011	2010
Revenues	$6,043,432	$5,970,595	$4,531,588
Gross margin	1,897,310	1,802,301	1,749,504
Net income	284,228	255,145	198,793
Equity in net income of affiliates	27,572	25,451	20,569

Condensed balance sheet information:

	December 31,	
	2012	2011
Current assets	$1,129,698	$1,159,066
Noncurrent assets	8,139,122	7,228,052
Total assets	$9,268,820	$8,387,118
Current liabilities	$ 866,219	$ 916,344
Noncurrent liabilities	6,475,453	6,330,666
Equity	1,927,148	1,140,108
Total liabilities and equity	$9,268,820	$8,387,118

3. Business Combinations

During 2012 and 2011, respectively, we acquired 26 and 7 franchises in our retail operations. Our 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 our 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, 2012 and 2011 follows:

	December 31,	
	2012	2011
Accounts receivable	$ 28,907	$ 953
Inventory	123,672	61,247
Other current assets	628	—
Property and equipment	64,150	40,190
Goodwill	61,713	107,498
Franchise value	53,407	29,491
Other non-current assets	745	628
Current liabilities	(59,722)	(6,190)
Non-current liabilities	(23,330)	—
Total consideration	250,170	233,817
Seller financed/assumed debt	—	(1,711)
Cash used in dealership acquisitions	$250,170	$232,106

The following unaudited consolidated pro forma results of operations of PAG for the years ended December 31, 2012 and 2011 give effect to acquisitions consummated during 2012 and 2011 as if they had occurred on January 1, 2011:

	Year Ended December 31,	
	2012	2011
	(In millions, except per share amounts)	
Revenues	$13,443	$12,077
Income from continuing operations	198	186
Net income	189	187
Income from continuing operations per diluted common share	$ 2.18	$ 2.03
Net income per diluted common share	$ 2.09	$ 2.05

4. Discontinued Operations

We account for dispositions in our 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 we will not have any significant continuing involvement in its operations.

In evaluating whether the cash flows of a dealership in our Retail reportable segment will be eliminated from ongoing operations, we consider whether it is likely that customers will migrate to

similar franchises that we own in the same geographic market. Our consideration includes an evaluation of the brands sold at other dealerships we operate in the market and their proximity to the disposed dealership. When we dispose 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 PAG owned dealerships, we do not treat the disposition as a discontinued operation if we believe 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,		
	2012	2011	2010
Revenues	$429,635	$742,048	$791,063
Pre-tax (loss) income	(16,389)	421	(16,322)
Gain (loss) on disposal	8,059	3,313	(3,955)

	2012	2011
Inventory	$53,688	$ 85,385
Other assets	40,753	73,858
Total assets	94,441	159,243
Floor plan notes payable (including non-trade)	45,593	79,145
Other liabilities	16,563	23,856
Total liabilities	62,156	103,001

5. Inventories

Inventories consisted of the following:

	December 31,	
	2012	2011
New vehicles	$1,421,074	$1,029,294
Used vehicles	484,760	428,589
Parts, accessories and other	85,333	77,503
Total inventories	$1,991,167	$1,535,386

The Company receives non-refundable credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $31,322, $27,644, and $24,970 during the years ended December 31, 2012, 2011, and 2010, respectively.

6. Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	2012	2011
Buildings and leasehold improvements	$ 940,439	$ 803,497
Furniture, fixtures and equipment	432,858	338,245
Total	1,373,297	1,141,742
Less: Accumulated depreciation	(349,516)	(302,112)
Property and equipment, net	$1,023,781	$ 839,630

As of December 31, 2012 and 2011, approximately $27,500 and $27,500, 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, 2012 and 2011, net of accumulated impairment losses recorded prior to December 31, 2010 of $606,349 and $37,110, respectively:

	Goodwill	Franchise Value
Balance—December 31, 2010	$791,327	$196,883
Additions	107,498	29,491
Foreign currency translation	(1,520)	(473)
Balance—December 31, 2011	897,305	225,901
Additions	61,713	53,407
Foreign currency translation	15,702	3,984
Balance—December 31, 2012	$974,720	$283,292

We test for impairment in our intangible assets at least annually. We did not record any impairment charges relating to our intangibles in 2012, 2011 or 2010.

8. Vehicle 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 the captive finance companies associated with automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. We typically make monthly interest payments on the amount financed. Outside of the U.S., substantially all of the floor plan arrangements are payable on demand or have an original maturity of 90 days or less and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity.

The floor plan agreements 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 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 2.1%, 1.9%, and 2.6% for 2012, 2011, and 2010, respectively. We classify floor plan notes payable to a party other than the manufacturer of a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles, as floor plan notes payable—non-trade on our consolidated balance sheets and classify related cash flows as a financing activity on our consolidated statements of cash flows.

9. Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2012	2011
U.S. credit agreement—revolving credit line	$ 50,000	$132,000
U.S. credit agreement—term loan	110,000	127,000
U.K. credit agreement—revolving credit line	48,741	59,060
U.K. credit agreement—term loan	38,993	—
U.K. credit agreement—overdraft line of credit	6,838	13,333
3.5% senior subordinated convertible notes due 2026, net of debt discount	—	63,324
5.75% senior subordinated notes due 2022	550,000	—
7.75% senior subordinated notes due 2016	—	375,000
Car rental revolver	23,171	—
Mortgage facilities	104,043	75,684
Other	5,731	4,790
Total long-term debt	$937,517	$850,191
Less: current portion	(19,493)	(3,414)
Net long-term debt	$918,024	$846,777

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

2013	$ 19,493
2014	32,928
2015	244,028
2016	16,477
2017	34,677
2018 and thereafter	589,914
Total long-term debt reported	$937,517

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 $375,000 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 $110,000, and for an additional $10,000 of availability for letters of credit, through September 2015. The revolving loans bear interest at a defined LIBOR plus 2.25%, subject to an incremental 1.25% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.25%, may be prepaid at any time, but then may not be re-borrowed.

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 the amounts owed. As of December 31, 2012, we were 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 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, 2012, $110,000 of term loans, $50,000 of revolving loans, and $500 of letters of credit were outstanding under the U.S. Credit Agreement. We repaid $17,000 and $7,000 under the term loan in 2012 and 2011.

U.K. Credit Agreement

Our subsidiaries in the U.K. (the "U.K. subsidiaries") are party to a £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, 2012, outstanding loans under the U.K. credit agreement amounted to £34,209 ($55,579).

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, 2012, our 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 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 £30,000 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). As of December 31, 2012, the amount outstanding under the U.K. term loan was £24,000 ($38,993).

3.5% Senior Subordinated Convertible Notes

In May 2012, we provided notice to holders of our 3.5% Senior Subordinated Convertible Notes due 2026 that we were exercising our right to redeem the Convertible Notes at a price of 100% of the principal amount outstanding plus accrued and unpaid interest to, but excluding June 25, 2012. In lieu of surrendering the Notes for redemption, Note holders could elect to convert the Notes at any time prior to the close of business on June 21, 2012 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).

Upon conversion of the Convertible Notes, for each $1,000 Note, a holder was entitled to 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. To the extent the conversion value exceeded $1,000, we were required to also deliver, cash, common stock or a combination of cash and common stock with respect to the value in excess of $1,000.

Holders of $25,546 outstanding principal amount of Convertible Notes elected to convert their Notes. We settled the principal and interest due on the remaining $37,778 on June 25, 2012. In July, we paid the converting holders the conversion balance due of $24,909 in cash. Following this payment, we had fulfilled all of our obligations under the Convertible Notes.

5.75% Senior Subordinated Notes

In August 2012, we issued $550,000 in aggregate principal amount of 5.75% Senior Subordinated Notes due 2022 (the "5.75% Notes") in a private offering under Rule 144A and Regulation S of the Securities Act of 1933.

We used a portion of the net proceeds of the 5.75% Notes to redeem $375,000 in aggregate principal amount of our 7.75% Senior Subordinated Notes due 2016, and to pay fees and expenses in connection with the offering. The remaining proceeds from the 5.75% Notes were used to repay amounts outstanding under our U.S. credit agreement and our U.S. floor plan borrowings.

Interest on the 5.75% Notes is payable semiannually on April 1 and October 1 of each year, beginning on April 1, 2013. The 5.75% Notes mature on October 1, 2022, unless earlier redeemed or purchased by us. The Notes are our unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing wholly-owned domestic subsidiaries. The 5.75% Notes also contain customary negative covenants and events of default. As of September 30, 2012, the Company was in compliance with all negative covenants, and there were no events of default.

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.75% Notes using the proceeds of specified equity offerings at any time prior to October 1, 2015 at a price specified in the indenture.

If we experience certain "change of control" events specified in the indenture, holders of the 5.75% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

7.75% Senior Subordinated Notes

During the third quarter of 2012, we redeemed our $375,000 principal amount of 7.75% Notes plus accrued interest. We incurred a $17,753 pre-tax charge in connection with the redemption, consisting of a $15,755 redemption premium and the write-off of $1,998 of unamortized deferred financing costs.

Car Rental Revolver

We are party to a credit agreement with Toyota Motor Credit Corporation that currently provides us with up to $50,000 in revolving loans for the acquisition of rental vehicles. The revolving loans bear interest at 3 month LIBOR plus 2.50%. This agreement provides the lender with a secured interest in the vehicles and our rental car operations' other assets, requires us to make monthly curtailment payments and expires in October 2014. As of December 31, 2012 outstanding loans under the car rental revolver amounted to $23,171.

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, 2012, we owed $104,043 of principal under our mortgage facilities.

10. 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 interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of $300,000 of our floating rate floor plan debt is fixed at a rate of 2.135% and $100,000 of our floating rate floor plan debt is fixed at a rate of 1.55%. We may terminate these agreements at any time, subject to the settlement of the then current fair value of the swap arrangements. During 2010 and early January 2011, we were party to interest rate swap agreements pursuant to which the LIBOR portion of $300,000 of our floating rate floor plan debt was fixed at 3.67%.

We used Level 2 inputs to estimate the fair value of the interest rate swap agreements. As of December 31, 2012 and 2011, the fair value of the swaps designated as hedging instruments was estimated to be a liability of $14,337 and $15,952, respectively. During 2012 and 2011, there was no hedge ineffectiveness recorded in our income statement. During the year ended December 31, 2012, the swaps increased the weighted average interest rate on our floor plan borrowings by approximately 38 basis points.

11. Commitments and Contingent Liabilities

We are involved in litigation which may relate to claims brought by governmental authorities, issues with customers, and employment related matters, including class action claims and purported class action claims. As of December 31, 2012, we are 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 our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material effect on our results of operations, financial condition or cash flows.

We have historically structured our operations so as to minimize ownership of real property. As a result, we lease or sublease substantially all of our facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We estimate the total rent obligations under these leases, including any extension periods we may exercise at our discretion and assuming constant consumer price indices, to be $4.8 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 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, 2012 are as follows:

2013	$ 180,553
2014	178,187
2015	177,785
2016	177,346
2017	176,696
2018 and thereafter	3,941,993
	$4,832,560

Rent expense for the years ended December 31, 2012, 2011, and 2010 amounted to $173,280, $165,346, and $157,768, respectively. Of the total rental payments, $200, $385, and $436, respectively, were made to related parties during 2012, 2011, and 2010, respectively (See Note 12).

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 the subtenant does not perform as expected, we may not be able to recover amounts owed to us and we could be required to fulfill these obligations. The aggregate rent paid by the tenants on those properties in 2012 was approximately $11,545, and, in aggregate, we currently guarantee or are otherwise liable for approximately $194,637 of these lease payments, including lease payments during available renewal periods.

We hold a 9.0% limited partnership interest in PTL. Historically General Electric Capital Corporation ("GECC") has provided PTL with a majority of its financing. Since April 2012, PTL has refinanced a significant amount of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ("Holdings"), which, together with GECC, co-issued $700,000 of 3.8% senior unsecured notes due 2019 to certain investors through an offering pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Holdings Bonds"). A wholly-owned subsidiary of Holdings contributed $700,000 derived from the net proceeds from the offering of the Holdings Bonds and a portion of its cash on hand to PTL in exchange for a 21.5% limited partner interest in PTL. PTL used the $700,000 of funds to reduce its outstanding debt owed to GECC. GECC agreed to be a co-obligor of the Holdings Bonds in order to achieve lower interest rates on the Holdings Bonds.

Additional capital contributions from the members may be required to fund interest and principal payments on the Holdings Bonds. In addition, we have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay as co-obligor, and pay GECC an annual fee of approximately $950 for acting as co-obligor. The maximum amount of our potential obligations to GECC under this agreement are 9% of the required principal repayment due in 2019 (which is expected to be $63,100) and 9% of interest payments under the Holdings Bonds, plus fees and default interest, if any.

We have $500 of letters of credit outstanding as of December 31, 2012, and have posted $8,154 of surety bonds in the ordinary course of business.

12. Related Party Transactions

We are currently 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 2012, 2011, and 2010, we paid $200, $385, and $436, respectively, to AGR under these lease agreements. From time to time, we may sell AGR real property and improvements that are subsequently leased by AGR to us. In addition, we may purchase real property or improvements from AGR. Any such transaction is valued at a price that is independently confirmed.

We sometimes pay to and/or receive 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 are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. During 2012, 2011, and 2010, Penske Corporation and its affiliates billed us $5,294, $4,913, and $5,421, respectively, and we billed Penske Corporation and its affiliates $31, $72, and $41, respectively, for such services. As of December 31, 2012 and 2011, we had $2 and $2 of receivables from and $486 and $546 of payables to Penske Corporation and its subsidiaries, respectively.

PAG, Penske Corporation and certain affiliates have entered into a joint insurance agreement which provides that, with respect to any joint insurance (such as our joint commercial 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 us 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.

We are a 9.0% limited partner of PTL, a leading provider of transportation services and supply chain management. 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 are party to agreements among the other partners which, among other things, provide us with specified distribution and governance rights and restricts our ability to transfer our interests. In 2012, 2011, and 2010, we received $18,531, $7,751, and $8,804, respectively, from PTL in pro rata cash dividends.

We are 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 in 2011. During 2010, one of our former wholly-owned subsidiaries, smart USA, paid PTL $592 for assistance with roadside assistance and other services to smart fortwo owners, of which $309 were pass-through expenses to be paid by PTL to third-party vendors. In 2009, PTL began hosting our disaster recovery site. Annual fees paid to PTL for this service in 2012 were $70.

From time to time we enter into joint venture relationships in the ordinary course of business, pursuant to which we own and operate automotive dealerships together with other investors. We may also provide these dealerships with working capital and other debt financing at costs that are based on

our incremental borrowing rate. As of December 31, 2012, our automotive joint venture relationships were as follows:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	84.95%(A)(B)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(C)
Frankfurt, Germany	Lexus, Toyota	50.00%(C)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen, Citroën	50.00%(C)
Northern Italy	BMW, MINI	70.00%(B)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 15.05% 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 our 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 PAG are eligible to receive stock-based compensation pursuant to the terms of our new 2012 Equity Incentive Plan (the "2012 Plan") and our expired 2002 Equity Compensation Plan (the "2002 Plan"). Each of these plans allow for the issuance of shares for stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and other awards. The 2012 Plan is a three year plan which originally allowed for 2,000 awards of which, as of December 31, 2012, 1,998 shares of common stock were available for grant. The 2002 Plan was a ten year plan which originally allowed for 4,200 awards of which, as of December 31, 2012, no shares were available for grant due to the 2002 Plan's expiration in 2012. Compensation expense related to these plans was $6,807, $6,022, and $6,908 during the 2012, 2011, and 2010, respectively.

Restricted Stock

During 2012, 2011, and 2010, we granted 431, 392, and 391 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, 2012, there was $11,787 of unrecognized compensation cost related to the restricted stock, which is expected to be recognized over the next four years.

Presented below is a summary of the status of the Company's restricted stock as of December 31, 2011 and 2012, and changes during the year ended December 31, 2012:

	Shares	Weighted Average Grant-Date Fair Value	Intrinsic Value
December 31, 2011	864	$16.81	$14,517
Granted	431	14.66	
Vested	(307)	18.55	
Forfeited	(8)	20.88	
December 31, 2012	980	$15.28	$14,960

14. Equity

Share Repurchase

During 2012 we acquired 350 shares of our outstanding common stock for $8,522, or an average of $24.35 per share, under our existing securities repurchase program. Also during 2012 we acquired 56 shares of our common stock for $1,307, or an average of $23.49 per share, from employees in connection with vesting of employee restricted stock awards. During 2011 we acquired 2,450 shares of our outstanding common stock for $44,263, or an average of $18.07 per share, under the repurchase program. As of December 31, 2012, we have $98,300 in authorization under the repurchase program.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, attributable to Penske Automotive Group follow:

	Currency Translation	Interest Rate Swaps	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2010	$ 4,874	$(5,505)	$11,223	$ 10,592
Change	(16,852)	5,435	695	(10,722)
Balance at December 31, 2010	(11,978)	(70)	11,918	(130)
Change	(5,792)	(9,574)	(8,695)	(24,061)
Balance at December 31, 2011	(17,770)	(9,644)	3,223	(24,191)
Change	18,254	966	(1,862)	17,358
Balance at December 31, 2012	$ 484	$(8,678)	$ 1,361	$ (6,833)

"Other" represents changes relating to other immaterial items, including: certain defined benefit plans in the U.K. and changes in other comprehensive income of equity method investments, each of which has been excluded from net income and reflected in comprehensive income and equity.

15. Income Taxes

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

	Year Ended December 31,		
	2012	2011	2010
Current:			
Federal	$(17,038)	$15,905	$ 5,932
State and local	1,181	3,657	2,295
Foreign	26,890	4,941	27,500
Total current	11,033	24,503	35,727
Deferred:			
Federal	70,082	34,237	21,355
State and local	11,835	863	5,455
Foreign	1,380	12,087	904
Total deferred	83,297	47,187	27,714
Income taxes relating to continuing operations	$ 94,330	$71,690	$63,441

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,		
	2012	2011	2010
Income taxes relating to continuing operations at federal statutory rate of 35%	$101,146	$ 86,750	$64,973
State and local income taxes, net of federal taxes	7,071	1,891	5,200
Foreign	(11,775)	(967)	(5,864)
Uncertain tax positions	(1,366)	(16,061)	—
Other	(746)	77	(868)
Income taxes relating to continuing operations	$ 94,330	$ 71,690	$63,441

In 2011 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, which represented approximately $16,000 of the net uncertain tax position provision adjustment.

