PENSKE AUTOMOTIVE GROUP, INC.
Form 10-Q
October 30, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from to

Commission file number 1-12297

Penske Automotive Group, Inc.

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code:

(248) 648-2500

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 x No o

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 x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

As of October 22, 2015, there were 90,068,945 shares of voting common stock outstanding.

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PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

	September 30, 2015	December 31, 2014
	(Unaudited) (In millions, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	$ 49.7	$ 36.3
Accounts receivable, net of allowance for doubtful accounts of $4.4 and $3.5	775.5	707.1
Inventories	3,188.4	2,836.4
Other current assets	109.0	124.8
Assets held for sale	15.3	156.1
Total current assets	4,137.9	3,860.7
Property and equipment, net	1,476.9	1,331.6
Goodwill	1,297.7	1,269.9
Other indefinite-lived intangible assets	392.7	386.6
Equity method investments	340.1	352.8
Other long-term assets	29.6	26.6
Total assets	$ 7,674.9	$ 7,228.2
LIABILITIES AND EQUITY		
Floor plan notes payable	$ 2,096.0	$ 1,812.6
Floor plan notes payable non-trade	1,072.6	933.8
Accounts payable	482.4	422.5
Accrued expenses	358.3	316.0
Current portion of long-term debt	29.7	37.2
Liabilities held for sale	8.3	108.2
Total current liabilities	4,047.3	3,630.3
Long-term debt	1,155.2	1,316.0
Deferred tax liabilities	395.6	409.9
Other long-term liabilities	255.7	190.8
Total liabilities	5,853.8	5,547.0
Commitments and contingent liabilities (Note 9)		
Equity		
Penske Automotive Group stockholders equity:		
Preferred Stock, $0.0001 par value; 100,000 shares authorized; none issued and outstanding		
Common Stock, $0.0001 par value, 240,000,000 shares authorized; 90,068,945 shares issued and outstanding at September 30, 2015; 90,244,840 shares issued and outstanding at December 31, 2014		
Non-voting Common Stock, $0.0001 par value, 7,125,000 shares authorized; none issued and outstanding		
Class C Common Stock, $0.0001 par value, 20,000,000 shares authorized; none issued and outstanding		
Additional paid-in-capital	679.9	690.7
Retained earnings	1,208.9	1,015.4
Accumulated other comprehensive income (loss)	(112.4)	(53.3)
Total Penske Automotive Group stockholders equity	1,776.4	1,652.8
Non-controlling interest	44.7	28.4
Total equity	1,821.1	1,681.2
Total liabilities and equity	$ 7,674.9	$ 7,228.2

See Notes to Consolidated Condensed Financial Statements

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PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited) (In millions, except per share amounts)			
Revenue:				
Retail automotive dealership	$ 4,585.8	$ 4,295.6	$ 13,327.5	$ 12,495.3
Retail commercial truck dealership	268.5		703.1	
Commercial vehicle distribution and other	105.8	101.1	333.0	311.1
Total revenues	$ 4,960.1	$ 4,396.7	$ 14,363.6	$ 12,806.4
Cost of sales:				
Retail automotive dealership	3,923.4	3,665.0	11,373.2	10,628.2
Retail commercial truck dealership	228.5		592.0	
Commercial vehicle distribution and other	79.0	84.1	248.0	259.1
Total cost of sales	4,230.9	3,749.1	12,213.2	10,887.3
Gross profit	729.2	647.6	2,150.4	1,919.1
Selling, general and administrative expenses	563.4	502.3	1,652.3	1,486.0
Depreciation	19.8	17.3	57.7	50.6
Operating income	146.0	128.0	440.4	382.5
Floor plan interest expense	(11.4)	(11.3)	(32.7)	(34.2)
Other interest expense	(16.3)	(12.4)	(49.0)	(37.2)
Equity in earnings of affiliates	11.0	12.7	29.7	28.7
Income from continuing operations before income taxes	129.3	117.0	388.4	339.8
Income taxes	(41.7)	(39.7)	(128.2)	(115.7)
Income from continuing operations	87.6	77.3	260.2	224.1
Loss from discontinued operations, net of tax	(0.1)	(2.2)	(1.1)	(7.2)
Net income	87.5	75.1	259.1	216.9
Less: Income attributable to non-controlling interests	0.9	0.6	3.3	2.0
Net income attributable to Penske Automotive Group common stockholders	$ 86.6	$ 74.5	$ 255.8	$ 214.9
Basic earnings per share attributable to Penske Automotive Group common stockholders:				
Continuing operations	$ 0.96	$ 0.85	$ 2.85	$ 2.46
Discontinued operations	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.08)
Net income attributable to Penske Automotive Group common stockholders	$ 0.96	$ 0.83	$ 2.84	$ 2.38
Shares used in determining basic earnings per share (Note 6)	90.1	90.3	90.2	90.4
Diluted earnings per share attributable to Penske Automotive Group common stockholders:				
Continuing operations	$ 0.96	$ 0.85	$ 2.85	$ 2.46
Discontinued operations	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.08)
Net income attributable to Penske Automotive Group common stockholders	$ 0.96	$ 0.83	$ 2.84	$ 2.38
Shares used in determining diluted earnings per share (Note 6)	90.1	90.3	90.2	90.4
Amounts attributable to Penske Automotive Group common stockholders:				
Income from continuing operations	$ 87.6	$ 77.3	$ 260.2	$ 224.1
Less: Income attributable to non-controlling interests	0.9	0.6	3.3	2.0

Income from continuing operations, net of tax		86.7		76.7		256.9		222.1
Loss from discontinued operations, net of tax		(0.1)		(2.2)		(1.1)		(7.2)
Net income attributable to Penske Automotive Group common stockholders	$	86.6	$	74.5	$	255.8	$	214.9

See Notes to Consolidated Condensed Financial Statements

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PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited) (In millions)			
Net income	$ 87.5	$ 75.1	$ 259.1	$ 216.9
Other comprehensive income:				
Foreign currency translation adjustment	(42.0)	(53.5)	(57.0)	(27.4)
Unrealized gain (loss) on interest rate swaps:				
Unrealized gain (loss) arising during the period, net of tax benefits				(0.2)
Reclassification adjustment for loss included in floor plan interest expense, net of tax provision of $0.0, $0.7, $0.0 and $2.2, respectively		1.1		3.4
Unrealized gain (loss) on interest rate swaps, net of tax		1.1		3.2
Other adjustments to comprehensive income, net	(0.5)	1.4	(2.3)	(1.8)
Other comprehensive income (loss), net of taxes	(42.5)	(51.0)	(59.3)	(26.0)
Comprehensive income	45.0	24.1	199.8	190.9
Less: Comprehensive income (loss) attributable to non-controlling interests	1.5	(0.1)	3.1	1.0
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 43.5	$ 24.2	$ 196.7	$ 189.9