The components of deferred tax assets and liabilities at December 31, 2012 and 2011 were as follows:

	2012	2011
Deferred Tax Assets		
Accrued liabilities	$ 51,221	$ 53,224
Net operating loss carryforwards	14,053	12,376
Interest rate swap	5,670	6,004
Other	3,526	9,044
Total deferred tax assets	74,470	80,648
Valuation allowance	(14,621)	(11,839)
Net deferred tax assets	59,849	68,809
Deferred Tax Liabilities		
Depreciation and amortization	(136,522)	(119,988)
Partnership investments	(178,580)	(111,400)
Convertible notes	(12,472)	(21,335)
Other	(573)	(1,118)
Total deferred tax liabilities	(328,147)	(253,841)
Net deferred tax liabilities	$(268,298)	$(185,032)

At December 31, 2012, we completed a comprehensive review of our deferred income tax balances and determined that certain deferred tax assets and liabilities required correction. We were able to determine that the required corrections relate to periods prior to January 1, 2008. Management has concluded that the effect of the correction is not material to our consolidated balance sheet, results of operations, or cash flows for any period presented. As a result, we have increased the opening retained earnings balance by $7,616 and increased accumulated other comprehensive loss by $1,565 as of January 1, 2008 in the accompanying consolidated financial statements.

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 $117,002, $98,380, and $96,976 during 2012, 2011, and 2010, respectively. It is our belief that such earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2012, we have not provided U.S. federal income taxes on a total of $817,358 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.

At December 31, 2012, we have $200,672 of state net operating loss carryforwards in the U.S. that expire at various dates beginning in 2013 through 2030, state credit carryforwards of $1,799 that will not expire, U.K. capital loss carryforwards of $4,996 that will not expire, and German net operating loss carryforwards of $8,207 that will not expire. We utilized $3,866 of state net operating loss carryforwards in the U.S in 2012.

A valuation allowance of $3,610 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 $2,544 has been recorded as of December 31, 2012 against German net operating losses and a valuation allowance of $385 has been recorded against other German deferred tax assets. A valuation allowance of $7,847 has been recorded as of December 31, 2012 against U.K. deferred tax assets related to buildings.

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, 2012, 2011, and 2010 were as follows:

	2012	2011	2010
Uncertain tax positions—January 1	$14,858	$ 36,097	$36,887
Gross increase—tax position in prior periods	1,287	679	1,493
Gross decrease—tax position in prior periods	(761)	(19,077)	(288)
Gross increase—current period tax position	18	17	—
Settlements	(891)	(2,201)	(125)
Lapse in statute of limitations	(287)	(541)	(756)
Foreign exchange	458	(116)	(1,114)
Uncertain tax positions—December 31	$14,682	$ 14,858	$36,097

We have elected to include interest and penalties in our income tax expense. The total interest and penalties included within uncertain tax positions at December 31, 2012 was $3,151. We do not expect a significant change to the amount of uncertain tax positions within the next twelve months. Our U.S. federal returns remain open to examination for 2010 and 2011 and various foreign and U.S. states jurisdictions are open for periods ranging from 2002 through 2011. The portion of the total amount of uncertain tax positions as of December 31, 2012 that would, if recognized, impact the effective tax rate was $14,335.

We have classified our 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

Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our Hertz rental business operating segment and our investments in non-automotive retail operations operating segment. 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.

The following table summarizes revenues, floor plan interest expense, other interest expense, debt discount amortization, depreciation, 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 our 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	Other	Intersegment Elimination	Total
Revenues				
2012	$13,164,070	$ 4,030	$(4,583)	$13,163,517
2011	11,127,492	—	—	11,127,492
2010	9,943,350	—	—	9,943,350
Floor plan interest expense				
2012	$ 38,797	$ —	$ —	$ 38,797
2011	27,218	—	—	27,218
2010	32,822	—	—	32,822
Other interest expense				
2012	$ 46,782	$ 110	$ —	$ 46,892
2011	44,256	—	—	44,256
2010	48,541	—	—	48,541
Debt discount amortization				
2012	$ —	$ —	$ —	$ —
2011	1,718	—	—	1,718
2010	8,637	—	—	8,637
Depreciation				
2012	$ 53,980	$ 15	$ —	$ 53,995
2011	47,101	—	—	47,101
2010	44,523	—	—	44,523
Equity in earnings of affiliates				
2012	$ 3,238	$24,334	$ —	$ 27,572
2011	2,196	23,255	—	25,451
2010	2,577	17,992	—	20,569
Adjusted segment income				
2012	$ 283,094	$23,713	$ (66)	$ 306,741
2011	224,602	23,255	—	247,857
2010	166,010	17,992	—	184,002

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

	Year Ended December 31,		
	2012	2011	2010
Adjusted segment income	$306,741	$247,857	$184,002
Debt redemption costs	(17,753)	—	—
Gain on debt repurchase	—	—	1,634
Income (loss) from continuing operations before income taxes	$288,988	$247,857	$185,636

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

	Retail	Other	Intersegment Elimination	Total
Total assets				
2012	$5,101,289	$277,767	$(66)	$5,378,990
2011	4,250,672	248,729	—	4,499,401
Equity method investments				
2012	$ 53,288	$249,872	$ —	$ 303,160
2011	49,911	248,729	—	298,640
Capital expenditures				
2012	$ 151,411	$ 9,875	$ —	$ 161,286
2011	131,971	—	—	131,971
2010	74,900	—	—	74,900

The following table presents certain data by geographic area:

	Year Ended December 31,		
	2012	2011	2010
Sales to external customers:			
U.S.	$ 8,403,151	$ 7,143,481	$6,313,835
Foreign	4,760,366	3,984,011	3,629,515
Total sales to external customers	$13,163,517	$11,127,492	$9,943,350
Long-lived assets, net:			
U.S.	$ 961,780	$ 831,666	
Foreign	386,115	320,085	
Total long-lived assets	$ 1,347,895	$ 1,151,751	

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

17. Summary of Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012(1)(2)				
Total revenues	$3,156,390	$3,306,021	$3,329,854	$3,371,252
Gross profit	493,859	503,642	500,334	515,113
Net income	47,006	49,612	41,313	49,236
Net income attributable to Penske Automotive Group common stockholders	46,818	49,092	41,031	48,599
Diluted earnings per share attributable to Penske Automotive Group common stockholders	$ 0.52	$ 0.54	$ 0.45	$ 0.54
2011(1)(2)				
Total revenues	$2,669,440	$2,767,068	$2,832,517	$2,858,467
Gross profit	426,079	445,304	449,946	440,493
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

(1) As discussed in Note 4, we have 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.

18. Condensed Consolidating Financial Information

The following tables include condensed consolidating financial information as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011, and 2010 for Penske Automotive Group, Inc. (as the issuer of the 5.75% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing foreign entities). Guarantor subsidiaries are wholly-owned by the group, the guarantees are full and unconditional, and jointly and several. 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, 2012

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 43,753	$ —	$ —	$ 36,783	$ 6,970
Accounts receivable, net	552,868	(340,917)	340,917	372,638	180,230
Inventories	1,991,167	—	—	1,197,456	793,711
Other current assets	90,854	—	3,546	55,836	31,472
Assets held for sale	94,441	—	—	59,113	35,328
Total current assets	2,773,083	(340,917)	344,463	1,721,826	1,047,711
Property and equipment, net	1,023,781	—	4,474	654,248	365,059
Intangible assets	1,258,012	—	—	756,655	501,357
Equity method investments	303,160	—	252,816	—	50,344
Other long-term assets	20,954	(1,527,156)	1,540,447	5,025	2,638
Total assets	$5,378,990	$(1,868,073)	$2,142,200	$3,137,754	$1,967,109
Floor plan notes payable	$1,408,363	$ —	$ —	$ 917,390	$ 490,973
Floor plan notes payable—non-trade	716,621	—	112,085	334,122	270,414
Accounts payable	263,349	—	3,344	123,754	136,251
Accrued expenses	223,574	(340,917)	450	113,753	450,288
Current portion of long-term debt	19,493	—	—	9,745	9,748
Liabilities held for sale	62,156	—	—	33,163	28,993
Total current liabilities	2,693,556	(340,917)	115,879	1,531,927	1,386,667
Long-term debt	918,024	(38,692)	710,000	121,618	125,098
Deferred tax liabilities	287,818	—	—	260,445	27,373
Other long-term liabilities	163,271	—	—	84,108	79,163
Total liabilities	4,062,669	(379,609)	825,879	1,998,098	1,618,301
Total equity	1,316,321	(1,488,464)	1,316,321	1,139,656	348,808
Total liabilities and equity	$5,378,990	$(1,868,073)	$2,142,200	$3,137,754	$1,967,109

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except per share amounts)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2011

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 27,201	$ —	$ —	$ 27,201	$ —
Accounts receivable, net	429,633	(297,782)	305,386	277,291	144,738
Inventories	1,535,386	—	—	877,032	658,354
Other current assets	72,981	—	2,306	34,584	36,091
Assets held for sale	159,243	—	—	77,850	81,393
Total current assets	2,224,444	(297,782)	307,692	1,293,958	920,576
Property and equipment, net	839,630	—	6,730	534,607	298,293
Intangible assets	1,123,206	—	—	692,481	430,725
Equity method investments	298,640	—	246,658	—	51,982
Other long-term assets	13,481	(1,369,967)	1,378,341	3,373	1,734
Total assets	$4,499,401	$(1,667,749)	$1,939,421	$2,524,419	$1,703,310
Floor plan notes payable	$ 966,579	$ —	$ —	$ 558,325	$ 408,254
Floor plan notes payable—non-trade	668,581	—	90,892	322,814	254,875
Accounts payable	214,870	—	1,633	111,373	101,864
Accrued expenses	195,108	(297,782)	—	97,426	395,464
Current portion of long-term debt	3,414	—	—	3,414	—
Liabilities held for sale	103,001	—	—	37,276	65,725
Total current liabilities	2,151,553	(297,782)	92,525	1,130,628	1,226,182
Long-term debt	846,777	(38,073)	697,324	77,060	110,466
Deferred tax liabilities	205,845	—	—	186,291	19,554
Other long-term liabilities	145,654	—	—	91,447	54,207
Total liabilities	3,349,829	(335,855)	789,849	1,485,426	1,410,409
Total equity	1,149,572	(1,331,894)	1,149,572	1,038,993	292,901
Total liabilities and equity	$4,499,401	$(1,667,749)	$1,939,421	$2,524,419	$1,703,310

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2012

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$13,163,517	$ —	$ —	$7,891,931	$5,271,586
Cost of sales	11,150,569	—	—	6,646,738	4,503,831
Gross profit	2,012,948	—	—	1,245,193	767,755
Selling, general, and administrative expenses	1,594,095	—	19,361	963,493	611,241
Depreciation	53,995	—	1,354	29,488	23,153
Operating income (loss)	364,858	—	(20,715)	252,212	133,361
Floor plan interest expense	(38,797)	—	(8,572)	(16,947)	(13,278)
Other interest expense	(46,892)	—	(29,492)	(3,661)	(13,739)
Debt discount amortization	—	—	—	—	—
Equity in earnings of affiliates	27,572	—	23,965	—	3,607
Debt redemption costs	(17,753)	—	(17,753)	—	—
Equity in earnings of subsidiaries	—	(339,928)	339,928	—	—
Income from continuing operations before income taxes	288,988	(339,928)	287,361	231,604	109,951
Income taxes	(94,330)	111,586	(94,330)	(87,804)	(23,782)
Income from continuing operations	194,658	(228,342)	193,031	143,800	86,169
Loss from discontinued operations, net of tax	(7,491)	7,491	(7,491)	6	(7,497)
Net income	187,167	(220,851)	185,540	143,806	78,672
Other comprehensive income (loss), net of tax	17,610	(16,620)	17,610	966	15,654
Comprehensive income	204,777	(237,471)	203,150	144,772	94,326
Less: Comprehensive income attributable to the non-controlling interests	1,879	(252)	252	—	1,879
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 202,898	$(237,219)	$202,898	$ 144,772	$ 92,447

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2011

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$11,127,492	$ —	$ —	$6,637,084	$4,490,408
Cost of sales	9,365,670	—	—	5,532,337	3,833,333
Gross profit	1,761,822	—	—	1,104,747	657,075
Selling, general, and administrative expenses	1,419,123	—	18,978	880,319	519,826
Depreciation	47,101	—	1,369	25,745	19,987
Operating income (loss)	295,598	—	(20,347)	198,683	117,262
Floor plan interest expense	(27,218)	—	(1,364)	(13,895)	(11,959)
Other interest expense	(44,256)	—	(25,464)	(3,276)	(15,516)
Debt discount amortization	(1,718)	—	(1,718)	—	—
Equity in earnings of affiliates	25,451	—	23,044	—	2,407
Equity in earnings of subsidiaries	—	(272,329)	272,329	—	—
Income from continuing operations before income taxes	247,857	(272,329)	246,480	181,512	92,194
Income taxes	(71,690)	79,208	(71,690)	(52,780)	(26,428)
Income from continuing operations	176,167	(193,121)	174,790	128,732	65,766
Loss from discontinued operations, net of tax	2,091	(2,091)	2,091	3,063	(972)
Net income	178,258	(195,212)	176,881	131,795	64,794
Other comprehensive income (loss), net of tax	(24,061)	21,212	(24,061)	(9,574)	(11,638)
Comprehensive income	154,197	(174,000)	152,820	122,221	53,156
Less: Comprehensive income attributable to non-controlling interests	1,377	—	—	—	1,377
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 152,820	$(174,000)	$152,820	$ 122,221	$ 51,779

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2010

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$9,943,350	$ —	$ —	$5,777,494	$4,165,856
Cost of sales	8,358,079	—	—	4,809,883	3,548,196
Gross profit	1,585,271	—	—	967,611	617,660
Selling, general, and administrative expenses	1,287,315	—	17,182	784,652	485,481
Depreciation	44,523	—	1,116	24,502	18,905
Operating income (loss)	253,433	—	(18,298)	158,457	113,274
Floor plan interest expense	(32,822)	—	(576)	(22,952)	(9,294)
Other interest expense	(48,541)	—	(30,237)	(2,225)	(16,079)
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	—	(222,317)	222,317	—	—
Income from continuing operations before income taxes	185,636	(222,317)	184,570	133,280	90,103
Income taxes	(63,441)	76,404	(63,441)	(50,744)	(25,660)
Income from continuing operations	122,195	(145,913)	121,129	82,536	64,443
Loss from discontinued operations, net of tax	(12,848)	12,848	(12,848)	(14,379)	1,531
Net income	109,347	(133,065)	108,281	68,157	65,974
Other comprehensive income (loss), net of tax	(10,722)	12,986	(10,722)	5,435	(18,421)
Comprehensive income	98,625	(120,079)	97,559	73,592	47,553
Less: Comprehensive income attributable to the non-controlling interests	1,066	—	—	—	1,066
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 97,559	$(120,079)	$ 97,559	$ 73,592	$ 46,487

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In thousands)		
Net cash from (used in) continuing operating activities	$ 327,931	$ 45,556	$ 155,830	$ 126,545
Investing activities:				
Purchase of property and equipment	(161,286)	(1,131)	(121,503)	(38,652)
Proceeds from sale-leaseback transactions	1,584	—	—	1,584
Dealership acquisitions, net	(250,170)	—	(115,781)	(134,389)
Other	8,778	(3,292)	4,762	7,308
Net cash from (used in) continuing investing activities	(401,094)	(4,423)	(232,522)	(164,149)
Financing activities:				
Issuance of 5.75% senior subordinated notes	550,000	550,000	—	—
Repurchase of 7.75% senior subordinated notes	(390,755)	(390,755)	—	—
Repurchase of 3.5% senior subordinated convertible notes	(62,687)	(62,687)	—	—
Net borrowings (repayments) of long-term debt	(27,634)	(99,000)	50,889	20,477
Net (repayments) borrowings of floor plan notes payable—non-trade	65,329	21,193	23,054	21,082
Repurchase of common stock	(9,829)	(9,829)	—	—
Dividends	(41,505)	(41,505)	—	—
Payment of deferred financing fees	(8,550)	(8,550)	—	—
Distributions from (to) parent	—	—	5,202	(5,202)
Other	(1,116)	—	—	(1,116)
Net cash from (used in) continuing financing activities	73,253	(41,133)	79,145	35,241
Net cash from discontinued operations	16,462	—	7,129	9,333
Net change in cash and cash equivalents	16,552	—	9,582	6,970
Cash and cash equivalents, beginning of period	27,201	—	27,201	—
Cash and cash equivalents, end of period	$ 43,753	$ —	$ 36,783	$ 6,970

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 (used in) continuing operating activities	$ 133,268	$ (39,449)	$ 192,351	$(19,634)
Investing activities:				
Purchase of property and equipment	(131,971)	(1,280)	(81,244)	(49,447)
Dealership acquisitions, net	(232,106)	—	(230,426)	(1,680)
Other	2,865	—	—	2,865
Net cash from (used in) continuing investing activities	(361,212)	(1,280)	(311,670)	(48,262)
Financing activities:				
Repayment under U.S. credit agreement term loan	(7,000)	(7,000)	—	—
Repurchase of 3.5% senior subordinated convertible notes	(87,278)	(87,278)	—	—
Net borrowings (repayments) of long-term debt	162,218	132,000	54,494	(24,276)
Net (repayments) borrowings of floor plan notes payable—non-trade	202,938	65,892	39,571	97,475
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 (used in) continuing financing activities	207,993	40,729	100,204	67,060
Net cash from discontinued operations	28,904	—	30,448	(1,544)
Net change in cash and cash equivalents	8,953	—	11,333	(2,380)
Cash and cash equivalents, beginning of period	18,248	—	15,868	2,380
Cash and cash equivalents, end of period	$ 27,201	$ —	$ 27,201	$ —

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 (used in) continuing operating activities	$ 207,416	$ 133,059	$ 51,276	$ 23,081
Investing activities:				
Purchase of property and equipment	(74,900)	(66)	(51,026)	(23,808)
Dealership acquisitions, net	(22,232)	—	(22,232)	—
Other	13,822	13,822	—	—
Net cash from (used in) continuing investing activities	(83,310)	13,756	(73,258)	(23,808)
Financing activities:				
Repayment under U.S. credit agreement term loan	(15,000)	(15,000)	—	—
Repurchase of 3.5% senior subordinated convertible notes	(156,604)	(156,604)	—	—
Net borrowings (repayments) of long-term debt	(14,369)	—	(13,613)	(756)
Net (repayments) borrowings of floor plan notes payable—non-trade	64,036	25,000	36,148	2,888
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 (used in) continuing financing activities	(122,148)	(146,815)	23,900	767
Net cash from discontinued operations	2,151	—	1,409	742
Net change in cash and cash equivalents	4,109	—	3,327	782
Cash and cash equivalents, beginning of period	14,139	—	12,541	1,598
Cash and cash equivalents, end of period	$ 18,248	$ —	$ 15,868	$ 2,380

Schedule II

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, 2012				
Allowance for doubtful accounts	$ 2,086	$ 848	$ (15)	$ 2,919
Tax valuation allowance	11,839	2,965	(183)	14,621
Year Ended December 31, 2011				
Allowance for doubtful accounts	$ 1,743	$ 990	$ (647)	$ 2,086
Tax valuation allowance	7,335	8,831	(4,327)	11,839
Year Ended December 31, 2010				
Allowance for doubtful accounts	$ 1,554	$ 891	$ (702)	$ 1,743
Tax valuation allowance	6,073	3,213	(1,951)	7,335

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 28, 2013

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 28, 2013

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, 2012, 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

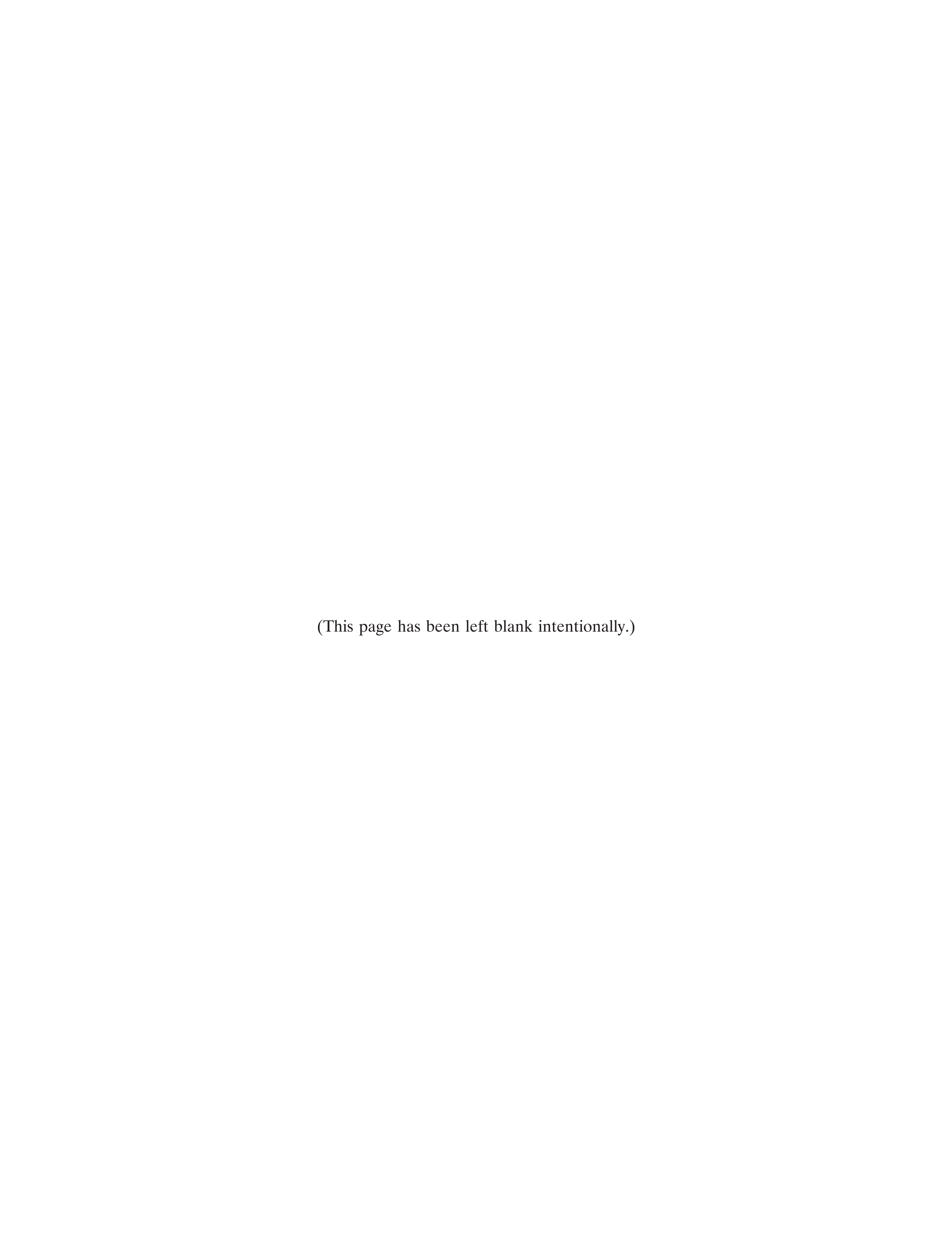
February 28, 2013

/s/ DAVID K. JONES

David K. Jones
Chief Financial Officer

February 28, 2013

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.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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, 2013, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan.

The agenda for this year's annual meeting includes the annual election of directors, approval of our 2012 Equity Incentive Plan, 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 2012 Equity Incentive Plan, 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.

We have elected to deliver our proxy materials to our stockholders over the Internet. This delivery process provides stockholders with the information they need, while at the same time conserving natural resources and lowering the cost of printing and delivery. On or about March 15, 2013, we will mail to our stockholders a notice of internet availability of proxy materials containing instructions on how to access our 2013 proxy statement and 2012 annual report to stockholders. This notice also provides instructions on how to vote online or by telephone and includes information on how to request a paper copy of the proxy materials by mail.

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 13, 2013

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

Meeting Time and Place:

Thursday, May 9, 2013, at 8:00 a.m., Eastern Daylight Time, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan.

Items of Business:

(1) Election of twelve directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified.

(2) Approval of our 2012 Equity Incentive Plan.

(3) Ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2013.

(4) Approval of an advisory resolution regarding executive compensation.

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

Who may vote:

Stockholders of record as of March 12, 2013 can vote at the annual meeting and any postponements or adjournments of the annual meeting. Our proxy statement and the proxy card are first being made available to our stockholders on or about March 13, 2013.

Admission:

You will be asked to verify proof of ownership of PAG stock before being admitted to our annual meeting. If you hold shares indirectly through a bank or brokerage firm, please bring a recent statement to verify your ownership. We reserve the right to deny admission to anyone who cannot verify he or she is one of our stockholders. Cameras and recording devices will not be permitted.

Important notice regarding the availability of proxy materials for the stockholder meeting to be held on May 9, 2013.

Our Proxy Statement, Proxy Card and Annual Report to Stockholders are available at **www.envisionreports.com/pag**.

By Order of the Board of Directors,

/s/ SHANE M. SPRADLIN

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

March 13, 2013

2013 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, 2013
• Place	Penske Automotive Group Principal Office 2555 Telegraph Road Bloomfield Hills, MI 48302
• Record Date	March 12, 2013
• 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 7
Approval of 2012 Equity Incentive Plan	FOR	Page 18
Ratification of Deloitte & Touche LLP as Auditor for 2013	FOR	Page 23
Advisory Vote on Executive Compensation	FOR	Page 25

Board Nominees

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

Name	Age	Director Since	Occupation	Committee Memberships AC	CMDC	NCGC	EC	Independent
John D. Barr	65	2002	Chairman Papa Murphy's International	X				X
Michael R. Eisenson	57	1993	Managing Director & CEO Charlesbank Capital Partners	X			X	X
Robert H. Kurnick, Jr.	51	2006	President Penske Automotive Group				X	
William J. Lovejoy	72	2004	General Manager Lovejoy & Associates		X			X
Kimberly J. McWaters	48	2004	CEO Universal Technical Institute			X		X
Yoshimi Namba	47	2010	Sr. Vice President—International Business Development Penske Automotive Group					
Lucio A. Noto	74	2001	Retired Vice Chairman ExxonMobil Corporation		X		X	X
Roger S. Penske	76	1999	Chairman and CEO Penske Automotive Group				X	
Richard J. Peters	65	1999	Managing Director Transportation Resource Partners					
Sandra E. Pierce	54	2012	Vice Chairman FirstMerit Corporation			X		X
Ronald G. Steinhart	72	2001	Retired Chairman and CEO Commercial Banking Group, Bank One Corporation	X				X
H. Brian Thompson	73	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 80% of meetings of the Board and of the committees of which he or she is a member in 2012.

2012 Equity Incentive Plan

In light of the expiration of the company's existing 2002 equity incentive plan, our stockholders are being asked to approve a new 2012 Equity Incentive Plan. This plan provides up to two million shares for equity awards, including awards that are intended to satisfy the requirements of Section 162(m) of the Internal Revenue Code, and terminates in 2015. In the last three years, we have granted a gross amount of 519,241, 436,970 and 452,782 shares of incentive equity, which represents an average annual rate of shares issued as compared to shares outstanding of approximately 0.5%.

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 2013. Set forth below is summary information with respect to 2012 auditor fees.

	Deloitte	KPMG
Audit Fees	$1,245,000	$ 762,800
Audit Related Fees	126,250	102,000
Tax Fees		
Tax Compliance	32,000	—
Other Tax Fees	97,032	209,600
	129,032	209,600
All Other Fees	—	—
Total Fees	$1,500,282	$1,074,400

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 2012, over 97% of the votes cast by our stockholders approved of our 2011 executive compensation and there have not been any significant changes to the elements of our executive compensation in 2012.

2012 Compensation Summary

Set forth below is the 2012 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	—	3,500,000(2)	209,336(3)	4,909,336
Robert H. Kurnick, Jr. President	700,000	—	600,000(4)	71,576(5)	1,371,576
David K. Jones Executive Vice President & Chief Financial Officer	400,000	180,000	241,100	72,597(6)	893,697
Calvin C. Sharp Executive Vice President—Human Resources	416,827	100,000	108,495	50,280(7)	675,602
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	424,039	180,000	192,880	66,996(8)	863,915

Please see the footnote references on page 35 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 twelve directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified

Proposal 2: Approval of our 2012 Equity Incentive Plan

Proposal 3: Ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2013

Proposal 4: Advisory vote regarding executive compensation

Q. Who can vote?

A. Our stockholders as of the close of business on the record date, March 12, 2013, can vote at the annual meeting. Each share of our common stock gets one vote. Votes may not be cumulated. As of March 12, 2013, there were 90,302,508 shares of our common stock outstanding.

Q. Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A. As permitted by the Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials primarily over the Internet rather than mailing paper copies of those materials to each stockholder. On or about March 15, 2013, we will mail a Notice of Internet Availability of Proxy Materials (the "Notice") to our stockholders, which provides website and other information for the purpose of accessing our proxy materials. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request a printed or electronic set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. We encourage you to take advantage of the availability of the proxy materials on the Internet to help reduce the cost and environmental impact of the annual meeting.

Q. How can I get electronic access to the proxy materials?

A. The Notice provides you with instructions regarding how to view our proxy materials for the annual meeting on the Internet and instruct us to send proxy materials to you by email. Choosing to receive proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meeting on the environment. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect unless and until you rescind it.

Q. What is the difference between a stockholder of record and a beneficial owner of shares held in street name?

A. *Stockholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare, you are the stockholder of record with respect to those shares and we sent the Notice directly to you. If you request copies of the proxy materials by mail, you will receive a proxy card.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in "street name," and the Notice was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the

shares held in your account. If you request copies of the proxy materials by mail, you will receive a voting instruction form.

Q. How do I vote my shares?

A. *If you are a stockholder of record* or a participant in the Company's stock fund within our Company 401(k) plan (the "401(k) plan"), you may vote in any of the following ways:

- *By Internet.* You may vote online by accessing www.envisionreports.com/pag and following the on-screen instructions. You will need the Control Number included on the Notice or on your proxy card, as applicable.

  You may vote online 24 hours a day. If you vote online, you do not need to return a proxy card.

- *By Telephone.* If you are located in the U.S., you may vote by calling toll free 1-800-652-VOTE (1-800-652-8683) and following the instructions. You will need the Control Number included on the Notice or on your proxy card, as applicable. You may vote by telephone 24 hours a day. If you vote by telephone, you do not need to return a proxy card.

- *By Mail.* If you requested printed copies of the proxy materials, you will receive a proxy card, and you may vote by signing, dating and mailing the proxy card in the envelope provided. Votes submitted by mail must be received at our headquarters on or before May 8, 2013.

- *In Person.* You may vote in person at the annual meeting by requesting a ballot from the inspector of election at the meeting.

A. *If you are a beneficial owner of shares held in street name, you may vote in any of the following ways:*

- *By Internet.* You may vote online by following the instructions provided in the Notice. You will need the Control Number included on the Notice or on your voting instruction form, as applicable. You may vote online 24 hours a day. If you vote online, you do not need to return a voting instruction form.

- *By Telephone.* You may vote by telephone by following the instructions provided in the Notice. You will need the Control Number included on the Notice or on your voting instruction form, as applicable. You may vote by telephone 24 hours a day. If you vote by telephone, you do not need to return a voting instruction form.

- *By Mail.* If you requested printed copies of the proxy materials, you will receive a voting instruction form, and you may vote by signing, dating and mailing it in the envelope provided. Votes submitted by mail must be received at our headquarters on or before May 8, 2013.

- *In Person.* You must obtain a legal proxy from the organization that holds your shares in order to vote your shares in person at the annual meeting. Follow the instructions on the Notice to obtain this legal proxy.

For both stockholders of record and beneficial owners of shares held in street name (other than stockholders within our Company 401(k) plan), online and telephone voting is available through 11:59 p.m. ET on Wednesday, May 8, 2013. For shares held by the stock fund within the Company's 401(k) plan, online and telephone voting is available through 11:59 p.m. ET on Monday, May 6, 2013.

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 twelve nominees for director, (2) FOR the approval of the 2012 Equity Incentive Plan, (3) FOR the ratification of our independent auditors, (4) FOR approval of our executive officer compensation and (5) 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 stockholder of record and do not provide a proxy, you must attend the meeting in order to vote your shares. If you are a beneficial holder of shares held in street name, 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 12, 2013 must be present in person or by proxy at the meeting (45,151,255). 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 twelve 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 proposal 2, the measure will pass if it receives the affirmative vote of a majority of the votes cast at the meeting, which must also represent at least 50% of the total shares outstanding on the record date. Regarding proposals 3 and 4, each measure will pass if it receives the affirmative vote of a majority of the votes cast. On these items, abstentions and broker non-votes will not be counted in determining the number of votes cast.

PROPOSAL 1—ELECTION OF DIRECTORS

The first proposal to be voted on at the annual meeting will be the election of twelve 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, 65, 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 plc. *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, 57, 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. and Catlin Group Limited. *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., 51, 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—
General Manager of Lovejoy & Associates

Mr. Lovejoy, 72, has served as a director since March 2004. Since September 2003, Mr. Lovejoy has served as General 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, 48, has served as a director since December 2004. 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, since October 2003 and as a director on UTI's board since February 2005. 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, 47, 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, 74, 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 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,* 76, 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*, 65, 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.

Sandra E. Pierce—
Vice Chairman of FirstMerit Corporation and Chairman and CEO of FirstMerit Michigan

Ms. Pierce, 54, has served as a director since December 2012. Since February 1, 2013, Ms. Pierce has served as Vice Chairman of FirstMerit Corporation, and Chairman and CEO of FirstMerit Michigan. From 2004 until June 2012, Ms. Pierce served as the Chief Executive Officer and President at Charter One Bank Michigan, a division of Royal Bank of Scotland ("RBS"). In that role, she was responsible for the bank's commercial banking business, overseeing all state bank activities and was involved in local marketing and community giving. From July through December 2012, Ms. Pierce was a consultant for RBS. In addition, Ms. Pierce was the Regional Executive for the Midwest, overseeing activities in Illinois and Ohio. From 1978 to 2004, Ms. Pierce served as Regional Executive of Midwest Retail Operations for Bank One, with responsibilities for Michigan and Indiana, and she held a number of management positions in the retail, commercial lending, and private banking businesses at Bank One and its predecessor companies, First Chicago NBD Corp. and NBD Bancorp. Ms. Pierce has performed leadership duties with numerous civic organizations, including Chairman and Trustee of Henry Ford Health System, Inc. since January 2012. *Individual Experience*: Extensive retail banking experience; accomplished within her field culminating in CEO experience; extensive experience on private company boards and demonstrated commitment to civic works.

Ronald G. Steinhart—
Retired Chairman and CEO, Commercial Banking Group, Bank One Corporation

Mr. Steinhart, 72, 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 Southcross Energy Partners, L.P., 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, 73, 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. 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				
Sandra E. Pierce	X			X	
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		C	X	X
No. of Meetings 2012	9	8	5	3	1

* 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 93% of our board and committee meetings in 2012, and each director attended at least 80% of their meetings. All of our directors are encouraged to attend the annual meeting of stockholders and ten out of eleven directors serving at that time attended the annual meeting in 2012.

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 act 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.

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.

Securities Trading Policy/Pledging of Company Stock. 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 hedging, short sales and other speculative trading techniques without the approval of our General Counsel. No such approvals were requested in 2012. We also have adopted stock ownership guidelines discussed in the CD&A below, which guidelines exclude any shares that are pledged by our directors and officers.