See Notes to Consolidated Condensed Financial Statements

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PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Unaudited) (In millions)	
Operating Activities:		
Net income	$ 259.1	$ 216.9
Adjustments to reconcile net income to net cash from continuing operating activities:		
Depreciation	57.7	50.6
Earnings of equity method investments	(22.9)	(22.9)
Loss from discontinued operations, net of tax	1.1	7.2
Deferred income taxes	(9.9)	9.8
Changes in operating assets and liabilities:		
Accounts receivable	(16.6)	(41.5)
Inventories	(180.4)	60.3
Floor plan notes payable	209.5	(76.9)
Accounts payable and accrued expenses	60.3	68.1
Other	15.5	4.4
Net cash provided by continuing operating activities	373.4	276.0
Investing Activities:		
Purchase of equipment and improvements	(151.1)	(139.6)
Acquisitions net, including repayment of sellers floor plan notes payable of $41.2 and $23.0, respectively	(85.4)	(86.2)
Other	0.2	(25.3)
Net cash used in continuing investing activities	(236.3)	(251.1)
Financing Activities:		
Proceeds from borrowings under U.S. credit agreement revolving credit line	1,060.4	951.1
Repayments under U.S. credit agreement revolving credit line	(982.4)	(867.1)
Repayment of U.S. credit agreement term loan	(88.0)	
Repayment of U.S. commercial truck capital loan	(60.5)	
Net (repayments) borrowings of other long-term debt	(95.2)	43.0
Net borrowings of floor plan notes payable non-trade	94.6	
Payment of deferred financing fees	(1.8)	
Repurchases of common stock	(22.0)	(15.5)
Dividends	(62.3)	(51.5)
Other	(5.9)	0.2
Net cash (used in) provided by continuing financing activities	(163.1)	60.2
Discontinued operations:		
Net cash used in discontinued operating activities	(2.8)	(1.4)
Net cash provided by discontinued investing activities	129.6	4.8
Net cash (used in) provided by discontinued financing activities	(87.1)	11.7
Net cash provided by discontinued operations	39.7	15.1
Effect of exchange rate changes on cash and cash equivalents	(0.3)	
Net change in cash and cash equivalents	13.4	100.2
Cash and cash equivalents, beginning of period	36.3	50.3
Cash and cash equivalents, end of period	$ 49.7	$ 150.5
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 67.8	$ 67.6

Income taxes	100.3	85.6

See Notes to Consolidated Condensed Financial Statements

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PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENT OF EQUITY

(Unaudited)
(Dollars in millions)

	Common Stock Issued Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Penske Automotive Group Stockholders Equity	Non-controlling Interest	Total Equity
Balance, January 1, 2015	90,244,840	$	$ 690.7	$ 1,015.4	$ (53.3)	$ 1,652.8	$ 28.4	$ 1,681.2
Equity compensation	263,488		11.0			11.0		11.0
Repurchases of common stock	(439,383)		(22.0)			(22.0)		(22.0)
Dividends				(62.3)		(62.3)		(62.3)
Purchase of controlling interest							22.4	22.4
Purchase of subsidiary shares from non-controlling interest							(6.1)	(6.1)
Distributions to non-controlling interests							(3.6)	(3.6)
Sale of subsidiary shares to non-controlling interest			0.2			0.2	0.5	0.7
Foreign currency translation					(56.8)	(56.8)	(0.2)	(57.0)
Other					(2.3)	(2.3)		(2.3)
Net income				255.8		255.8	3.3	259.1
Balance, September 30, 2015	90,068,945	$	$ 679.9	$ 1,208.9	$ (112.4)	$ 1,776.4	$ 44.7	$ 1,821.1

See Notes to Consolidated Condensed Financial Statements

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In millions, except per share amounts)

1. Interim Financial Statements

Business Overview

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

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

Retail Automotive Dealership. We believe we are the second largest automotive retailer headquartered in the U.S. as measured by the $16.7 billion in total retail automotive dealership revenue we generated in 2014. As of September 30, 2015, we operated 352 automotive retail franchises, of which 178 franchises are located in the U.S. and 174 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In the nine months ended September 30, 2015, we retailed and wholesaled more than 390,000 vehicles. We are diversified geographically, with 60% of our total retail automotive dealership revenues in the nine months ended September 30, 2015 generated in the U.S. and Puerto Rico and 40% generated outside the U.S. We offer over 40 vehicle brands, with 72% of our retail automotive dealership revenue in the nine months ended September 30, 2015 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offer a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products. We operate these dealerships under franchise agreements with a number of automotive manufacturers and distributors that are subject to certain rights and restrictions typical of the industry.

During the nine months ended September 30, 2015, we acquired one U.S. retail automotive franchise, Land Rover Darien in Connecticut, and disposed of two U.S. retail automotive franchises, Nissan and Infiniti of San Francisco, California. During the three months ended September 30,

2015, we acquired an additional 10% interest in one of our automotive dealership joint ventures located in Germany. We now own a 60% controlling interest in this joint venture as of September 30, 2015, and therefore this entity is now consolidated in our financial results for the three and nine months ended September 30, 2015.

Retail Commercial Truck Dealership. In November 2014, we acquired a controlling interest (91%) in a heavy and medium duty truck dealership group located in Texas, Oklahoma and New Mexico, which we renamed Premier Truck Group (PTG). Prior to the 2014 transaction, we held a 32% interest in PTG and accounted for this investment under the equity method. PTG operates sixteen locations, including ten full-service dealerships offering primarily Freightliner and Western Star branded trucks. Two of these locations, Chattanooga and Knoxville, were acquired in February 2015. PTG also offers a full range of used trucks available for sale as well as service and parts departments, many of which are open 24 hours a day, seven days a week. During the three months ended September 30, 2015, we acquired an additional 5% of PTG bringing our total ownership interest to 96%.