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 these 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 Pierce 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. The Board considers the transactions, relationships and arrangements between the Company and affiliates of the director, including those described under "Related Party Transactions" and elsewhere in the proxy statement, 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.

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.

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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.

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 12, 2013, will be considered for nomination at the 2014 annual meeting of stockholders. Recommendations received after November 12, 2013 will be considered for nomination at the 2015 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 15.05% 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 $438,941 to us in 2012 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 $1,432,954 during 2012.

PROPOSAL 2—APPROVAL OF THE 2012 EQUITY INCENTIVE PLAN

Summary

Our stockholders are being asked to approve the 2012 Equity Incentive Plan (the "Equity Incentive Plan") which will be used to award incentive equity compensation to our management and board of directors. We are implementing a new equity incentive plan due to the expiration of our prior equity incentive plan. Both our Compensation and Management Development Committee and Board of Directors have approved the Equity Incentive Plan, subject to stockholder approval at the annual meeting.

This plan provides up to two million shares for equity awards, including awards that are intended to satisfy the requirements of Section 162(m) of the Internal Revenue Code, and terminates in 2015. In the last three years, we have granted a gross amount of 519,241, 436,970 and 452,782 shares of incentive equity, which represents an average annual rate of shares issued as compared to shares outstanding of approximately 0.5%.

General

Upon adoption by stockholders at the annual meeting, the Equity Incentive Plan will authorize two million shares of Penske Automotive Group, Inc. common stock for issuance as incentive awards. Incentive awards under the Equity Incentive Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance compensation awards or common stock. The number of shares available for incentive awards under the Equity Incentive Plan will be increased in an amount equal to incentive awards that are forfeited or terminated without issuance of shares and shares withheld by or tendered to us in connection with satisfaction of tax withholding obligations of an award. Adjustments will be made in the aggregate number of shares that may be issued under the Equity Incentive Plan in the event of a change affecting shares of our common stock, such as a stock dividend or split, recapitalization, reorganization, or merger. No more than 1,000,000 shares may be allocated for incentive awards to any one participant during any single calendar year.

Administration and Term

Our Compensation and Management Development Committee will administer the Equity Incentive Plan, including the power to determine when to grant incentive awards; which eligible participants will receive incentive awards; whether the award will be an option, stock appreciation right, restricted stock, restricted stock unit, performance compensation award or company common stock; whether stock appreciation rights will be attached to options; and the number of shares or units to be allocated to each incentive award. The committee may impose conditions on the exercise of options and stock appreciation rights and upon the transfer of restricted stock or restricted stock units under the Equity Incentive Plan and may impose such other restrictions and requirements as it may deem appropriate, including reserving the right for us to reacquire shares issued pursuant to an incentive award.

The committee has delegated limited authority to the company's CEO to grant equity awards to the company's non-executive officer employees. The committee delegated this authority in order to permit the CEO to award limited equity grants without the specific action of the committee. Pursuant to this delegation, the CEO has the discretion to make total awards of 50,000 units or shares of the company's common stock.

The Equity Incentive Plan will terminate on November 1, 2015, unless our Board of Directors terminates it prior to that date. Incentive awards existing after the termination date will continue to be governed by the terms and conditions of the Equity Incentive Plan.

Eligibility

All present and future employees, directors and any company contributors are eligible to receive incentive awards under the Equity Incentive Plan. As of March 12, 2013, we had made incentive awards amounting to 420,493 shares of common stock that had been reserved for issuance under the Equity Incentive Plan, which awards are subject to stockholder approval of the Equity Incentive Plan. As a result, 1,579,507 shares of common stock remained available for incentive awards under the Equity Incentive Plan as of that date.

The following table sets forth information relating to all incentive awards made under the Equity Incentive Plan to (i) each of the named executive officers, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group and (iv) all employees, including all current officers who are not named executive officers, as a group.

Name and Position	Shares of Restricted Stock Issued under this Equity Incentive Plan
Roger S. Penske, Chairman and CEO	119,372
Robert H. Kurnick, Jr., President	20,464
David K. Jones, EVP and Chief Financial Officer	10,500
Calvin C. Sharp, EVP—Human Resources	4,650
Shane M. Spradlin, EVP and General Counsel	9,000
Executive Officers Group	169,486
Non-Employee Directors(a)	n/a
All Employees other than Executive Officers Group	251,007

(a) The non-employee directors have not received any awards under the Equity Incentive Plan. Their compensation for 2012 was awarded under our prior equity plan. See "Director Compensation".

Restricted Stock and Restricted Stock Units

Restricted stock and restricted stock units issued pursuant to the Equity Incentive Plan are subject to the following general restrictions: (1) no such shares or units may be sold, transferred, pledged, or otherwise encumbered or disposed of until the restrictions on such shares or units have lapsed or been removed under the provisions of the Equity Incentive Plan and (2) if a holder of restricted stock or restricted stock units ceases to be employed by us or one of our affiliates or ceases to be a company contributor, any shares of restricted stock, or restricted stock units, on which the restrictions have not lapsed or been otherwise removed will be forfeited. The committee is also authorized to impose further restrictions on restricted stock or restricted stock units, including additional events of forfeiture. The committee will establish the terms and conditions upon which the restrictions on those shares or units will lapse; provided that, unless otherwise specified in an award, the period of restriction must be at least one year from the date of grant. The terms and conditions may include, without limitation, the lapsing of those restrictions at the end of a specified period of time as a result of the disability or death of the participant, or as a result of the occurrence of a change-in-control. In addition, the committee may at any time, in its sole discretion, accelerate the time at which any or all restrictions will lapse or remove any and all restrictions.

Participants holding shares of restricted stock may exercise full voting rights with respect to those shares and are entitled to receive all dividends and other distributions paid with respect to those shares. Participants holding restricted stock units do not possess any voting rights with respect to those units, but are entitled to receive all dividends and other distributions paid with respect to those units if and as so provided in the related award agreement. Restricted stock units may be settled by the company in the form

of shares of company common stock, cash, or a fixed combination of both, as determined by the committee.

Stock Options

Options granted under the Equity Incentive Plan may be incentive stock options (qualifying for favorable income tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended) or nonstatutory stock options. The option price for any option awarded under the plan may not be less than 100% (or, in the case of an incentive stock option granted to a 10% stockholder, 110%) of the fair market value of the our common stock on the date of the grant. The committee determines any vesting requirement for option awards. Payment of the option exercise price may be made in cash or as otherwise provided in an option award or by separate action of the committee. The maximum term of any option granted under the plan is ten years. To date, no stock options have been issued pursuant to the Equity Incentive Plan.

Stock Appreciation Rights

The committee may award stock appreciation rights under the Equity Incentive Plan either with or without related options, or the committee may subsequently award and attach stock appreciation rights to a previously awarded nonstatutory option, and impose such conditions upon their exercise as it deems appropriate. When the stock appreciation right is exercisable, the holder may surrender to us all or a portion of the unexercised stock appreciation right and receive in exchange an amount equal to the difference between (i) the fair market value on the date of exercise of the common stock covered by the surrendered portion of the stock appreciation right and (ii) the exercise price of the common stock under the related option or, if the stock appreciation right is not related to an option, the fair market value of the common stock on the date the stock appreciation right was awarded. The committee may limit the amount that can be received when a stock appreciation right is exercised. When a stock appreciation right related to an option is exercised, the underlying option, to the extent of the stock appreciation right's surrender, will no longer be exercisable. Similarly, when an option is exercised, any stock appreciation rights attached to the option will no longer be exercisable. Our obligation arising upon exercise of a stock appreciation right may be paid in the company's common stock or in cash, or in any combination of the two, as the committee may determine. Stock appreciation rights may only be exercised when the underlying option is exercisable or, if there is no underlying option, at the times specified by the committee.

Performance Compensation Awards

At the time of grant, the committee may designate any incentive award (other than stock options and stock appreciation rights) as a performance compensation award as part of its intention to qualify the award as performance-based compensation under Section 162(m) of the Internal Revenue Code. For incentive awards designated as performance compensation awards, the committee shall determine, among other items, the performance goals and performance period applicable to the awards. After the end of the performance period, the committee will certify in writing the level of performance goal that was attained for the performance period. The maximum performance award for a participant for a calendar year is 1,000,000 shares of company stock.

The committee may develop applicable performance goals using the following measurements: specified levels of or increases or decreases in revenue, return on equity, earnings per share, total earnings, earnings growth, earnings from continuing operations, EBITDA, EBITDAR, return on capital/equity, return on assets, gross profit, earnings before interest and taxes, sales, sales growth, gross or operating margin, cost reduction goals, fixed cost coverage measurements (including the ratio of service and parts revenues to operating costs), return on investment, increase in the fair market value of our common stock, share price (including growth measures and total stockholder return), market capitalization, operating profit, profit margin, net income, cash flow (including operating cash flow and free cash flow), financial return ratios,

expense ratios, total return to stockholders, market share, earnings measures/ratios, balance sheet measurements (including debt to equity ratios, maintenance of specified credit availability levels, compliance with credit covenants, inventory measurements and receivables/payables metrics), human resources measurements (including measurements of employee turnover, workers' compensation costs and employee satisfaction), internal rate of return, unit sales, same store sales, specified levels of acquisitions/acquired revenue, customer satisfaction and productivity and compliance objectives (including lack of material weakness in internal controls, each as determined in accordance with the relevant AICPA or PCAOB principles), or where applicable, as adjusted to the extent permitted under Section 162(m) of the Code, to omit the effects of extraordinary items, acquisitions or dispositions, the gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions, accruals for incentive awards under the Equity Incentive Plan and/or cumulative effects of changes in accounting principles. These criteria may relate to the Company, one or more of its subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the committee shall determine.

Change-in-Control

The committee may, in its discretion, include provisions in award agreements that will make the incentive awards vested and/or fully exercisable upon a change in control of our Company. A change of control will be deemed to have taken place if any individual, entity or group other than the specified holders of common stock affiliated with Penske Corporation become the beneficial owner of Company securities that constitute more than 50% of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors to the Board of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business).

Transferability of Incentive Awards

No options or stock appreciation rights granted under the Equity Incentive Plan, and, during the applicable period of restriction, no shares of restricted stock, may be sold, transferred, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution. Restricted stock units are not transferable by means of sale, assignment, exchange, pledge or otherwise. All rights granted to a participant under the plan will be exercisable during the participant's lifetime only by such participant or, if permissible under applicable law, by the participant's guardians or legal representatives. Upon the death of a participant, the participant's personal representative or beneficiary may exercise the participant's rights under the plan. No incentive awards may be transferred for value or consideration without the prior approval of our stockholders.

Re-pricing Prior Awards

Except in connection with certain corporate transactions, the terms of outstanding incentive awards may not be amended to reduce the exercise price of outstanding options or stock appreciation rights or cancel outstanding options or stock appreciation rights in exchange for cash, other incentive awards or options or stock appreciation rights with an exercise price that is less than the exercise price of the original options or stock appreciation rights without stockholder approval.

Federal Income Tax Information

The following is a general summary of the current federal income tax treatment of incentive awards that would be authorized to be granted under the Revised Stock Incentive Plan, based upon the current provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. As the rules governing the tax treatment of such awards are technical in nature, the following discussion of tax consequences is necessarily general in nature and does not purport to be complete. In addition,

statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. This discussion does not address the tax consequences under applicable state and local law.

Incentive Stock Options. A participant generally will not recognize income on the grant or exercise of an incentive stock option. However, the difference between the exercise price and the fair market value of the stock on the date of exercise is an adjustment item for purposes of the alternative minimum tax. If a participant disposes of the stock received upon the exercise of an incentive stock option within certain specified periods (a "disqualifying disposition"), the participant will recognize ordinary income on the exercise of such incentive stock option in the same manner as on the exercise of a nonqualified stock option, as described below.

Non-qualified Stock Options and Stock Appreciation Rights. A participant generally is not required to recognize income on the grant of a nonqualified stock option or a stock appreciation right. Instead, ordinary income generally is required to be recognized on the date the nonqualified stock option or stock appreciation right is exercised. In general, the amount of ordinary income required to be recognized is (i) in the case of a nonqualified stock option an amount equal to the excess, if any, of the fair market value of the shares on the exercise date over the exercise price and (ii) in the case of a stock appreciation right, the amount of cash and/or the fair market value of any shares received upon exercise.

Restricted Stock. Unless a participant who receives an award of restricted stock makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, as described below, the participant generally is not required to recognize ordinary income on the award of restricted stock. Instead, on the date the restrictions lapse and the shares vest (that is, become transferable and no longer subject to forfeiture), the participant will be required to recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the shares on that date over the amount paid, if any for those shares. If a participant makes a Section 83(b) election to recognize ordinary income on the date the shares are awarded, the amount of ordinary income required to be recognized is an amount equal to the excess, if any, of the fair market value of the shares on the date of award over the amount paid, if any for those shares. In that case, the participant will not be required to recognize additional ordinary income when the restrictions lapse and the shares vest.

Restricted Stock Units. A participant generally is not required to recognize income on the grant of a restricted stock unit. In general, on the date the units are paid, the participant will be required to recognize ordinary income in an amount equal to the fair market value of the units on that date.

Company Common Stock. A participant generally is required to recognize income on the date of grant of company common stock in the amount of the fair market value of the stock received.

Gain or Loss on Sale or Exchange of Shares. In general, gain or loss from the sale or exchange of shares granted under the Equity Incentive Plan will be treated as capital gain or loss, provided that the shares are held as capital assets at the time of the sale or exchange.

Deductibility by Us. We generally are not allowed a deduction in connection with the grant or exercise of an incentive stock option. However, if a participant is required to recognize income as a result of a disqualifying disposition, we will be entitled to a deduction equal to the amount of ordinary income so recognized. In the case of a nonqualified stock option (including an incentive stock option that is treated as a nonqualified stock option, as described above), a stock appreciation right, or restricted stock or restricted stock unit, in general, we will be allowed a deduction in an amount equal to the amount of ordinary income recognized by a participant, provided that certain income tax reporting requirements are satisfied.

Performance-Based Compensation. Subject to certain exceptions, Section 162(m) of the Internal Revenue Code of 1986, as amended, disallows federal income tax deductions for compensation paid by a publicly-held corporation to certain executives to the extent the amount paid to an executive exceeds $1 million for the taxable year. The Equity Incentive Plan has been designed to allow the committee to grant stock options, stock appreciation rights and performance compensation awards that are intended to qualify under an exception to the deduction limit of Section 162(m) for "performance-based compensation."

Modification of Equity Incentive Plan

Our board of directors may amend, alter, or terminate the Equity Incentive Plan as it deems advisable, provided that our stockholders must approve any amendment that would (i) materially increase the benefits accruing to participants under the Equity Incentive Plan, (ii) materially increase the number of shares of our common stock that may be issued under the Equity Incentive Plan or (iii) materially modify the requirements of eligibility for participation in the Equity Incentive Plan. Incentive awards granted under the Equity Incentive Plan may be amended with the consent of the participant so long as the amended award is consistent with the terms of the plan.

Vote Required

In order to be adopted, the Equity Incentive Plan must be approved by the affirmative vote of a majority of the votes cast by holders of record of the company's common stock. Under applicable NYSE listing standards, the total votes cast on the proposal must also represent more than 50% of all shares of common stock outstanding on the record date. Abstentions will have the same effect as votes cast against the proposal. If our stockholders do not approve the Equity Incentive Plan, we will be unable to make any incentive awards to our management team or board of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 2

PROPOSAL 3—RATIFICATION OF THE SELECTION OF OUR INDEPENDENT AUDITORS

Our Audit Committee has selected Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively referred to as "Deloitte") as our principal independent auditing firm for 2013. In performing its services for 2013, 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 2013 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 2012 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 2012 annual report on Form 10-K as filed with the SEC on February 28, 2013.

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 2013. In 2012, Deloitte did not audit our subsidiaries which own 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 2013. 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 2012 and 2011, 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	
	2012	2011	2012	2011
Audit Fees	$1,245,000	$1,212,000	$ 762,800	$526,400
Audit Related Fees	126,250	55,475	102,000	5,100
Tax Fees				
Tax Compliance	32,000	41,000	—	—
Other Tax Fees	97,032	196,635	209,600	272,800
	129,032	237,635	209,600	272,800
All Other Fees	—	—	—	72,000
Total Fees	$1,500,282	$1,505,110	$1,074,400	$876,300

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. 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 4—ADVISORY VOTE ON EXECUTIVE COMPENSATION

Last year, our stockholders approved the compensation of our named executive officers as described under "Compensation Discussion and Analysis" and "Executive Compensation" (see pages 27 through 38) with over 97% of the votes cast by our stockholders voting in favor. We are again seeking a non-binding advisory vote on our executive compensation and there have not been any significant changes to the elements of our executive compensation program in 2012. 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.

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
- In the last several years, neither our Chief Executive Officer nor President has received an annual cash bonus as both only have received restricted stock grants in lieu of a cash bonus
- 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
- Our executive officers earn no 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, 43, 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 international 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, 61, 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, 43, 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, 43, 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
- In the last several years, neither our Chief Executive Officer nor President has received an annual cash bonus as both only have received restricted stock grants in lieu of a cash bonus
- 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
- Our executive officers earn no 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 2012, Mr. Penske achieved 100% of the performance targets listed below, entitling him to a $3.5 million restricted stock grant awarded in February 2013.

In 2012, over 97% of the votes cast by our stockholders approved of our 2011 executive compensation and there have not been any significant changes to the elements of our executive compensation in 2012.

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 senior 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. In 2012, our management retained the services of Pay Governance, an independent compensation consultant, in order to summarize publicly available compensation data in order to assist our compensation committee in benchmarking our executive officers' compensation with those of executive officers at similar companies. Pay Governance provided no other services to our company and we are unaware of any conflict of interest in connection with their engagement. Notwithstanding the committee's use of outside advisors and management's participation in the executive compensation process, all executive officer compensation determinations are made by the committee, using its independent judgment and analysis.

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 13.

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 4,700 shares under that authority in 2012, leaving remaining authority for 40,902 shares (giving effect to certain forfeitures) as of December 31, 2012. In 2013, the compensation committee increased its pre-approval of awards to 50,000.