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

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

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

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Basis of Presentation

The following unaudited consolidated condensed financial statements of PAG have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the SEC rules and regulations. The information presented as of September 30, 2015 and December 31, 2014 and for the three and nine month periods ended September 30, 2015 and 2014 is unaudited, but includes all adjustments which our management believes to be necessary for the fair presentation of results for the periods presented. We changed the presentation of revenue and cost of sales within the Consolidated Condensed Statements of Income to reflect the addition of the retail commercial truck dealership business for the current and comparative periods presented. We also identified the retail commercial truck dealership business as a new reportable segment and have retroactively presented the segment data for all periods presented within the segment information footnote. Additionally, the consolidated condensed financial statements for the prior periods have been revised for entities that have been treated as discontinued operations, and results for interim periods are not necessarily indicative of results to be expected for the year. These consolidated condensed financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014, which are included as part of our Annual Report on Form 10-K.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of contracts with customers. This ASU can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date providing for a one-year deferral of the effective date of ASU 2014-09 from January 1, 2017 to January 1, 2018; however, early adoption is still permissible as of January 1, 2017 for public entities. We are currently assessing the impact the adoption of these accounting standard updates will have on our consolidated financial position, results of operations, and cash flows.

In April 2015, the FASB issued ASU No. 2015-03, Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, Interest Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the treatment of debt issuance costs associated with line-of-credit arrangements that were not specifically addressed in ASU 2015-03. ASU 2015-15 states that entities may elect to continue to treat debt issuance costs associated with lines of credit as an asset, consistent with current treatment. These updates are effective for us beginning after January 1, 2016. We do not expect the adoption of these accounting standard updates to have a material impact on our consolidated financial position, results of operations, and cash flows.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory (Topic 330). Under ASU 2015-11, inventory that is measured using the first-in, first-out (FIFO) or average cost methods should be measured at the lower of cost or net realizable value. This ASU does not impact inventory measurement under the last-in, first-out (LIFO) or retail inventory methods. This ASU is effective for us beginning after January 1, 2017. We do not expect the adoption of this accounting standard update to have a material impact on our consolidated financial position, results of operations, and cash flows.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments. Under ASU 2015-16, acquirers will be required to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the requirement to retrospectively account for such adjustments. This ASU is effective for us beginning after January 1, 2016. We do not expect the adoption of this accounting standard update to have a material impact on our consolidated financial position, results of operations, and cash flows.

Assets Held for Sale and Discontinued Operations

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

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

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

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

We had no entities newly classified as held for sale during the nine months ended September 30, 2015. As such, the combined financial information presented below represents only retail automotive dealerships and our car rental business that were classified as discontinued operations prior to adoption of ASU No. 2014-08:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 15.1	$ 46.7	$ 63.1	$ 167.9
Pre-tax loss	$ (0.1)	$ (3.2)	$ (4.8)	$ (19.3)
Pre-tax gain on disposal	$	$	$ 2.9	$ 14.8

	September 30, 2015	December 31, 2014
Inventories	$ 6.6	$ 17.5
Other assets	8.7	138.6
Total assets	$ 15.3	$ 156.1

Floor plan notes payable (including non-trade)	$	4.3	$	14.6
Other liabilities		4.0		93.6
Total liabilities	$	8.3	$	108.2

In September 2015, one of our dealerships, that previously met the criteria for classification as discontinued operations prior to the adoption of ASU No. 2014-08, that had been classified as held for sale was reclassified as held and used. Combined financial information for the dealership returned to held and used is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 17.4	$ 15.3	$ 45.4	$ 39.3
Pre-tax loss	(0.2)	(0.4)	(0.7)	(0.7)

Divestitures

In February 2015, we divested our car rental business that included Hertz car rental franchises in the Memphis, Tennessee market and certain markets throughout Indiana. We received proceeds of $17.8 million from the sale excluding sales of car rental vehicles. The results of operations of our car rental business are included in discontinued operations for the nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014. In the second quarter of 2015, we disposed of two U.S. retail automotive franchises: Nissan and Infiniti of San Francisco, California. The results of operations of these franchises are included in discontinued operations for the nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014.

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In September 2015, we sold our 50% interest in our Max Cycles non-automotive joint venture, which operates BMW motorcycle dealerships. Subsequent to September 30, 2015, our Penske-Wynn Ferrari/Maserati joint venture sold substantially all of its assets to a third party. We accounted for both of these investments using the equity method of accounting. The equity earnings associated with these investments is included within continuing operations under the caption Equity in earnings of affiliates for the three and nine months ended September 30, 2015 and 2014.

Estimates

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

Fair Value of Financial Instruments

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

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

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

Our fixed rate debt consists of amounts outstanding under our senior subordinated notes and mortgage facilities. We estimate the 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 current market interest rates for similar types of financial instruments (Level 2). A summary of the carrying values and fair values of our 5.75% senior subordinated notes, 5.375% senior subordinated notes and our fixed rate mortgage facilities are as follows:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.75% senior subordinated notes due 2022	$ 550.0	$ 560.6	$ 550.0	$ 558.4
5.375% senior subordinated notes due 2024	300.0	299.6	300.0	306.0
Mortgage facilities	167.8	169.7	169.7	171.6

2. Inventories

Inventories consisted of the following:

	September 30, 2015	December 31, 2014
Retail automotive new vehicles	$ 2,002.3	$ 1,803.4
Retail automotive used vehicles	713.9	645.4
Retail automotive parts, accessories and other	110.0	104.3
Commercial truck dealership vehicles and parts	187.2	85.5
Commercial vehicle distribution vehicles and parts	175.0	197.8
Total inventories	$ 3,188.4	$ 2,836.4

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We receive credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $12.5 million and $12.7 million during the three months ended September 30, 2015 and 2014, respectively, and $32.7 million and $29.9 million during the nine months ended September 30, 2015 and 2014, respectively.

3. Business Combinations

We acquired one retail automotive franchise and two retail commercial truck dealerships during the nine months ended September 30, 2015, and made an additional investment to gain control of a retail automotive joint venture previously accounted for under the equity method, as discussed previously. During the nine months ended September 30, 2014, we acquired two retail automotive franchises, as well as made an additional investment in an entity previously accounted for under the equity method. Our financial statements include the results of operations of the acquired entities from the date of acquisition. The fair value of the assets acquired and liabilities assumed have been recorded in our consolidated condensed financial statements, and may be subject to adjustment pending completion of final valuation. A summary of the aggregate consideration paid and the aggregate amounts of the assets acquired and liabilities assumed for the nine months ended September 30, 2015 and 2014 follows:

	September 30,			
	2015		2014	
Accounts receivable	$	52.0	$	0.7
Inventory		171.7		29.1
Other current assets		1.3		1.2
Property and equipment		72.1		4.1
Indefinite-lived intangibles		68.2		57.1
Other non-current assets		1.3		
Current liabilities		(42.1)		(2.6)
Non-current liabilities		(67.8)		(2.2)
Total consideration		256.7		87.4
Seller financed/assumed debt		(2.6)		(1.2)
Seller assumed floorplan		(118.3)		
Fair value of previously held interest		(28.0)		
Fair value of non-controlling interest		(22.4)		
Total cash used in acquisitions	$	85.4	$	86.2

The following unaudited consolidated pro forma results of operations of PAG for the three and nine months ended September 30, 2015 and 2014 give effect to acquisitions consummated during 2015 and 2014 as if they had occurred effective at the beginning of the periods:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
Revenues	$	5,054.2	$	4,806.2	$	14,775.6	$	14,113.7
Income from continuing operations		86.4		79.7		258.6		230.9
Net income		86.4		77.5		257.5		223.7
Income from continuing operations per diluted common share	$	0.96	$	0.88	$	2.87	$	2.55
Net income per diluted common share	$	0.96	$	0.86	$	2.85	$	2.47

4. Intangible Assets

Following is a summary of the changes in the carrying amount of goodwill and other indefinite-lived intangible assets during the nine months ended September 30, 2015:

	Goodwill	Other Indefinite-Lived Intangible Assets
Balance, January 1, 2015	$ 1,269.9	$ 386.6
Additions	49.4	18.8
Foreign currency translation	(21.6)	(12.7)
Balance, September 30, 2015	$ 1,297.7	$ 392.7

The additions during the nine months ended September 30, 2015 were within our Retail Automotive and Retail Commercial Truck reportable segments. As of September 30, 2015, the goodwill balance within our Retail Automotive, Retail Commercial Truck, and Other reportable segments was $1,069.4 million, $147.5 million and $80.8 million, respectively.

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5. Vehicle Financing

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

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

The weighted average interest rate on floor plan borrowings was 1.47% for the nine months ended September 30, 2015 and 1.79% for the nine months ended September 30, 2014, including for 2014 the effect of the interest rate swap discussed in Note 8. We classify floor plan notes payable to a party other than the manufacturer of a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles, as Floor plan notes payable non-trade on our consolidated balance sheets and classify related cash flows as a financing activity on our consolidated statements of cash flows.

6. Earnings Per Share

Basic earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, including outstanding unvested equity awards which contain rights to non-forfeitable dividends. Diluted earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, adjusted for any dilutive effects. A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2015 and 2014 follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Weighted average number of common shares outstanding	90,071,272	90,286,098	90,192,644	90,371,363
Effect of non-participatory equity compensation	36,000	36,000	36,000	36,000
Weighted average number of common shares outstanding, including effect of dilutive securities	90,107,272	90,322,098	90,228,644	90,407,363

7. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2015	December 31, 2014
U.S. credit agreement revolving credit line	$ 78.0	$
U.S. credit agreement term loan		88.0
U.K. credit agreement revolving credit line	46.9	121.5
U.K. credit agreement term loan	11.3	18.7
U.K. credit agreement overdraft line of credit	2.6	5.7
5.375% senior subordinated notes due 2024	300.0	300.0
5.75% senior subordinated notes due 2022	550.0	550.0
U.S. commercial truck capital loan		60.5
Australia working capital loan		
Mortgage facilities	167.8	169.7
Other	28.3	39.1
Total long-term debt	1,184.9	1,353.2
Less: current portion	(29.7)	(37.2)
Net long-term debt	$ 1,155.2	$ 1,316.0

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U.S. Credit Agreement

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

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

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

The U.S. credit agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Substantially all of our U.S. assets are subject to security interests granted to the lenders under the U.S. credit agreement. As of September 30, 2015, we had $78.0 million of revolver borrowings 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 revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional demand overdraft line of credit with RBS (collectively, the U.K. credit agreement) to be used for working capital, acquisitions, capital expenditures, investments and general corporate purposes. In April 2015, we amended the U.K. credit agreement principally to increase the revolving borrowing capacity from £100.0 million to £150.0 million. The loans mature on the termination date of the facility, which is December 19, 2019. The revolving loans bear interest between defined LIBOR plus 1.35% and defined LIBOR plus 3.0% and the demand overdraft line of credit bears interest at the Bank of England Base Rate plus 1.75%. As of September 30, 2015, outstanding loans under the U.K. credit agreement amounted to £32.7 million ($49.5 million).

The U.K. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our U.K. subsidiaries, and contains a number of significant covenants that, among other things, restrict the ability of our U.K. subsidiaries to pay dividends, dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, our U.K. subsidiaries are required to comply with defined ratios and tests, including: a ratio of earnings before interest, taxes, amortization, and rental payments (EBITAR) to interest plus rental payments, a measurement of maximum capital expenditures, and a debt to

EBITDA ratio. A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of any amounts owed.

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

In 2012, our U.K. subsidiaries entered into a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30.0 million term loan that 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 September 30, 2015, the amount outstanding under the U.K. term loan was £7.5 million ($11.3 million).

5.375% Senior Subordinated Notes

In November 2014, we issued $300.0 million in aggregate principal amount of 5.375% Senior Subordinated Notes due 2024 (the 5.375% Notes). Interest on the 5.375% Notes is payable semi-annually on June 1 and December 1 of each year. The 5.375% Notes

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mature on December 1, 2024, unless earlier redeemed or purchased by us. The 5.375% Notes are unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing 100% owned U.S. subsidiaries. The 5.375% Notes also contain customary negative covenants and events of default.

On or after December 1, 2019, we may redeem the 5.375% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.375% Notes using the proceeds of specified equity offerings at any time prior to December 1, 2017 at a price specified in the indenture. If we experience certain change of control events specified in the indenture, holders of the 5.375% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

5.75% Senior Subordinated Notes

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

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. 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.

U.S. Commercial Truck Capital Loan

The principal source of working capital of our PTG business was a working capital loan agreement with Mercedes-Benz Financial Services USA LLC with an amount outstanding of $60.5 million as of December 31, 2014. In February 2015, we repaid the outstanding principal balance using our U.S. revolving credit facility and we intend to continue to use the U.S. revolving credit facility to address PTG s working capital needs.