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 of 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 five times our annual retainer (currently, $40,000 × 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. These guidelines exclude any shares that are pledged by any of our directors and officers.

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 2012 against a group of publicly traded automotive retailers (Asbury Automotive Group, AutoNation, CarMax, Group1 Automotive, Lithia Motors and Sonic Automotive) as well as a survey report of other retail companies similar in size to our company prepared by Pay Governance, an independent compensation consultant. 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 some types of compensation paid to certain of the named executive officers of a public company, unless the remuneration is treated as performance-based. We have designed our Management Incentive Plan and our 2012 Equity Incentive Plan with the intention 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 issue awards under these plans for our Chief Executive Officer and certain other officers in order to provide motivation to advance specific annual objectives of the Company, however, certain compensation may not meet the criteria to be "performance-based." 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 above. 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 restricted stock grants resulting from their performance based awards described below under "Chief Executive Officer Compensation" and "President Compensation." We pay annual bonuses to our other executive officers 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 2012, the committee approved the grant of approximately 373,668 shares of restricted stock to employees (representing approximately 0.4% of our current outstanding equity), including the awards relating to the 2011 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 directors are also provided with an automobile allowance or the use of a company vehicle. 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 have valued these benefits in the following disclosure tables based on our cost except for situations where the employee or director has used a company owned vehicle, in which case we have used Internal Revenue Service guidelines. 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.

No Employment Agreements 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. 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, certain of our outstanding restricted stock grants provide that in the event of a change of control, the award will vest.

2012 Compensation

Chief Executive Officer Compensation. Our compensation committee established fiscal 2012 performance targets for a performance based award for Mr. Penske in March 2012 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 2013. Mr. Penske achieved 100% of the performance metrics noted below, which entitled him to $3.5 million in shares of restricted stock. Mr. Penske did not receive an annual cash bonus because he received this restricted stock grant in lieu of a cash bonus.

The specific 2012 performance objectives and related performance were as follows:

Objective	Result	% of Award	Achievement
• 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 attainment(1)	$408 million	20%	20%
• same-store revenue growth of 5%	10.4%	10%	10%
• 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	10%	10%
• 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 2012	56% vs. 13% S&P	20%	20%
• reduce selling, general and administrative expense as a percentage of gross profit by 100 basis points(1)	130 bps	10%	10%
Total		100%	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.

In February 2013, the committee established a similar award for Mr. Penske with respect to 2013, with a threshold payout of $2.4 million (50% of targets), a target payout of $3.6 million (100% of targets) and a

maximum potential payout of $4.8 million (150% of targets) to be paid in shares of restricted stock to be granted in 2014. The performance objectives for 2013 are as follows:

Objective	% of Award
• EBITDA (earnings before interest, taxes, depreciation and amortization) of $440 million (100% attainment). EBITDA below $400 million results in no attainment, EBITDA of $425 million results in 50% attainment, and EBITDA of $460 million yields 200% attainment. EBITDA between these amounts yields pro rata attainment(1)	20%
• same-store revenue growth of 5% (100% attainment). Growth below 5% results in no attainment, and growth of 10% yields 200% attainment. Growth between 5% and 10% yields pro rata attainment	10%
• worldwide credit availability of at least $225 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 2013 (100% attainment) Performance below the S&P 500 results in no attainment, outperformance by 15% yields 150% attainment. Performance between 100 and 115% yields pro rata attainment	20%
• reduce selling, general and administrative expense as a percentage of gross profit by 100 basis points (100% attainment). Reduction below 100 basis points results in no attainment, and reduction of 150 basis points yields 200% attainment. Reduction between 100 and 150 basis points yields pro rata attainment(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. Our compensation committee established fiscal 2012 performance targets for a performance based award for Mr. Kurnick in March 2012 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 2013. Mr. Kurnick achieved 100% 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 $600,000 in the form of restricted stock. Mr. Kurnick did not receive an cash annual bonus because he received this restricted stock grant in lieu of a cash bonus.

In February 2013, the committee established a similar award for Mr. Kurnick with respect to 2013, with a threshold payout of $350,000 (50% of targets), a target payout of $700,000 (100% of targets) and a maximum potential payout of $1.05 million (150% of targets) to be paid in shares of restricted stock to be granted in 2014. The performance objectives and component percentages are the same as those set forth above with respect to the 2013 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 2012, Messrs. Sharp and Spradlin's salaries were each increased from $400,000 to $435,000 and $450,000, respectively. Our compensation committee approved these increases in recognition of the Company's performance in 2012 and based upon its benchmarking against our peer companies. Each of our named executive officers received the stock awards and bonuses set forth in the tables below. In addition, in February 2013, Messrs. Jones, Sharp and Spradlin received 10,500, 4,650 and 9,000 shares of restricted stock, respectively, vesting over four years at a rate of 15%, 15%, 20% and 50% as part of our annual grant. These awards were issued under the 2012 Equity Incentive Plan and are subject to stockholder approval of the plan as discussed above. In 2012, 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 2012 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."

2012 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Roger S. Penske	2012	$1,200,000	—	$3,500,000(2)	$209,336(3)	$4,909,336
Chief Executive Officer	2011	1,200,000	—	3,150,000	114,933	4,464,933
	2010	1,000,000	—	2,883,000	25,000	3,908,000
Robert H. Kurnick, Jr.	2012	700,000	—	600,000(4)	71,576(5)	1,371,576
President	2011	700,000	—	540,000	57,115	1,297,115
	2010	600,000	—	480,500	20,409	1,100,909
David K. Jones	2012	400,000	180,000	241,100	72,597(6)	893,697
Executive Vice President & Chief Financial Officer	2011	364,038	125,000	189,240	464,559	1,142,837
Calvin C. Sharp	2012	416,827	100,000	108,495	50,280(7)	675,602
Executive Vice President—	2011	400,000	90,000	68,390	43,000	601,390
Human Resources	2010	350,000	75,000	46,080	44,858	515,938
Shane M. Spradlin	2012	424,039	180,000	192,880	66,996(8)	863,915
Executive Vice President,	2011	400,000	160,000	117,240	53,287	730,527
General Counsel & Secretary	2010	325,000	140,000	69,120	39,050	573,170

(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 2012 performance targets. The maximum total award for this grant was $3.5 million, payable in restricted stock. Mr. Penske achieved 100% of the performance metrics relating to this award, which entitled him to $3.5 million in shares of restricted stock. See the narrative discussion following this table for further discussion of this award.

(3) Consists of $25,000 in matching charitable donations pursuant to our director charitable matching program (see below "Director Compensation—Charitable Donation Matching Program") and $184,336 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 2012 performance targets. The maximum total award for this grant was $600,000, payable in restricted stock. Mr. Kurnick, achieved approximately 100% of the performance metrics noted above relating to this award, which entitled him to $600,000 in shares of restricted stock. See the narrative discussion following this table for further discussion of this award.

(5) Represents an automobile allowance, $25,000 in charitable donations pursuant to our director charitable matching program and $26,167 in dividends on unvested restricted stock awards.

(6) Represents an automobile allowance, 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, payments for a country club membership (though this membership is used for personal and business purposes), tax preparation assistance and a tax allowance of $8,597.

(7) Represents $28,413 for an automobile allowance, 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 $3,245.

(8) Represents an automobile allowance, 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 $7,908.

Grants of Plan-Based Awards in 2012

		Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All other Awards: Number of Shares of	Grant Date Fair Value of Stock
Name and Principal Position	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Stock(2)	Awards ($)
Roger S. Penske	3/8/2012	0	3,150,000	$3,500,000		$3,500,000
Chief Executive Officer	3/8/2012				130,651(3)	3,150,000(3)
Robert H. Kurnick, Jr.	3/8/2012	0	540,000	$ 600,000		600,000
President	3/8/2012				22,397(3)	540,000(3)
David K. Jones Executive Vice President & Chief Financial Officer	3/8/2012				10,000	241,100
Calvin C. Sharp Executive Vice President—Human Resources	3/8/2012				4,500	108,495
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	3/8/2012				8,000	192,880

(1) See the following narrative discussion for an explanation of these awards. These entries reflect the total potential award for 2012, of which 100% was received in shares of restricted stock. The "Target" amounts noted are merely representative amounts based on the previous year's performance as our compensation committee did not set a "Target" amount.

(2) See the following narrative for discussion of these awards issued pursuant to our annual grant of restrictive stock.

(3) This represents the shares of restricted stock issued in March 2012 resulting from attainment of goals outlined in the 2011 incentive award. As a result, this table reflects two years of awards for Messrs. Penske and Kurnick: the 2011 awards attained, and the total potential awards relating to 2012.

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 2012 performance targets for a performance based award for Mr. Penske in March 2012 under our Management Incentive Plan discussed above, which was payable in 2013. A maximum potential payout of $3.5 million to be paid in shares of restricted stock was available under the award. Mr. Penske achieved 100% of the performance metrics noted above relating to this award, which entitled him to $3.5 million paid in shares of restricted stock, as more fully discussed above in "CD&A—Chief Executive Officer Compensation." Mr. Penske did not receive an annual cash bonus because he received this restricted stock grant in lieu of a cash bonus.

Mr. Kurnick's Performance Based Award. Our compensation committee established fiscal 2012 performance targets for a performance based award for Mr. Kurnick in March 2012 under our Management Incentive Plan discussed above, which was payable in 2013. A maximum potential payout of $600,000 to be paid in shares of restricted stock was available under the award. Mr. Kurnick achieved 100% of the performance metrics noted above relating to this award, which entitled him to $600,000 in the form of restricted stock, as more fully discussed above in "CD&A—President Compensation." Mr. Kurnick did not receive an annual cash bonus because he received this restricted stock grant in lieu of a cash bonus.

Other Restricted Stock Awards. The equity awards granted in March 2012 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. 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 2012 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	505,319(2)	$15,205,048
Robert H. Kurnick, Jr. President	76,753(3)	2,309,498
David K. Jones Executive Vice President & Chief Financial Officer	21,550(4)	648,440
Calvin C. Sharp Executive Vice President—Human Resources	12,079(5)	363,457
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	21,009(6)	632,161

(1) Market value is based upon the closing price of our common stock on December 31, 2012 ($30.09).

(2) These restricted shares vest as follows:

June 1, 2013—78,838	June 1, 2014—159,786	June 1, 2016—89,201
	June 1, 2015—117,808	June 1, 2017—59,686

(3) These restricted shares vest as follows:

June 1, 2013—10,759	June 1, 2014—20,625	June 1, 2016—15,292
	June 1, 2015—19,845	June 1, 2017—10,232

(4) These restricted shares vest as follows:

June 1, 2013—5,750	June 1, 2014—4,300	June 1, 2016—5,000
	June 1, 2015—6,500	

(5) These restricted shares vest as follows:

June 1, 2013—4,304	June 1, 2014—2,875	June 1, 2016—2,250
	June 1, 2015—2,650	

(6) The restricted shares vest as follows:

June 1, 2013—7,759	June 1, 2014—4,650	June 1, 2016—4,000
	June 1, 2015—4,600	

Option Exercises and Stock Vested During 2012

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized On Vesting ($)
Roger S. Penske Chief Executive Officer	94,597	2,222,084
Robert H. Kurnick, Jr. President	11,971	281,199
David K. Jones Executive Vice President & Chief Financial Officer	3,650	85,739
Calvin C. Sharp Executive Vice President—Human Resources	3,227	75,802
Shane M. Spradlin Executive Vice President, General Counsel & Secretary	5,728	134,551

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 executive officers have been provided an employment agreement, nor are they entitled to any pre-arranged severance compensation. With respect to a change in control, none of our current executive officers have been guaranteed any change of control payments, however, certain of our outstanding restricted stock grants provide that in the event of a change of control the award will vest. Based on a closing stock price of $29.78 on March 1, 2013, the following number of shares would vest assuming a change of control occurred on that date: Roger Penske 119,372 shares ($3,554,898), Robert Kurnick 20,464 shares ($609,418) David Jones 10,500 shares ($312,690), Calvin Sharp 4,650 shares ($138,477), Shane Spradlin 9,000 shares ($268,020).

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 fourth quarter of the year of service). Our non-employee directors also receive an annual grant of 4,000 shares of stock.

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.

2012 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. Ms. Pierce joined our Board on December 19, 2012, and therefore will first be eligible for compensation in respect of 2013.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation	Total
John D. Barr	$45,000	$116,840	$65,471(3)	$227,311
Michael R. Eisenson	50,000	$116,840	48,693(4)	215,533
William J. Lovejoy	40,000	$116,840	40,200(5)	197,040
Kimberly J. McWaters	45,000	$116,840	42,019(6)	203,859
Lucio A. Noto	40,000	$116,840	47,200(7)	204,040
Richard J. Peters	40,000	$116,840	43,996(8)	200,836
Ronald G. Steinhart	45,000	$116,840	38,514(9)	200,354
H. Brian Thompson	45,000	$116,840	63,318(10)	225,158

(1) Messrs. Eisenson, Lovejoy and Noto elected to receive equity in lieu of cash for 2012. Mr. Thompson elected to receive 50% of his fee in equity in 2012.

(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" includes $50,471 of the use of a Company vehicle and related insurance and matching of charitable donations. The grant date fair value of the 4,000 deferred stock units granted to Mr. Barr on March 9, 2012 (in respect of 2011 service) was $97,360. Mr. Barr had 20,721.79 deferred stock units outstanding at December 31, 2012.

(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 2,054 shares of stock granted to Mr. Eisenson on March 9, 2012 (in respect of 2011 service) was $147,354.

(5) "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 deferred stock units and the 1,643 deferred stock units granted to Mr. Lovejoy on March 9, 2012 (in respect of 2011 service) was $137,360. Mr. Lovejoy had 44,104.02 deferred stock units outstanding at December 31, 2012.

(6) "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 Ms. McWaters on March 9, 2012 (in respect of 2011 service) was $97,360. Ms. McWaters had 8,243.89 deferred stock units outstanding at December 31, 2012.

(7) "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 1,643 shares of stock granted to Mr. Noto on March 9, 2012 (in respect of 2011 service) was $137,351. Mr. Noto had 23,812.02 deferred stock units outstanding at December 31, 2012.

(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 March 9, 2012 (in respect of 2011 service) was $97,360.

(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 March 9, 2012 (in respect of 2011 service) was $97,360.

(10) "All Other Compensation" reflects personal use of sporting event tickets, $35,739 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 924 shares of stock granted to Mr. Thompson on March 9, 2012 (in respect of 2011 service) was $119,850.

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 12, 2013 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 90,302,508 shares of our common stock outstanding on March 12, 2013. 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)	30,763,812	30,763,812	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			
Fidelity Management and Research Company(5)	6,951,956	6,951,956	7.7%
82 Devonshire St., Boston Massachusetts 02109			
Current Directors and Nominees			
John D. Barr	37,819	17,000	*
Michael R. Eisenson	71,444	71,444	*
Robert H. Kurnick, Jr.(6)	85,036	85,036	*
William J. Lovejoy	60,311	16,000	*
Kimberly J. McWaters	31,207	22,924	*
Yoshimi Namba	0	0	*
Lucio A. Noto	68,598	44,674	*
Roger S. Penske(7)	32,008,046	32,008,046	35.4%
Richard J. Peters(8)	62,760	62,760	*
Sandra A. Pierce	0	0	
Ronald G. Steinhart	44,500	44,500	*
H. Brian Thompson	66,652	66,652	*
Officers Who Are Not Directors			
David K. Jones(9)	33,375	33,375	*
Calvin C. Sharp(10)	30,842	30,842	*
Shane M. Spradlin(11)	47,861	47,861	
All directors and named executive officers as a group (15 persons)(12)	32,597,691	32,500,354	36.0%

* 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 has the right to acquire such shares within 60 days or directly or indirectly has or shares the power to vote or dispose of such shares.

(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 337,218 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 46,323,029 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 12/31/12 and filed with the SEC on February 14, 2013.

(6) Includes 76,753 shares of restricted stock.

(7) Includes the 30,763,812 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 47,567,263 shares or 52.7%. These figures include 505,319 shares of restricted stock.

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

(9) Includes 32,050 shares of restricted stock

(10) Includes 16,729 shares of restricted stock.

(11) Includes 30,009 shares of restricted stock.

(12) Includes 660,860 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.

Stockholders Agreement and Stock Purchase Agreement. 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 companies").

Simultaneously with a purchase by Mitsui of our stock from us, Mitsui and the Penske companies entered into a stockholders agreement, pursuant to which the Penske 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 companies. In addition, the Penske 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. Mitsui and the Penske companies agreed that, until termination of the stockholders agreement 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 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 granted 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.

Registration Rights Agreements. Both the Penske companies and Mitsui possess registration rights pursuant to which they are able on two remaining occasions each to register all or part of our common stock held by them, subject to specified limitations. They 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.

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 2012, 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 affiliates. 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% interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management. 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 used truck sales, transportation and warehousing management and supply chain management. The general partner of PTL is Penske Truck Leasing Corporation (the "General Partner" or "PTLC"), 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 ("GECC").

In connection with refinancing transactions by PTL, in April 2012, the PTL partners restructured the ownership of PTL to facilitate the investment of additional equity into PTL (the "Equity Infusion"). In lieu of cash investments by the PTL partners directly into PTL, a new company was created, LJ VP Holdings, LLC ("Holdings"), which is owned by the PTL partners in the same percentages as their ownership of PTL prior to the Equity Infusion, and of which the General Partner is the sole managing member. Holdings and GECC, as co-issuers, issued $700 million of 3.8% senior unsecured notes due 2019 to certain investors through an offering pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Holdings Bonds"). A wholly-owned subsidiary of Holdings contributed $700 million derived from the net proceeds from the offering of the Holdings Bonds and a portion of its cash on hand to PTL in exchange for a 21.5% limited partner interest in PTL. PTL used the $700 million of proceeds from this equity infusion to reduce its outstanding debt owed to GECC. Because the PTL partners hold the same relative percentage ownership in Holdings as they did of PTL immediately prior to the Equity Infusion, the ultimate economic ownership of PTL did not change as a result of the Equity Infusion. We have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay as co-obligor for these bonds and pay GECC an annual fee of approximately $0.95 million for acting as co-obligor.