Australia Working Capital Loan Agreement

Penske Commercial Vehicles Australia is party to a working capital loan agreement with Mercedes-Benz Financial Services Australia Pty Ltd that provides it with up to AU $28.0 million ($19.7 million) of working capital availability. This agreement provides the lender with a secured

interest in certain inventory and receivables of our commercial vehicle distribution business. The loan bears interest at the Australian BBSW 30-day Bill Rate plus 2.35%. As of September 30, 2015, no loans were outstanding under the working capital loan agreement.

Mortgage Facilities

We are party to several mortgages that 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 September 30, 2015, we owed $167.8 million of principal under our mortgage facilities.

8. Derivatives and Hedging

Penske Commercial Vehicles Australia and Penske Power Systems sell vehicles, engines, parts and other products purchased from manufacturers in the U.S., Germany, and the U.K. In order to protect against exchange rate movements, Penske Commercial Vehicles Australia and Penske Power Systems enter into foreign exchange forward contracts against anticipated cash flows. The contracts are timed to mature when major shipments are scheduled to arrive in Australia and when receipt of payment from customers is expected. We classify our foreign exchange forward contracts as cash flow hedges and state them at fair value. We used Level 2 inputs to estimate the fair value of the foreign exchange forward contracts. The fair value of the contracts designated as hedging instruments was estimated to be an asset of $1.6 million and $1.1 million as of September 30, 2015 and December 31, 2014, respectively.

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We previously were party to interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt was fixed at a rate of 2.135% and $100.0 million of our floating rate floor plan debt was fixed at a rate of 1.55%. During the three and nine months ended September 30, 2014, the swaps increased the weighted average interest rate on our floor plan borrowings by approximately 29 basis points. We are not party to any interest rate swap agreements in 2015.

9. Commitments and Contingent Liabilities

We are involved in litigation which may relate to claims brought by governmental authorities, issues with customers, and employment related matters, including class action claims and purported class action claims. As of September 30, 2015, we were not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, financial condition or cash flows.

We have historically structured our operations so as to minimize ownership of real property. As a result, we lease or sublease substantially all of our facilities. These leases are generally for a period between 5 and 20 years, and are typically structured to include renewal options at our election. Pursuant to the leases for some of our larger facilities, we are required to comply with specified financial ratios, including a rent coverage ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require us to post collateral in the form of a letter of credit. A breach of the other lease covenants gives rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease.

We have sold a number of dealerships to third parties and, as a condition to certain of those sales, remain liable for the lease payments relating to the properties on which those businesses operate in the event of non-payment by the buyer. We are also party to lease agreements on properties that we no longer use in our retail operations that we have sublet to third parties. We rely on subtenants to pay the rent and maintain the property at these locations. In the event the subtenant does not perform as expected, we may not be able to recover amounts owed to us and we could be required to fulfill these obligations.

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

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

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

We have $23.8 million of letters of credit outstanding as of September 30, 2015, and have posted $16.5 million of surety bonds in the ordinary course of business.

10. Equity

During the nine months ended September 30, 2015, we repurchased or acquired 439,383 shares of our common stock. In the first quarter of 2015, we repurchased 283,000 shares of our outstanding common stock for $14.0 million, or an average of $49.25 per share, under our securities repurchase program approved by our Board of Directors. During the second and third quarters of 2015, we did not repurchase any common stock under this program. As of September 30, 2015, our remaining authorization under the program was $136.0 million. During the second quarter of 2015, we acquired 156,383 shares of our common stock for $8.0 million, or an average of $51.05 per share, from employees in connection with a net share settlement feature of employee equity awards. We did not acquire any additional shares in connection with the net share settlement feature of employee equity awards during the third quarter of 2015.

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11. Accumulated Other Comprehensive Income/(Loss)

Changes in accumulated other comprehensive income/(loss) by component and the reclassifications out of accumulated other comprehensive income/(loss) during the three and nine months ended September 30, 2015 and 2014, respectively, attributable to Penske Automotive Group common stockholders follows:

Three Months Ended September 30, 2015

	Foreign Currency Translation	Other	Total
Balance at June 30, 2015	$ (65.9)	$ (3.4)	$ (69.3)
Other comprehensive income (loss) before reclassifications	(42.6)	(0.5)	(43.1)
Amounts reclassified from accumulated other comprehensive income - net of tax			
Net current period other comprehensive income (loss)	(42.6)	(0.5)	(43.1)
Balance at September 30, 2015	$ (108.5)	$ (3.9)	$ (112.4)

Three Months Ended September 30, 2014

	Foreign Currency Translation	Other	Total
Balance at June 30, 2014	$ 37.8	$ (0.9)	$ 36.9
Other comprehensive income (loss) before reclassifications	(52.8)	1.4	(51.4)
Amounts reclassified from accumulated other comprehensive income - net of tax		1.1	1.1
Net current period other comprehensive income (loss)	(52.8)	2.5	(50.3)
Balance at September 30, 2014	$ (15.0)	$ 1.6	$ (13.4)

Nine Months Ended September 30, 2015

	Foreign Currency Translation	Other	Total
Balance at December 31, 2014	$ (51.7)	$ (1.6)	$ (53.3)
Other comprehensive income (loss) before reclassifications	(56.8)	(2.3)	(59.1)

Amounts reclassified from accumulated other comprehensive income - net of tax						
Net current period other comprehensive income (loss)		(56.8)		(2.3)		(59.1)
Balance at September 30, 2015	$	(108.5)	$	(3.9)	$	(112.4)

Nine Months Ended September 30, 2014

		Foreign Currency Translation		Other		Total
Balance at December 31, 2013	$	11.4	$	0.2	$	11.6
Other comprehensive income (loss) before reclassifications		(26.4)		(2.0)		(28.4)
Amounts reclassified from accumulated other comprehensive income - net of tax				3.4		3.4
Net current period other comprehensive income (loss)		(26.4)		1.4		(25.0)
Balance at September 30, 2014	$	(15.0)	$	1.6	$	(13.4)

Within the amounts reclassified from accumulated other comprehensive income during the three and nine months ended September 30, 2014, amounts associated with Other relate to interest rate swaps and are included in floor plan interest expense.

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12. Segment Information

Our operations are organized by management into operating segments by line of business and geography. We have determined that we have three reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail Automotive, consisting of retail automotive dealership operations, (ii) Retail Commercial Truck, consisting of our U.S. retail commercial truck dealership operations, and (iii) Other, consisting of our commercial vehicle and power systems distribution operations and our other investments in non-automotive retail operations. The Retail Automotive reportable segment includes all automotive dealerships and all departments relevant to the operation of the dealerships and our retail automotive joint ventures. The individual dealership operations included in the Retail Automotive reportable segment have been grouped into four geographic operating segments: Eastern, Central, and Western United States and International. The geographic operating segments have been aggregated into one reportable segment as their operations (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). Revenue and segment income for the three and nine months ended September 30, 2015 and 2014 follows:

Three Months Ended September 30

	Retail Automotive	Retail Commercial Truck	Other	Intersegment Elimination	Total
Revenues					
2015	$ 4,585.8	$ 268.5	$ 106.3	$ (0.5)	$ 4,960.1
2014	4,295.6		102.7	(1.6)	4,396.7
Segment income					
2015	$ 107.8	$ 10.3	$ 11.2	$	$ 129.3
2014	101.5	1.5	14.0		117.0

Nine Months Ended September 30

	Retail Automotive	Retail Commercial Truck	Other	Intersegment Elimination	Total
Revenues					
2015	$ 13,327.5	$ 703.1	$ 334.1	$ (1.1)	$ 14,363.6
2014	12,495.3		314.9	(3.8)	12,806.4
Segment income					
2015	$ 330.9	$ 28.1	$ 29.4	$	$ 388.4
2014	300.8	2.9	36.1		339.8

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13. Condensed Consolidating Financial Information

The following tables include condensed consolidating financial information as of September 30, 2015 and December 31, 2014 and for the three and nine month periods ended September 30, 2015 and 2014 for Penske Automotive Group, Inc. (as the issuer of the 5.75% and 5.375% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing non-U.S. entities). Guarantor subsidiaries are directly or indirectly 100% owned by PAG, and the guarantees are full and unconditional, and joint and several. The guarantees may be released under certain circumstances upon resale, or transfer by us of the stock of the related guarantor or all or substantially all of the assets of the guarantor to a non-affiliate.

CONDENSED CONSOLIDATING BALANCE SHEET
September 30, 2015

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In millions)		
Cash and cash equivalents	$ 49.7	$	$	$	$ 49.7
Accounts receivable, net	775.5	(428.1)	428.1	307.0	468.5
Inventories	3,188.4			1,526.0	1,662.4
Other current assets	109.0		4.7	34.2	70.1
Assets held for sale	15.3			9.2	6.1
Total current assets	4,137.9	(428.1)	432.8	1,876.4	2,256.8
Property and equipment, net	1,476.9		4.1	796.3	676.5
Intangible assets	1,690.4			833.9	856.5
Equity method investments	340.1		298.9		41.2
Other long-term assets	29.6	(2,155.9)	2,170.9	1.5	13.1
Total assets	$ 7,674.9	$ (2,584.0)	$ 2,906.7	$ 3,508.1	$ 3,844.1
Floor plan notes payable	$ 2,096.0	$	$	$ 1,186.7	$ 909.3
Floor plan notes payable non-trade	1,072.6		153.6	268.0	651.0
Accounts payable	482.4		3.1	131.1	348.2
Accrued expenses	358.3	(428.1)	0.9	157.3	628.2
Current portion of long-term debt	29.7			6.9	22.8
Liabilities held for sale	8.3			4.6	3.7
Total current liabilities	4,047.3	(428.1)	157.6	1,754.6	2,563.2
Long-term debt	1,155.2	(262.0)	928.0	110.4	378.8
Deferred tax liabilities	395.6			371.8	23.8
Other long-term liabilities	255.7			67.2	188.5
Total liabilities	5,853.8	(690.1)	1,085.6	2,304.0	3,154.3
Total equity	1,821.1	(1,893.9)	1,821.1	1,204.1	689.8
Total liabilities and equity	$ 7,674.9	$ (2,584.0)	$ 2,906.7	$ 3,508.1	$ 3,844.1

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CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2014

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In millions)		
Cash and cash equivalents	$ 36.3	$	$	$	$ 36.3
Accounts receivable, net	707.1	(409.6)	409.6	392.6	314.5
Inventories	2,836.4			1,481.5	1,354.9
Other current assets	124.8		4.5	58.3	62.0
Assets held for sale	156.1			150.9	5.2
Total current assets	3,860.7	(409.6)	414.1	2,083.3	1,772.9
Property and equipment, net	1,331.6		4.3	754.6	572.7
Intangible assets	1,656.5			817.9	838.6
Equity method investments	352.8		285.5		67.3
Other long-term assets	26.6	(1,990.8)	2,005.0	4.4	8.0
Total assets	$ 7,228.2	$ (2,400.4)	$ 2,708.9	$ 3,660.2	$ 3,259.5
Floor plan notes payable	$ 1,812.6	$	$	$ 1,102.0	$ 710.6
Floor plan notes payable non-trade	933.8		86.8	398.1	448.9
Accounts payable	422.5		2.9	208.3	211.3
Accrued expenses	316.0	(409.6)		123.3	602.3
Current portion of long-term debt	37.2			4.6	32.6
Liabilities held for sale	108.2			105.9	2.3
Total current liabilities	3,630.3	(409.6)	89.7	1,942.2	2,008.0
Long-term debt	1,316.0	(247.0)	938.0	116.1	508.9
Deferred tax liabilities	409.9			385.6	24.3
Other long-term liabilities	190.8			66.9	123.9
Total liabilities	5,547.0	(656.6)	1,027.7	2,510.8	2,665.1
Total equity	1,681.2	(1,743.8)	1,681.2	1,149.4	594.4
Total liabilities and equity	$ 7,228.2	$ (2,400.4)	$ 2,708.9	$ 3,660.2	$ 3,259.5

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
Three Months Ended September 30, 2015