As part of this transaction, we entered into a limited liability company agreement of Holdings which extends through 2023 and required an initial capital contribution from us of $0.45 million to acquire 9.0% of Holdings. Any cash distributed to Holdings by PTL, except for an amount up to $0.1 million, is required to be used to service the Holdings Bonds, unless otherwise agreed to in certain circumstances by the Holdings members. We have governance rights in Holdings typical of a minority investor and, in light of our indemnification requirements related to the Holdings Bonds noted above, we have the right to approve certain additional debt obligations before incurrence by Holdings to the extent such incurrence would affect our indemnification requirements, any change in Holdings' business activities and changes to the maturity, interest rate and principal amount of the Holdings Bonds. The agreement contains restrictions on our ability to transfer our interests similar to those in the existing and revised PTL partnership agreement discussed below.

The PTL partnership agreement was amended in connection with the April 2012 transactions. The partnership agreement provides us with specified distribution and governance rights and restricts our ability to transfer our interests. 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 quarterly distributions equal to 50% of its consolidated net income (calculated without regard to most currency translation adjustments and goodwill impairment charges). 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. The amended agreement, which now extends through 2023, also allows GECC or PTLC, beginning December 31, 2017, to give notice to require PTL to begin to effect an initial public offering of equity securities, subject to certain limitations, as soon as practicable after the first anniversary of the initial notice. The party that is not exercising this right may seek to find a third party to purchase all of the partnership interests from the exercising party or

to propose another alternative to such equity offers. In connection with the right to cause PTL to conduct an initial public offering, the PTL partners have agreed to customary demand and piggyback registration rights.

In 2012, we received $18.8 million from PTL in pro rata cash distributions and license payments. During 2012, we were also party to an agreement expiring in 2047 (assuming exercise of all optional extension periods) pursuant to which PTL subleases a portion of a dealership location in New Jersey for $60,000 per year plus its pro rata share of certain property expenses. Aggregate payments are expected to be $2.0 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.

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 $5.2 million paid by us, excluding the payments to AGR discussed below.

During 2012, we were a tenant under certain lease agreements with Automotive Group Realty, LLC (AGR), a wholly owned subsidiary of Penske Corporation. The aggregate amount paid by us to AGR under the leases in 2012 was $199,631. Remaining contractual payments from us to AGR under these leases through termination are approximately $124,000.

In June 2008, RP Automotive, 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 $7.2 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 $3.3 million over the remaining period). In 2012, we also sold RP Automotive an aggregate of $28.8 million of new vehicles in connection with a fleet sale.

We and Penske Corporation and certain of its affiliates have entered into a joint insurance agreement which provides that, with respect to any joint insurance policies (such as our commercial crime 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.

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 2012, we acquired a 70% interest in a group of Italian BMW/MINI franchises in Northern Italy. In February, 2013, we sold 50% of our joint venture interest to Mitsui & Co. The purchase price was approximately $8.4 million which reflected our acquisition costs and subsequent profits/losses of those franchises since acquisition. We entered into a joint venture agreement with Mitsui that requires us and Mitsui to agree to all significant actions by that joint venture, and allows the transfer of membership interests only after complying with standard tag-along and right of first refusal provisions.

In 2012, we had continuing investments in two companies controlled by Transportation Resource Partners, an organization discussed above: a provider of outsourced vehicle management solutions (QEK) and a mobile vehicle washing company. In addition, in April 2012, we acquired a seven percent interest in NPA Holdco, LLC, an auctioneer of powersport vehicles for $3 million. Transportation Resource Partners had recently acquired a controlling interest in this company on the same financial terms as our investment. Furthermore, in 2012, we purchased $421,282 in vehicle window solar film for sale at our dealerships from Commonwealth Laminating & Coating, Inc., d/b/a SunTek, a company controlled by Transportation Resource Partners. In 2012, we incurred $256,919 of compensation expense for the chief executive officer of QEK, who also provides consulting services to us.

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 2012, Mr. Namba, one of our board members, received $320,331 in total 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 intended to mitigate the effect of exchange rate changes.

An entity (the “Investor”) controlled by one of our directors, Lucio A. Noto, owns a 15.05% 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 $438,941 to us in 2012 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 $1,432,954 during 2012.

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 2012.

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 2014 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 12, 2013. 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 2014 (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 7, 2014.

INFORMATION ABOUT ATTENDING THE MEETING

PAG 2013 Annual Meeting of Stockholders

8:00 a.m. Eastern Daylight Time, May 9, 2013
Penske Automotive Group
2555 Telegraph Road
Bloomfield Hills, Michigan 48302

Voting in Person at the Meeting

We encourage you to submit proxies in advance by telephone, by Internet or by mail. You may also vote in person at the annual meeting instead, or may execute a proxy designating a representative to vote for you at the meeting. If your PAG shares are held for you in a brokerage, bank or other institutional account, you must obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the meeting.

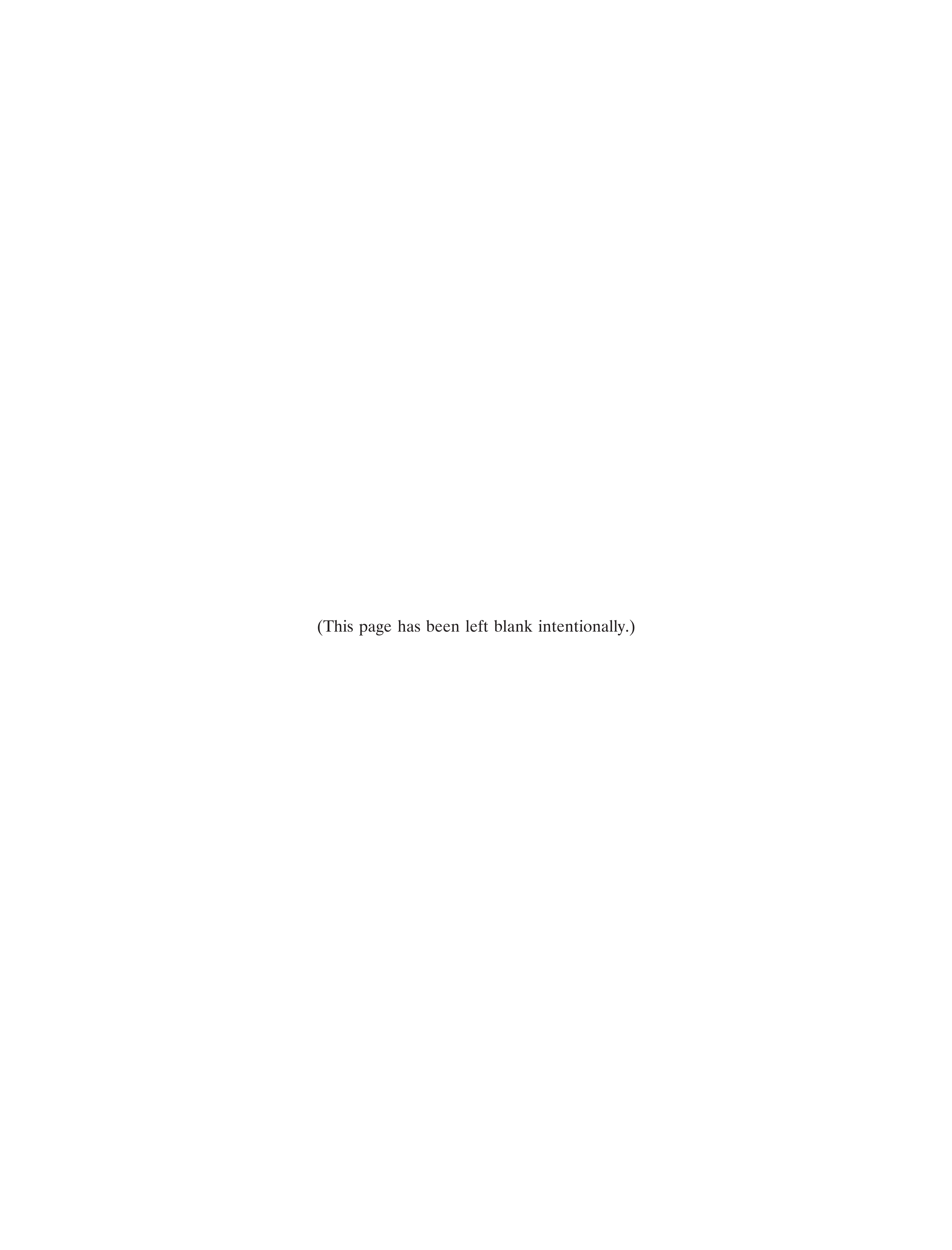
Admission

You will be asked to verify proof of ownership of PAG stock before being admitted to our annual meeting. If you hold shares indirectly through a bank or brokerage firm, please bring a recent statement to verify your ownership. We reserve the right to deny admission to anyone who cannot verify he or she is one of our stockholders. Cameras and recording devices will not be permitted.

Proxies 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.

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, 2012 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 13, 2013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APPENDIX A—2012 Equity Incentive Plan

1. *Purpose*. The purpose of this 2012 Equity Incentive Plan (the "Plan") is to further the long term stability and financial success of Penske Automotive Group, Inc. (the "Company") by (a) attracting and retaining key employees, members of the Board of Directors and other contributors to the Company through the use of equity incentives and (b) encouraging equity ownership in the Company by members of the Company's Board of Directors and management. It is believed that ownership of Company Stock will stimulate the efforts of those Participants upon whose judgment and interest the Company is and will be dependent for the successful conduct of its business. It is also believed that awards granted under this Plan will strengthen their desire to remain with the Company and will further align those Participants' interests with those of the Company's shareholders.

2. *Definitions*. As used in the Plan, the following terms have the meanings indicated:

   (a) "Act" means the Securities Exchange Act of 1934, as amended.

   (b) "Applicable Withholding Taxes" means the minimum aggregate amount of federal, state and local income and payroll taxes that the Company is required by applicable law to withhold in connection with any Incentive Award.

   (c) "Board" means the Board of Directors of the Company.

   (d) "Change of Control" means the occurrence of the following event: any individual, entity or group (as defined in Section 13(d)(3) of the Act) other than the Permitted Holders becomes the beneficial owner (as defined in Rule 13(d)(3) under the Act) of Company securities that constitute more than 50% of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors to the Board of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business).

   (e) "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor or replacement provision of the Code.

   (f) "Committee" means the Plan administrator, as described under Section 15.

   (g) "Company" means Penske Automotive Group, Inc., a Delaware corporation.

   (h) "Company Contributor" means a consultant, advisor or other individual (except a member of the Board or an employee of the Company, a Parent or a Subsidiary of the Company), who (i) renders bona fide services that are not in connection with the offer and sale of the Company's securities in a capital-raising transaction; and (ii) does not promote or maintain a market for the Company's securities.

   (i) "Company Stock" means the common stock of the Company. In the event of a change in the capital structure of the Company, the shares resulting from such a change shall be deemed to be Company Stock within the meaning of the Plan.

   (j) "Company Stock Award" means an award of Company Stock made without any restrictions.

   (k) "Date of Grant" means the date on which an Incentive Award is granted by the Committee.

   (l) "Disability" or "Disabled" means, as to an Incentive Stock Option, a disability within the meaning of Code Section 22(e)(3), and, as to a Restricted Stock Unit and any Incentive Award determined to be subject to Code Section 409A, a disability within the meaning of Code Section 409A(a)(2)(C). As to all other forms of Incentive Awards, the Committee shall determine whether a disability exists and such determination shall be conclusive.

(m) "Fair Market Value" means, for purposes of determining the value of Company Stock on the Date of Grant, the Stock Exchange closing price of Company Stock on the Date of Grant. If there are no Company Stock transactions on such date, Fair Market Value shall be determined as of the immediately preceding date on which there were Company Stock transactions. Unless otherwise specified in the Plan, Fair Market Value for purposes of valuing Company Stock on the date of exercise means the Stock Exchange closing price of Company Stock on the last day immediately preceding the exercise date on which there were Company Stock transactions. If Company Stock is not listed on a national or regional Stock Exchange or market system, Fair Market Value shall be determined by the Committee in good faith, subject to compliance with Code Section 409A.

(n) "Incentive Award" means, collectively, the award of an Option, Stock Appreciation Right, Company Stock Award, Restricted Award or Performance Compensation Award under the Plan.

(o) "Incentive Stock Option" means an Option intended to meet the requirements of, and qualify for favorable federal income tax treatment under, Code Section 422.

(p) "Maturity Date" means, with respect to a Restricted Stock Unit, the date upon which all restrictions set forth in Section 6(b) with respect to such Restricted Stock Unit have lapsed or been removed pursuant to Section 6(g) or Section 6(h).

(q) "Negative Discretion" means the discretion authorized by the Plan to be applied by the Committee to eliminate or reduce the size of a Performance Compensation Award in accordance with Section 10(d)(iv) of the Plan; provided that the exercise of such discretion would not cause the Performance Compensation Award to fail to qualify as "performance-based compensation" under Section 162(m) of the Code.

(r) "Nonstatutory Stock Option" means an Option that does not meet the requirements of Code Section 422 or, even if meeting the requirements of Code Section 422, is not intended to be an Incentive Stock Option and is so designated.

(s) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Act.

(t) "Option" means a right to purchase Company Stock granted under Section 7 of the Plan, at a price determined in accordance with the Plan.

(u) "Parent" means, with respect to any corporation, a parent of that corporation within the meaning of Code Section 424(e).\

(v) "Participant" means any employee, director or other Company Contributor who receives an Incentive Award under the Plan.

(w) "Performance Compensation Award" means any Incentive Award designated by the Committee as a Performance Compensation Award pursuant to Section 10 of the Plan.

(x) "Performance Criteria" means the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under the Plan. The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance and shall be limited to the following: specified levels of or increases or decreases in revenue, return on equity, earnings per share, total earnings, earnings growth, earnings from continuing operations, EBITDA, EBITDAR, return on capital/equity, return on assets, gross profit, earnings before interest and taxes, sales, sales growth, gross or operating margin, cost reduction goals, fixed cost coverage measurements (including the ratio of service and parts revenues to operating costs), return on investment, increase in the fair market value of the

Common Stock, share price (including growth measures and total stockholder return), market capitalization, operating profit, profit margin, net income, cash flow (including operating cash flow and free cash flow), financial return ratios, expense ratios, total return to shareholders, market share, earnings measures/ratios, balance sheet measurements (including debt to equity ratios, maintenance of specified credit availability levels, compliance with credit covenants, inventory measurements and receivables/payables metrics), human resources measurements (including measurements of employee turnover, workers' compensation costs and employee satisfaction), internal rate of return, unit sales, same store sales, specified levels of acquisitions/ acquired revenue, customer satisfaction and productivity and compliance objectives (including lack of material weakness in internal controls, each as determined in accordance with the relevant AICPA or PCAOB principles), or where applicable, as adjusted to the extent permitted under Section 162(m) of the Code, to omit the effects of extraordinary items, acquisitions or dispositions, the gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions, accruals for Incentive Awards under the Plan and/or cumulative effects of changes in accounting principles. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine.

(y) "Performance Formula" means, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

(z) "Performance Goals" means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), or at any time thereafter (but only to the extent the exercise of such authority after such period would not cause the Performance Compensation Awards granted to any Participant for the Performance Period to fail to qualify as "performance-based compensation" under Section 162(m) of the Code), in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code.

(aa) "Performance Period" means the one or more periods of time, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Compensation Award.

(bb) "Permitted Holder" means (i) Mr. Roger S. Penske, his estate, guardians, conservators, administrators, committees or personal representatives; (ii) immediate family members and lineal descendants of Mr. Roger S. Penske and their respective guardians, conservators, administrators, committees or personal representatives; (iii) trusts or other entities created for the benefit of any of the Persons listed in (i) or (ii) above or for the benefit of a trust covered by this clause (iii); and (iv) any of Penske Capital Partners LLC, International Motor Car Group I LLC, International Motor Car Group II LLC, Penske Corporation, Penske Automotive Holdings Corp., Transportation Resource Partners, LP, Transportation Resource Partners III, LP, Penske Truck Leasing Co., L.P., LJ VP Holdings LLC and their respective Subsidiaries, in each case so long as the Persons or entities covered by clauses (i), (ii) or (iii), directly or indirectly, control such entities; For purposes of this definition, "control" when used with respect to any entity means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

(cc) "Restricted Award" means, collectively, the award of Restricted Stock or Restricted Stock Units.

(dd) "Restricted Stock" means Company Stock awarded upon the terms and subject to the restrictions set forth in Section 6.

(ee) "Restricted Stock Unit" means an award granted upon the terms and subject to the restrictions and limitations set forth in Section 6 that entitles the holder to receive a payment equal to the Fair Market Value of a share of Company Stock on the Maturity Date.

(ff) "Rule 16b-3" means Rule 16b-3 adopted pursuant to Section 16(b) of the Act. A reference in the Plan to Rule 16b-3 shall include a reference to any corresponding rule (or number redesignation) of any amendments to Rule 16b-3 adopted after the effective date of the Plan's adoption.

(gg) "Stock Appreciation Right" means a right to receive amounts from the Company awarded upon the terms and subject to the restrictions set forth in Section 8.

(hh) "Stock Exchange" means the principal national securities exchange on which Company Stock is listed for trading, or, if Company Stock is not listed for trading on a national securities exchange, such other recognized trading market or quotation system upon which the largest number of shares of Company Stock has been traded in the aggregate during the last 20 days before a Date of Grant, or date on which an Option is exercised, whichever is applicable.

(ii) "Subsidiary" means any business entity (including, but not limited to, a corporation, partnership or limited liability company) of which a company directly or indirectly owns 50% of the voting interests of the entity unless the Committee determines that the entity should not be considered a Subsidiary for purposes of the Plan. If a company owns less than 50% of the voting interests of the entity, the entity will be considered a Subsidiary for purposes of the Plan only if the Committee determines that the entity should be so considered. For purposes of Incentive Stock Options, Subsidiary shall be limited to a subsidiary within the meaning of Code Section 424(f).