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 4,960.1	$	$	$ 2,591.2	$ 2,368.9
Cost of sales	4,230.9			2,197.2	2,033.7
Gross profit	729.2			394.0	335.2
Selling, general and administrative expenses	563.4		5.7	302.6	255.1
Depreciation	19.8		0.4	10.6	8.8
Operating income	146.0		(6.1)	80.8	71.3
Floor plan interest expense	(11.4)		(0.7)	(5.6)	(5.1)
Other interest expense	(16.3)		(10.6)	(1.3)	(4.4)
Equity in earnings of affiliates	11.0		11.0		
Equity in earnings of subsidiaries		(134.8)	134.8		
Income from continuing operations before income taxes	129.3	(134.8)	128.4	73.9	61.8
Income taxes	(41.7)	43.8	(41.7)	(29.4)	(14.4)
Income from continuing operations	87.6	(91.0)	86.7	44.5	47.4
(Loss) income from discontinued operations, net of tax	(0.1)	0.1	(0.1)	(0.1)	
Net income	87.5	(90.9)	86.6	44.4	47.4
Other comprehensive income (loss), net of tax	(42.5)	40.8	(42.5)		(40.8)
Comprehensive income	45.0	(50.1)	44.1	44.4	6.6
Less: Comprehensive income attributable to non-controlling interests	1.5	(0.6)	0.6		1.5
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 43.5	$ (49.5)	$ 43.5	$ 44.4	$ 5.1

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
Three Months Ended September 30, 2014

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 4,396.7	$	$	$ 2,489.9	$ 1,906.8
Cost of sales	3,749.1			2,112.5	1,636.6
Gross profit	647.6			377.4	270.2
Selling, general and administrative expenses	502.3		11.5	283.0	207.8
Depreciation	17.3		0.4	9.6	7.3
Operating income	128.0		(11.9)	84.8	55.1
Floor plan interest expense	(11.3)		(2.5)	(5.1)	(3.7)
Other interest expense	(12.4)		(7.4)	(0.5)	(4.5)
Equity in earnings of affiliates	12.7		11.7		1.0
Equity in earnings of subsidiaries		(126.8)	126.8		
Income from continuing operations before income taxes	117.0	(126.8)	116.7	79.2	47.9
Income taxes	(39.7)	43.1	(39.7)	(31.4)	(11.7)
Income from continuing operations	77.3	(83.7)	77.0	47.8	36.2
(Loss) income from discontinued operations, net of tax	(2.2)	2.5	(2.5)	(1.6)	(0.6)
Net income	75.1	(81.2)	74.5	46.2	35.6
Other comprehensive income (loss), net of tax	(51.0)	50.1	(51.0)	1.1	(51.2)
Comprehensive income	24.1	(31.1)	23.5	47.3	(15.6)
Less: Comprehensive income attributable to non-controlling interests	(0.1)	0.7	(0.7)		(0.1)
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 24.2	$ (31.8)	$ 24.2	$ 47.3	$ (15.5)

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
Nine Months Ended September 30, 2015

	Total Company	Eliminations	Penske Automotive Group (In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 14,363.6	$	$	$ 7,548.5	$ 6,815.1
Cost of sales	12,213.2			6,372.4	5,840.8
Gross profit	2,150.4			1,176.1	974.3
Selling, general and administrative expenses	1,652.3		18.0	895.9	738.4
Depreciation	57.7		1.2	31.2	25.3
Operating income	440.4		(19.2)	249.0	210.6
Floor plan interest expense	(32.7)		(2.1)	(16.4)	(14.2)
Other interest expense	(49.0)		(30.6)	(4.0)	(14.4)
Equity in earnings of affiliates	29.7		27.3		2.4
Equity in earnings of subsidiaries		(410.2)	410.2		
Income from continuing operations before income taxes	388.4	(410.2)	385.6	228.6	184.4
Income taxes	(128.2)	136.3	(128.2)	(91.8)	(44.5)
Income from continuing operations	260.2	(273.9)	257.4	136.8	139.9
(Loss) income from discontinued operations, net of tax	(1.1)	1.7	(1.7)	(1.3)	0.2
Net income	259.1	(272.2)	255.7	135.5	140.1
Other comprehensive income (loss), net of tax	(59.3)	55.6	(59.3)		(55.6)
Comprehensive income	199.8	(216.6)	196.4	135.5	84.5
Less: Comprehensive income attributable to non-controlling interests	3.1	0.2	(0.2)		3.1
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 196.7	$ (216.8)	$ 196.6	$ 135.5	$ 81.4

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
Nine Months Ended September 30, 2014

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In millions)		
Revenues	$ 12,806.4	$	$	$ 7,102.0	$ 5,704.4
Cost of sales	10,887.3			5,988.2	4,899.1
Gross profit	1,919.1			1,113.8	805.3
Selling, general and administrative expenses	1,486.0		23.2	853.2	609.6
Depreciation	50.6		1.0	27.9	21.7
Operating income	382.5		(24.2)	232.7	174.0
Floor plan interest expense	(34.2)		(7.3)	(15.4)	(11.5)
Other interest expense	(37.2)		(21.9)	(1.4)	(13.9)
Equity in earnings of affiliates	28.7		25.3		3.4
Equity in earnings of subsidiaries		(368.5)	368.5		
Income from continuing operations before income taxes	339.8	(368.5)	340.4	215.9	152.0
Income taxes	(115.7)	125.1	(115.7)	(84.0)	(41.1)
Income from continuing operations	224.1	(243.4)	224.7	131.9	110.9
(Loss) income from discontinued operations, net of tax	(7.2)	9.8	(9.8)	4.2	(11.4)
Net income	216.9	(233.6)	214.9	136.1	99.5
Other comprehensive income (loss), net of tax	(26.0)	24.9	(26.0)	3.2	(28.1)
Comprehensive income	190.9	(208.7)	188.9	139.3	71.4
Less: Comprehensive income attributable to non-controlling interests	1.0	0.9	(0.9)		1.0
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 189.9	$ (209.6)	$ 189.8	$ 139.3	$ 70.4

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2015

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In millions)		
Net cash provided by continuing operating activities	$ 373.4	$ 28.4	$ 154.3	$ 190.7
Investing activities:				
Purchase of equipment and improvements	(151.1)	(1.0)	(74.0)	(76.1)
Acquisitions, net	(85.4)		(21.7)	(63.7)
Other	0.2			0.2
Net cash used in continuing investing activities	(236.3)	(1.0)	(95.7)	(139.6)
Financing activities:				
Net (repayments) borrowings of long-term debt	(165.7)	(10.0)	24.0	(179.7)
Net borrowings (repayments) of floor plan notes payable non-trade	94.6	66.9	(130.1)	157.8
Payment of deferred financing fees	(1.8)			(1.8)
Repurchases of common stock	(22.0)	(22.0)		
Dividends	(62.3)	(62.3)		
Other	(5.9)			(5.9)
Distributions from (to) parent			8.3	(8.3)
Net cash used in continuing financing activities	(163.1)	(27.4)	(97.8)	(37.9)
Net cash provided by discontinued operations	39.7		39.2	0.5
Effect of exchange rate changes on cash and cash equivalents	(0.3)			(0.3)
Net change in cash and cash equivalents	13.4			13.4
Cash and cash equivalents, beginning of period	36.3			36.3
Cash and cash equivalents, end of period	$ 49.7	$	$	$ 49.7