(jj) "Substitute Awards" means Incentive Awards granted or shares of Company Stock issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case, by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

(kk) "10% Shareholder" means a person who owns, directly or indirectly, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company. Indirect ownership of stock shall be determined in accordance with Code Section 424(d).

3. *General.* Incentive Awards may be granted under the Plan in the form of Options, Stock Appreciation Rights, Company Stock Awards, Restricted Awards and Performance Compensation Awards. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options. The provisions of the Plan referring to Rule 16b-3 shall apply only to Participants who are subject to Section 16 of the Act.

4. *Number of Shares of Company Stock.*

(a) Subject to Section 14 of the Plan, there shall be reserved for issuance under the Plan an aggregate of 2,000,000 shares of Company Stock, which shall be authorized, but unissued shares.

(b) Subject to Section 14 of the Plan, no more than 1,000,000 shares of Company Stock may be allocated to the Incentive Awards that are granted to any one Participant during any single calendar year, of which no more than 1,000,000 shares of Company Common Stock may be awarded to any one Participant in the form of Incentive Stock Options during any single calendar year.

(c) Shares of Company Stock that have not been issued under the Plan and that are allocable to Incentive Awards or portions thereof that expire or otherwise terminate unexercised may again be subjected to an Incentive Award under the Plan. Similarly, if any shares of Restricted Stock issued pursuant to the Plan are reacquired by the Company as a result of a forfeiture of such shares pursuant to the Plan, such shares may again be subjected to an Incentive Award under the Plan.

(d) For purposes of determining the number of shares of Company Stock that are available for Incentive Awards under the Plan, such number shall include the number of shares of Company Stock under an Incentive Award tendered by a Participant (either by actual delivery or attestation) or retained by the Company in payment of the exercise price of an Option or SAR, or Applicable Withholding Taxes.

(e) Incentive Awards shall reduce the number of shares of Company Stock available for Incentive Awards under the Plan only to the extent such Incentive Awards are paid in shares of Company Stock, as opposed to payment in cash or other consideration.

(f) Substitute Awards shall not reduce the shares of Company Stock authorized for grant under the Plan or the applicable limitations for grant to a Participant under Section 4(b). Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Incentive Awards under the Plan and shall not reduce the shares of Company Stock authorized for grant under the Plan; provided that Incentive Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Participants prior to such acquisition or combination.

5. *Eligibility.*

(a) All present and future employees, directors and other Company Contributors (or any Parent or Subsidiary of the Company, whether now existing or hereafter created or acquired) shall be eligible to receive Incentive Awards under the Plan. The Committee shall have the power and discretion, as provided in Section 15, to select which employees, directors and Company Contributors shall receive Incentive Awards and to determine for each such Participant the terms and conditions, the nature of the award and the number of shares or units to be allocated to each Participant as part of each Incentive Award.

(b) The grant of an Incentive Award shall not obligate the Company or any Parent or Subsidiary of the Company to pay a Participant any particular amount of remuneration, to continue the employment of the Participant after the grant or to make further grants to the Participant at any time thereafter.

6. *Company Stock Awards and Restricted Awards*.

(a) Whenever the Committee deems it appropriate to grant a Company Stock Award, notice shall be given to the Participant stating the number of shares of Company Stock for which the Company Stock Award is granted. This notice may be given in writing or in electronic form and shall constitute the award agreement between the Company and the Participant. A Company Stock Award may be made by the Committee in its discretion without cash consideration.

(b) Whenever the Committee deems it appropriate to grant a Restricted Award, notice shall be given to the Participant stating the number of shares of Restricted Stock or number of Restricted Stock Units for which the Restricted Award is granted and the terms and conditions to which the Restricted Award is subject. This notice may be given in writing or in electronic form and shall constitute the award agreement between the Company and the Participant. A Restricted Award may be made by the Committee in its discretion without cash consideration.

(c) A Restricted Award issued pursuant to the Plan shall be subject to the following restrictions:

(i) None of such shares or units may be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of until the restrictions on such shares or units shall have lapsed or shall have been removed pursuant to paragraph (h) or (i) below.

(ii) Unless specified otherwise in a Participant's Restricted Award Agreement, the restrictions on such shares or units must remain in effect for a period of no less than one year from the Date of Grant, except as provided under paragraph (h) or (i) in the case of Disability, death or a Change in Control.

(iii) Unless specified otherwise in a Participant's Restricted Award Agreement, if a Participant ceases to be employed by the Company or a Parent or Subsidiary of the Company, or otherwise ceases employment with or otherwise ceases to be a Company Contributor, as applicable, the Participant shall forfeit to the Company any Restricted Awards, the restrictions on which shall not have lapsed or shall not have been removed pursuant to paragraph (h) or (i) below, on the date such Participant shall cease to be so employed, etc.

(iv) The Committee may establish such other restrictions on such shares or units that the Committee deems appropriate, including, without limitation, events of forfeiture and performance requirements for the vesting of awards.

(d) Upon the acceptance by a Participant of an award of Restricted Stock, such Participant shall, subject to the restrictions set forth in paragraph (c) above, have all the rights of a shareholder with respect to the shares of Restricted Stock subject to such award of Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and the right to receive all dividends and other distributions paid thereon. Certificates, if any, representing Restricted Stock shall bear a legend referring to the restrictions set forth in the Plan and the Participant's award agreement. If shares of Restricted Stock are issued without certificates, notice of the restrictions set forth in the Plan and the Participant's Award Agreement must be given to the shareholder in the manner required by law.

(e) Each Restricted Stock Unit shall entitle the Participant, on the Maturity Date, to receive from the Company an amount equal to the Fair Market Value on the Maturity Date of one share of Company Stock subject to any limitations or enhancements on such value as the Committee may set forth in the notice of the Restricted Stock Unit award.

(f) The manner in which the Company's obligation arising on the Maturity Date of a Restricted Stock Unit shall be paid and date of payment shall be determined by the Committee and shall be set forth in the Participant's Restricted Stock Unit agreement. The Committee may provide for payment in Company Stock or cash or a fixed combination of Company Stock and cash, or the Committee may reserve the right to determine the manner of payment at the time the payment is made. Shares of Company Stock issued as payment for a Restricted Stock Unit shall be valued at Fair Market Value on the Maturity Date subject to any limitations or enhancements on such value as the Committee may set forth in the notice of the Restricted Stock Unit award.

(g) A Participant receiving an award of Restricted Stock Units shall not possess any rights of a shareholder with respect to the Restricted Stock Units and shall be entitled to receive payments equivalent to dividends and other distributions paid on shares of Company Stock only to the extent set forth in the Restricted Stock Unit agreement.

(h) The Committee shall establish as to each Restricted Award the terms and conditions upon which the restrictions set forth in paragraph (c) above shall lapse. Such terms and conditions may include, without limitation, the lapsing of such restrictions as a result of the Disability, or death of the Participant or the occurrence of a Change of Control.

(i) Notwithstanding the forfeiture provisions of paragraph (c)(iii) above, and subject to Code Section 162(m) if applicable, the Committee may at any time, in its sole discretion, accelerate the time at which any or all restrictions will lapse or remove any and all such restrictions.

(j) Each Participant shall agree at the time his Company Stock Award and/or Restricted Award is granted, and as a condition thereof, to pay to the Company or make arrangements satisfactory to the Company regarding the payment to the Company of, Applicable Withholding Taxes. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificates free of a legend reflecting the restrictions set forth in paragraph (c) above shall be issued to such Participant for Restricted Stock. If Restricted Stock is being issued to a Participant without the use of a stock certificate, the restrictions set forth in paragraph (c) shall be communicated to the shareholder in the manner required by law. As an alternative to making a cash payment to the Company to satisfy Applicable Withholding Taxes for an award of Company Stock or Restricted Stock, if the grant so provides, or the Committee by separate action so permits, the Participant may elect to (i) deliver shares of Company Stock or (ii) have the Company retain that number of shares of Company Stock that would satisfy all or a specified portion of the Applicable Withholding Taxes. Any such election shall be made only in accordance with procedures established by the Committee. The Committee has the express authority to change any election procedure it establishes at any time. Applicable Withholding Taxes attributable to Restricted Stock Units may be withheld from the payment by the Company to the Participant for such Restricted Stock Units.

7. *Options.*

(a) Whenever the Committee deems it appropriate to grant Options, notice shall be given to the Participant stating the number of shares for which Options are granted, the exercise price per share, whether the Options are Incentive Stock Options or Nonstatutory Stock Options, the extent, if any, to which Stock Appreciation Rights are granted, and the conditions to which the grant and exercise of the Options are subject, including any performance-based vesting conditions, as the Committee acting in its complete discretion deems consistent with the terms of the Plan. This notice may be given in writing or in electronic form and shall constitute the stock option agreement between the Company and the Participant. Incentive Stock options only may be granted to employees of the Company, the Parent or a Subsidiary of the Company.

(b) The exercise price of shares of Company Stock covered by an Incentive Stock Option shall be not less than 100% of the Fair Market Value of such shares on the Date of Grant; provided that if an Incentive Stock Option is granted to an employee who, at the time of the grant, is a 10% Shareholder, then the exercise price of the shares covered by the Incentive Stock Option shall be not less than 110% of the Fair Market Value of such shares on the Date of Grant.

(c) The exercise price of shares of Company Stock covered by a Nonstatutory Stock Option shall be not less than 100% of the Fair Market Value of such shares on the Date of Grant. No Nonstatutory Stock Option may be exercised after ten years from the Date of Grant.

(d) Options may be exercised in whole or in part at such times as may be specified by the Committee in the Participant's stock option agreement; provided that the exercise provisions for Incentive Stock Options shall in all events not be more liberal than the following provisions:

(i) No Incentive Stock Option may be exercised after the first to occur of:

(x) Ten years (or, in the case of an Incentive Stock Option granted to a 10% Shareholder, five years) from the Date of Grant,

(y) Three months after the date of the Participant's termination of employment with the Company and any Parent or Subsidiary of the Company for reasons other than death or Disability; or

(z) One year following the date of the Participant's termination of employment by reason of death or Disability.

(ii) Except as otherwise provided in this Section, no Incentive Stock Option may be exercised unless the Participant is employed by the Company or a Parent or Subsidiary of the Company at the time of the exercise and has been so employed at all times since the Date of Grant. If a Participant's employment is terminated other than by reason of death or Disability at a time when the Participant holds an Incentive Stock Option that is exercisable (in whole or in part), the Participant may exercise any or all of the then exercisable portion of the Incentive Stock Option (to the extent exercisable on the date of termination) within three months after the Participant's employment. If a Participant's employment is terminated by reason of Disability at a time when the Participant holds an Incentive Stock Option that is exercisable (in whole or in part), the Participant may exercise any or all of the then exercisable portion of the Incentive Stock Option (to the extent exercisable on the date of Disability) within one year after the Participant's termination of employment. If a Participant's employment is terminated by reason of death at a time when the Participant holds an Incentive Stock Option that is exercisable (in whole or in part), the then exercisable portion of the Incentive Stock Option may be exercised (to the extent exercisable on the date of death) within one year after the Participant's death by the person to whom the Participant's rights under the Incentive Stock Option shall have passed by will or by the laws of descent and distribution.

(iii) An Incentive Stock Option, by its terms, shall be exercisable in any calendar year only to the extent that the aggregate Fair Market Value (determined at the Date of Grant) of the Company Stock with respect to which Incentive Stock Options are exercisable for the first time during the calendar year does not exceed $100,000 (the "Limitation Amount"). Incentive Stock Options granted under the Plan and all other plans of the Company and any Parent or Subsidiary of the Company shall be aggregated for purposes of determining whether the Limitation Amount has been exceeded. The Committee may impose such conditions as it deems appropriate on an Incentive Stock Option to ensure that the foregoing requirement is met. If Incentive Stock Options that first become exercisable in a calendar year exceed the Limitation Amount, the excess Options will be treated as Nonstatutory Stock Options to the extent permitted by law.

(e) Unless otherwise specified in a Participant's Option agreement, the same exercise terms as set forth in Section 7(d)(i) through 7(d)(ii) for Incentive Stock Options shall apply to Nonstatutory Options. except that (i) separation from services shall replace employment termination for directors and Company Contributors, and (ii) the five-year exercise restriction on 10% Shareholders shall not apply.

(f) The Committee may, in its discretion, grant Options that by their terms become fully exercisable upon a Change of Control notwithstanding other conditions on exercisability in the stock option agreement.

(g) Notwithstanding the foregoing, an Option agreement may provide that if on the last day of the term of an Option the Fair Market Value of one share of Company Stock exceeds the exercise price of the Option, the Participant has not exercised the Option and the Option has not expired, the Option shall be deemed to have been exercised by the Participant on such day with payment made by withholding shares of Company Stock otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Participant the number of shares of Company Stock for which the Option was deemed exercised, less the number of shares of Company Stock required to be withheld for the payment of the total purchase price and Applicable Withholding Taxes; any fractional share of Company Stock shall be settled in cash.

8. *Stock Appreciation Rights.*

(a) Whenever the Committee deems it appropriate, Stock Appreciation Rights may be granted in connection with all or any part of an Option, either concurrently with the grant of the Option or, if the Option is a Nonstatutory Stock Option, by an amendment to the Option at any time thereafter during the term of the Option. Stock Appreciation Rights may be exercised in whole or in part at such times and under such conditions as may be specified by the Committee in the Participant's stock option agreement. The following provisions apply to all Stock Appreciation Rights that are granted in connection with Options:

(i) Stock Appreciation Rights shall entitle the Participant, upon exercise of all or any part of the Stock Appreciation Rights, to surrender to the Company unexercised that portion of the underlying Option relating to the same number of shares of Company Stock as is covered by the Stock Appreciation Rights (or the portion of the Stock Appreciation Rights so exercised) and to receive in exchange from the Company an amount equal to the excess of (x) the Fair Market Value on the date of exercise of the Company Stock covered by the surrendered portion of the underlying Option over (y) the exercise price of the Company Stock covered by the surrendered portion of the underlying Option, which shall be no less than 100% of Fair Market Value of the covered Company Stock on the Date of Grant. The Committee may limit the amount that the Participant will be entitled to receive upon exercise of the Stock Appreciation Right.

(ii) Upon the exercise of a Stock Appreciation Right and surrender of the related portion of the underlying Option, the Option, to the extent surrendered, shall not thereafter be exercisable.

(iii) The Committee may, in its discretion, grant Stock Appreciation Rights in connection with Options which by their terms become fully exercisable upon a Change of Control, which Stock Appreciation Rights shall only be exercisable following a Change of Control. The underlying Option may provide that such Stock Appreciation Rights shall be payable solely in cash. The terms of the underlying Option shall provide that the value of the Company Stock shall be calculated based on the Fair Market Value of the Company Stock on the day of exercise.

(iv) Subject to any further conditions upon exercise imposed by the Committee, a Stock Appreciation Right shall be exercisable only to the extent that the related Option is exercisable, and shall expire no later than the date on which the related Option expires.

(v) A Stock Appreciation Right may only be exercised at a time when the Fair Market Value of the Company Stock covered by the Stock Appreciation Right exceeds the exercise price of the Company Stock covered by the underlying Option.

(b) Whenever the Committee deems it appropriate, Stock Appreciation Rights may be granted without related Options. The terms and conditions of the award shall be set forth in a Stock Appreciation Rights agreement between the Company and the Participant in written or electronic form and may include performance-based vesting conditions, as the Committee deems appropriate. The following provisions apply to all Stock Appreciation Rights that are granted without related Options:

(i) Stock Appreciation Rights shall entitle the Participant, upon the exercise of all or any part of the Stock Appreciation Rights, to receive from the Company an amount equal to the excess of (x) the Fair Market Value on the date of exercise of the Company Stock covered by the surrendered Stock Appreciation Rights over (y) the Fair Market Value on the Date of Grant of the Company Stock covered by the Stock Appreciation Rights. The Committee may limit the amount that the Participant may be entitled to receive upon exercise of the Stock Appreciation Right.

(ii) Stock Appreciation Rights shall be exercisable, in whole or in part, at such times as the Committee shall specify in the Participant's Stock Appreciation Rights agreement.

(c) The manner in which the Company's obligation arising upon the exercise of a Stock Appreciation Right shall be paid shall be determined by the Committee and shall be set forth in the Participant's stock option agreement (if the Stock Appreciation Rights are related to an Option) or Stock Appreciation Rights agreement. The Committee may provide for payment in Company Stock or cash, or a fixed combination of Company Stock or cash, or the Committee may reserve the right to determine the manner of payment at the time the Stock Appreciation Right is exercised. Shares of Company Stock issued upon the exercise of a Stock Appreciation Right shall be valued at their Fair Market Value on the date of exercise.

9. *Method of Exercise of Options and Stock Appreciation Rights.*

(a) Options and Stock Appreciation Rights may be exercised by the Participant by giving notice of the exercise to the Company, stating the number of shares the Participant has elected to purchase under the Option or the number of Stock Appreciation Rights he has elected to exercise. In the case of a purchase of shares under an Option, such notice shall be effective only if accompanied by the exercise price in full paid in cash; provided that, if the terms of an Option so permit, or the Committee by separate action so permits, the Participant may (i) deliver shares of Company Stock (valued at their Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price (either by actual delivery or attestation), (ii) to the extent permitted under applicable laws and regulations, deliver a properly executed exercise notice together with irrevocable instructions to a broker to exercise all or part of the Option, sell a sufficient number of shares of Company Stock to cover the exercise price, Applicable Withholding Taxes (if required by the Committee) and other costs and expenses associated with such sale and deliver promptly the amount necessary to pay the exercise price and any Applicable Withholding Taxes or (iii) request that the Company reduce the number of shares of Company Stock issued by the number of shares having an aggregate Fair Market Value equal to the aggregate exercise price. The Participant shall not be entitled to make payment of the exercise price other than in cash unless provisions for an alternative payment method are included in the Participant's stock option agreement or are agreed to in writing by the Company with the approval of the Committee prior to exercise of the Option.

(b) The Company may place on any certificate representing Company Stock issued upon the exercise of an Option or a Stock Appreciation Right any legend deemed desirable by the Company's counsel to comply with federal or state securities laws, and the Company may require of the participant a customary written indication of his investment intent. Until the Participant has made any required payment, including any Applicable Withholding Taxes, and has had issued to

him a certificate for the shares of Company Stock acquired, he shall possess no shareholder rights with respect to the shares.

(c) Each Participant shall agree as a condition of the exercise of an Option or a Stock Appreciation Right to pay to the Company Applicable Withholding Taxes, or make arrangements satisfactory to the Company regarding the payment to the Company of such amounts. Until Applicable Withholding Taxes have been paid or arrangements satisfactory to the Company have been made, no stock certificate shall be issued upon the exercise of an Option or a Stock Appreciation Right.

As an alternative to making a cash payment to the Company to satisfy Applicable Withholding Taxes if the Option or Stock Appreciation Rights agreement so provides, or the Committee by separate action so provides, a Participant may elect to (i) deliver shares of Company Stock or (ii) have the Company retain that number of shares of Company Stock that would satisfy all or a specified portion of the Applicable Withholding Taxes. Any such election shall be made only in accordance with procedures established by the Committee.

(d) Notwithstanding anything herein to the contrary, if the Company is subject to Section 16 of the Act, Options and Stock Appreciation Rights shall always be granted and exercised in such a manner as to conform to the provisions of Rule 16b-3.

10. *Performance Compensation Awards.*

(a) The Committee shall have the authority, at the time of grant of any Incentive Award described in this Plan to designate such Incentive Award as a Performance Compensation Award in order to qualify such Incentive Award as "performance-based compensation" under Section 162(m) of the Code. Unless otherwise provided in a Participant's Option or Stock Appreciation Rights agreement, Options and Stock Appreciation Rights granted under the Plan are intended to automatically satisfy the requirements of the exemption for performance-based compensation under Code Section 162(m), to the extent applicable, and to the extent intended to satisfy such exemption, Options and Stock Appreciation Rights are subject to the limit set forth in Section 4(b) of the Plan but are not otherwise considered Code Section 162(m) Awards subject to Article 10.

(b) The Committee will, in its sole discretion, designate within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code) which Participants will be eligible to receive Performance Compensation Awards for such Performance Period. However, the designation of Participant eligibility to receive an Incentive Award for a Performance Period shall not in any manner entitle the Participant to receive payment for any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment for any Performance Compensation Award shall be decided solely in accordance with the provisions of this Section 10. Designation of Participant eligibility to receive an Incentive Award for a particular Performance Period shall not require designation of Participant eligibility to receive an Incentive Award in any subsequent Performance Period and designation of one person as a Participant eligible to receive an Incentive Award shall not require designation of any other person as a Participant eligible to receive an Incentive Award in such period or in any other period.

(c) With regard to a particular Performance Period, the Committee shall have sole discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goal(s) that is (are) to apply and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard

to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence of this Section 10(c) and record the same in writing.

(d) *Payment of Performance Compensation Awards*

(i) *Condition to Receipt of Payment*. Unless otherwise provided in the applicable award agreement, a Participant must be employed by the Company or Parent, or remain an employee of or otherwise be a Company Contributor, as applicable, on the last day of a Performance Period to be eligible for payment related to a Performance Compensation Award for such Performance Period.

(ii) *Limitation*. A Participant shall be eligible to receive payment related to a Performance Compensation Award only to the extent that: (A) the Performance Goals for such period are achieved; and (B) the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant's Performance Compensation Award has been earned for the Performance Period.

(iii) *Certification*. Following the completion of a Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, calculate and certify in writing the amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply Negative Discretion in accordance with Section 10(d)(iv) hereof, if and when it deems appropriate.

(iv) *Use of Discretion*. In determining the actual size of an individual Performance Compensation Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion if, in its sole discretion, such reduction or elimination is appropriate. The Committee shall not have the discretion to (A) grant or provide payment related to a Performance Compensation Award for a Performance Period if the Performance Goals for such Performance Period have not been attained or (B) increase a Performance Compensation Award above the maximum amount payable under Section 10(d)(vi) of the Plan.

(v) *Timing of Award Payments*. Unless otherwise provided in a Performance Compensation Award agreement or pursuant to an irrevocable deferral election made in compliance with Code Section 409A, Performance Compensation Awards granted for a Performance Period shall be paid to Participants as soon as administratively practicable following completion of the certifications required by this Section 10 but in no event later than the fifteenth day of the third month following the last day of the applicable Performance Period.

(vi) *Maximum Award Payable*. Notwithstanding any provision contained in this Plan to the contrary, the maximum Performance Compensation Award payable to any one Participant under the Plan for a single calendar year is subject to the limit in Section 4(b).

11. *Nontransferability of Incentive Awards.* Except as described below or as otherwise determined by the Committee in a Participant's Incentive Award agreement, no Incentive Award shall be transferable by a Participant except by will or the laws of descent and distribution, and an Option or Stock Appreciation Right shall be exercised only by a Participant during the lifetime of the Participant. Notwithstanding the foregoing, a Participant may assign or transfer an Incentive Award that is not an Incentive Stock Option with the consent of the Committee to a family member (or trust or other entity for the benefit of the Participant or the Participant's family members), without consideration

(each transferee thereof, a "Permitted Assignee"); provided that any such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and transferred Incentive Award and shall execute an agreement satisfactory to the Company evidencing such obligations. Notwithstanding the foregoing, a Participant who transfers an Incentive Award also shall remain bound by the terms and conditions of the Plan.

12. *Effective Date of the Plan.* This Plan shall become effective as of November 1, 2012, subject to the approval of the holders of at least a majority of the shares present in person or represented by proxy and entitled to vote on a proposal to approve the Plan at a duly held meeting of shareholders of the Company held within twelve (12) months after adoption of the Plan by the Board. If not approved by shareholders within twelve (12) months after approval by the Board, the Plan shall be null and void, with no further force or effect.

13. *Termination, Modification, Change.* If not sooner terminated by the Board, this Plan shall terminate at the close of business on November 1, 2015. No Incentive Awards shall be granted under the Plan after its termination. The Board may terminate the Plan or may amend the Plan in such respects as it shall deem advisable; provided that, if and to the extent required by the Code or Rule 16b-3, no change shall be made that increases the total number of shares of Company Stock reserved for issuance pursuant to Incentive Awards granted under the Plan (except pursuant to Section 14), expands the class of persons eligible to receive Incentive Awards, or materially increases the benefits accruing to Participants under the Plan unless such change is authorized by the shareholders of the Company. Notwithstanding the foregoing, the Board may unilaterally amend the Plan and Incentive Awards as it deems appropriate to ensure compliance with Rule 16b-3 and to cause Incentive Awards to meet the requirements of the Code, including Code Sections 162(m), 422, 409A and regulations thereunder. Except as provided in the preceding sentence, a termination or amendment of the Plan shall not, without the consent of the Participant, adversely affect a Participant's rights under an Incentive Award previously granted to such Participant.

14. *Change in Capital Structure.*

    (a) In the event of a stock dividend, stock split or combination of shares, recapitalization, merger in which the Company is the surviving corporation, reorganization, reincorporation, consolidation, special dividend, spin-off or other change in the Company's capital stock without the receipt of consideration by the Company (including, but not limited to, the creation or issuance to shareholders generally of rights, options or warrants for the purchase of common stock or preferred stock of the Company), the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Incentive Awards then outstanding or to be granted thereunder, the aggregate and individual maximum number of shares or securities which may be delivered under the Plan pursuant to Section 4, and the exercise price and other terms and relevant provisions of Incentive Awards shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons; provided, however, that no adjustment of an outstanding Option or Stock Appreciation Right may be made that would create a deferral of income or a modification, extension or renewal of such Option or Stock Appreciation Right under Code Section 409A except as may be permitted in applicable Treasury Regulations. If the adjustment would produce fractional shares with respect to any Restricted Award or unexercised Option or Stock Appreciation Right, the Committee may adjust appropriately the number of shares covered by the Incentive Award so as to eliminate the fractional shares.

    (b) If the Company is a party to a consolidation or merger in which the Company is not the surviving corporation, a transaction that results in the acquisition of substantially all of the Company's outstanding stock by a single person or entity, or a sale or transfer of substantially all of the Company's assets, the Committee may take such actions with respect to outstanding Incentive Awards as the Committee deems appropriate, including, without limitation, approving the

assumption of some or all outstanding Incentive Awards by the Company's successor, the full vesting or lapse of all restrictions on some or all outstanding Incentive Awards, or the cash-out of some or all outstanding Incentive Awards, subject to any specific provisions in outstanding Incentive Award agreements and applicable requirements under Code Section 409A.

(c) Any determination made or action taken under this Section 14 by the Committee shall be final and conclusive and may be made or taken without the consent of any Participant.

15. *Administration of the Plan.* The Plan shall be administered by the Committee, which shall be the full Board or a committee appointed by the Board, consisting of not less than two members of the Board. Subject to paragraph (f) below, a committee appointed by the Board shall be the Compensation and Management Development Committee of the Board unless the Board shall appoint another committee to administer the Plan. The Committee shall have general authority to impose any limitation or condition upon an Incentive Award that the Committee deems appropriate to achieve the objectives of the Incentive Award and the Plan and, without limitation and in addition to powers set forth elsewhere in the Plan, shall have the following specific authority:

(a) The Committee shall have the power and complete discretion to determine (i) which eligible employees, directors and other Company Contributors shall receive an Incentive Award and the nature of the Incentive Award, (ii) the number of shares of Company Stock to be covered by each Incentive Award, (iii) whether Options shall be Incentive Stock Options or Nonstatutory Stock Options, (iv) when, whether and to what extent Stock Appreciation Rights shall be granted in connection with Options, (v) the Fair Market Value of Company Stock, subject to Section 2(m), (vi) the time or times when an Incentive Award shall be granted, (vii) whether an Incentive Award shall become vested over a period of time, upon the achievement of a performance-based vesting condition, and when it shall be fully vested, (viii) when Options or Stock Appreciation Rights may be exercised, (ix) whether a Disability exists, subject to Section 2.2(l), (x) the manner in which payment will be made upon the exercise of Options or Stock Appreciation Rights, (xi) conditions relating to the length of time before disposition of Company Stock received upon the exercise of Options or Stock Appreciation Rights is permitted, (xii) whether to approve a Participant's election (A) to deliver Company Stock to satisfy Applicable Withholding Taxes or (B) to have the Company withhold from the shares to be issued upon the exercise of a Nonstatutory Stock Option or a Stock Appreciation Right the number of shares necessary to satisfy Applicable Withholding Taxes, (xiii) the terms and conditions applicable to Restricted Awards, (xiv) the terms and conditions on which restrictions upon Restricted Awards shall lapse, (xv) whether an Incentive Award shall be deemed to be a Performance Compensation Award; (xvi) the Performance Criteria that will be used to establish Performance Goals; (xvii) whether to accelerate the time at which any or all restrictions with respect to Restricted Awards will lapse or be removed, (xviii) notice provisions relating to the sale of Company Stock acquired under the Plan, and (xix) any additional requirements relating to Incentive Awards that the Committee deems appropriate. Notwithstanding the foregoing, no "tandem stock options" (where two stock options are issued together and the exercise of one option affects the right to exercise the other option) may be issued in connection with Incentive Stock Options. The Committee shall have the power to amend the terms of previously granted Incentive Awards so long as the terms as amended are consistent with the terms of the Plan and provided that the consent of the Participant is obtained with respect to any amendment that would be detrimental to the Participant, except that such consent will not be required if such amendment is for the purpose of complying with Rule 16b-3 or any requirement of Code Sections 422 or 409A applicable to the Incentive Award.

(b) The Committee may adopt rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive. The

Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

(c) A majority of the members of the Committee shall constitute a quorum although at least two members must be present for a quorum), and all actions of the Committee shall be taken by a majority of the members present (or in the event of two members, a unanimous decision). Any action may be taken by a written instrument signed by all of the members, and any action so taken shall be fully effective as if it had been taken at a meeting.

(d) The Board from time to time may appoint members previously appointed and may fill vacancies, however caused, in the Committee. If a Committee of the Board is appointed to serve as the Committee, such Committee shall have, in connection with the administration of the Plan, the powers possessed by the Board, including the power to delegate a subcommittee of the administrative powers the Committee is authorized to exercise, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board.

(e) To the extent permitted by applicable law, the Committee may delegate to one or more Officers the authority to do one or both of the following: (i) designate Participants who are not Officers to be recipients of Incentive Awards, and (ii) determine the number of shares of Company Stock or units to be subject to such Incentive Awards granted to such Participants; provided, however, that the Committee's delegation of this authority shall specify the total number of shares of Company Stock or units subject to such delegation, and that, in no event, shall such Officer grant an Incentive Award to himself or herself. All other terms and conditions of any Incentive Award made pursuant to this delegation of authority shall be determined by the Committee.

(f) Each member of the Committee with respect to the grant of Incentive Awards that are intended to constitute Performance Compensation Awards shall be "outside directors" as described in Code Section 162(m); provided, however, that the failure to satisfy such requirement shall not affect the validity of any Incentive Award otherwise validly granted. As to Incentive Awards that that are authorized by the Committee and intended to be exempt under Rule 16b-3 of the Exchange Act, the requirements of Rule 16b-3(d)(1) under the Exchange Act with respect to committee action also are intended to be satisfied. With respect to Incentive Awards granted pursuant to Section 15(e), the designated Officer(s) granting Incentive Awards shall be deemed to constitute the Committee. To the extent applicable, Committee members shall meet the requirements of the rules and regulations of the Stock Exchange.

(g) Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding Incentive Awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other Incentive Awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs.

16. *Notice.* All notices and other communications required or permitted to be given under this Plan shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, as follows:

(a) If to the Company—at its principal business address to the attention of the Secretary;

(b) If to any Participant—at the last address of the Participant known to the sender at the time the notice or other communication is sent.

(c) In either event, notice may also be delivered via email as long as the email account is one used in the regular course of business of the Participant or Company representative.

17. *Shareholder Rights.* No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Company Stock subject to an Incentive Award unless otherwise stated herein or until such Participation has satisfied all requirements under the terms of the Incentive Award.

18. *No Employment or Other Service Rights.* Nothing in the Plan or any instrument executed or Incentive Award granted under the Plan shall confer upon any Participant any right to continue to serve the Company (or a Parent or Subsidiary of the Company) in the capacity in effect at the time the Incentive Award was granted or shall affect the right of the Company (or a Parent or Subsidiary of the Company) to terminate the employment or services of a Participant with or without notice and with or without cause.

19. *Interpretation.* The terms of the Plan shall be governed by the laws of the State of Delaware, without regard to conflict of law provisions at any jurisdiction. The terms of this Plan are subject to all present and future regulations and rulings of the Secretary of the Treasury or his or her delegate relating to the qualification of Incentive Stock Options under the Code. If any provision of the Plan conflicts with any such regulation or ruling, then that provision of the Plan shall be void and of no effect. As to all Incentive Stock Options and all Nonstatutory Stock Options with an exercise price of at least 100% of Fair Market Value of the Company Stock on the Date of Grant, this Plan shall be interpreted for such Options to be excluded from applicable employee remuneration for purposes of Code Section 162(m).

20. *Compliance with Code Section 409A.*

(a) To the extent that amounts payable under this Plan are subject to Code Section 409A, the Plan and Incentive Awards are intended to comply with such Code Section 409A and official guidance issued thereunder. Otherwise, the Plan and Incentive Awards are intended to be exempt from Code Section 409A. Notwithstanding anything to the contrary, the Plan and Incentive Awards shall be interpreted, operated and administered in a manner consistent with these intentions.

(b) For purposes of the Plan, all references to "employment termination," "termination from employment," "termination from service," "separation from service" or like phrases are intended to constitute a "separation from service" as defined by Code Section 409A and regulations thereunder.

(c) Notwithstanding anything in the Plan to the contrary, if a Participant is a specified employee (within the meaning of the default provisions for determining specified employees under Section 409A of the Code) with respect to the Company at the time of his or her employment termination or separation from service, all payments that would have been due during the six-month period following the Participant's employment termination or separation from service shall be paid on the date that is six months and one day after the Participant's employment termination or separation from service (or, if earlier, as soon as practicable after the date of the Participant's death).

21. *Compliance with Code Section 162(m).* To the extent the Committee issues any Incentive Award that is intended to be exempt from the deduction limitation of Section 162(m) of the Code, the Committee may, without shareholder or grantee approval, amend the Plan or the relevant award agreement retroactively or prospectively to the extent it determines necessary in order to comply with any subsequent clarification of Section 162(m) of the Code required to preserve the Company's federal income tax deduction for compensation paid pursuant to any such Incentive Award.

22. *Clawback.* Notwithstanding any other provisions in this Plan, any Incentive Award that is subject to recovery under any law, government regulation or Stock Exchange listing requirement, will be subject

to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or Stock Exchange listing requirement) and in compliance with Code Section 409A.

23. *Indemnification.* In addition to such other rights of indemnification as they may have, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Incentive Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Board) or paid by the Board in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be determined in such action, suit or proceeding that such Committee member has acted in bad faith; provided, however, that within sixty (60) days after receipt of notice of institution of any such action, suit or proceeding, a Committee member shall offer the Company in writing the opportunity, at its own cost, to handle and defend the same.

IN WITNESS HEREOF, this instrument has been executed as of the 1st day of November 2012.

PENSKE AUTOMOTIVE GROUP, INC

By: /s/ CALVIN C. SHARP

Executive Vice President—Human Resources

BOARD APPROVAL: 10/18/2012
SHAREHOLDER APPROVAL: / /2013

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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
Executive Vice President
Strategic Development

John Cragg
Executive Vice President
East Operations

Gerard Nieuwenhuys
Managing Director
Sytner Group

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

Bernard W. Wolfe
Executive Vice President
West Operations

INVESTOR RELATIONS

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

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FirstMerit Corporation, and
Chairman and CEO of
FirstMerit Michigan

Ronald G. Steinhart
Retired Chairman & CEO
Commercial Banking Group
Bank One Corporation

H. Brian Thompson
Executive Chairman
Global Telecom & Technology

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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

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Computershare Investor Services
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Independent Auditors
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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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