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2014

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In millions)		
Net cash provided by (used in) continuing operating activities	$ 276.0	$ (19.4)	$ 169.0	$ 126.4
Investing activities:				
Purchase of equipment and improvements	(139.6)	(0.6)	(82.9)	(56.1)
Acquisitions, net	(86.2)		(80.5)	(5.7)
Other	(25.3)	4.2	(10.6)	(18.9)
Net cash (used in) provided by continuing investing activities	(251.1)	3.6	(174.0)	(80.7)
Financing activities:				
Net borrowings of long-term debt	127.0	84.0	9.6	33.4
Net borrowings (repayments) of floor plan notes payable non-trade		(1.2)	(20.9)	22.1
Repurchases of common stock	(15.5)	(15.5)		
Dividends	(51.5)	(51.5)		
Other	0.2			0.2
Distributions from (to) parent			4.8	(4.8)
Net cash provided by (used in) continuing financing activities	60.2	15.8	(6.5)	50.9
Net cash provided by (used in) discontinued operations	15.1		(1.5)	16.6
Net change in cash and cash equivalents	100.2		(13.0)	113.2
Cash and cash equivalents, beginning of period	50.3		13.0	37.3
Cash and cash equivalents, end of period	$ 150.5	$	$	$ 150.5

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

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

Overview

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

During the nine months ended September 30, 2015, our business generated $14.4 billion in total revenue, which is comprised of $13.3 billion from retail automotive dealerships, $703.1 million from retail commercial truck dealerships and $333.0 million from commercial vehicle distribution and other operations.

Retail Automotive Dealership. We believe we are the second largest automotive retailer headquartered in the U.S. as measured by the $16.7 billion in total retail automotive dealership revenue we generated in 2014. As of September 30, 2015, we operated 352 automotive retail franchises, of which 178 franchises are located in the U.S. and 174 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In the nine months ended September 30, 2015, we retailed and wholesaled more than 390,000 vehicles. We are diversified geographically, with 60% of our total retail automotive dealership revenues in the nine months ended September 30, 2015 generated in the U.S. and Puerto Rico and 40% generated outside the U.S. We offer over 40 vehicle brands, with 72% of our retail automotive dealership revenue in the nine months ended September 30, 2015 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offer a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products.

Retail automotive dealerships represented 92.8% of our total revenues and 90.9% of our total gross profit in the nine months ended September 30, 2015. During the three months ended September 30, 2015, we acquired an additional 10% interest in one of our automotive dealership joint ventures located in Germany. We now own a 60% controlling interest in this joint venture as of September 30, 2015, and therefore this entity is now consolidated in our financial results for the three and nine months ended September 30, 2015.

Retail Commercial Truck Dealership. In November 2014, we acquired a controlling interest (91%) in a heavy and medium duty truck dealership group located in Texas, Oklahoma and New Mexico which we renamed Premier Truck Group (PTG). Prior to the 2014 transaction, we held a 32% interest in PTG and accounted for this investment under the equity method. PTG operates sixteen locations, including ten full-service dealerships offering primarily Freightliner and Western Star branded trucks. Two of these locations, Chattanooga and Knoxville, were acquired in February 2015. PTG also offers a full range of used trucks available for sale as well as service and parts departments, many of which are open 24 hours a day, seven days a week. During the three months ended September 30, 2015, we acquired an additional 5% of PTG bringing our total ownership interest to 96%.

Retail commercial truck dealerships represented 4.9% of our total revenues and 5.2% of our total gross profit in the nine months ended September 30, 2015.

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

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

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locations and dealers across the region. The on-highway portion of this business complements our existing Penske Commercial Vehicles Australia distribution business.

Our commercial vehicle distribution business represented 2.3% of our total revenues and 3.9% of our total gross profit in the nine months ended September 30, 2015.

Penske Truck Leasing. We hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. (PTL), a leading provider of transportation and supply chain services. PTL operates and maintains more than 225,000 vehicles and serves customers in North America, South America, Europe, Australia and Asia and is one of the largest purchasers of commercial trucks in North America. Product lines include full-service truck leasing, contract maintenance, commercial and consumer truck rentals, used truck sales, transportation and warehousing management and supply chain management solutions. In March 2015, Mitsui & Co. purchased a 20% ownership interest in PTL from General Electric Capital Corporation (GECC). PTL is currently owned 41.1% by Penske Corporation, 9.0% by us, 29.9% by GECC and 20.0% by Mitsui & Co. We account for our investment in PTL under the equity method, and we therefore record our share of PTL s earnings on our statements of income under the caption Equity in earnings of affiliates, which also includes the results of our other investments.

Outlook

The level of new automotive unit sales in our markets affects our results. The new vehicle market continues to perform well, and for the nine months ended September 30, 2015, the U.S. light vehicle retail market grew 5.0% to 13.1 million units. We believe the overall market is being positively impacted by generally strong economic conditions, including increased consumer confidence, low levels of unemployment and low interest rates, attractive products and new model introductions by many different OEM s, access to credit, the age of vehicles on the road, and the decline in oil prices contributing to lower consumer fuel costs. We believe the current market for new light vehicle sales will remain strong for the remainder of 2015, although actual sales may differ materially.

During the nine months ended September 30, 2015, U.K. new vehicle registrations increased 7.1% from 2014 to 2.1 million registrations. We believe the overall market in the U.K. is being positively impacted by generally strong economic conditions, including increased consumer confidence and low levels of unemployment, access to credit, attractive financing offers, improving new car efficiency, and the latest technologically advanced vehicles, particularly in the area of premium brand sales. We believe that new vehicle registrations will remain robust for the remainder of 2015, although actual results may differ materially.

During the nine months ended September 30, 2015, North American sales of Class 5-8 medium and heavy-duty trucks, the principal vehicles for our PTG business, were approximately 399,200 units, an increase of 10.3% from 2014. The largest North American market, Class 8 heavy-duty trucks, increased 14.6% to 234,800 units from 204,800 units in 2014. Based on a growing economy, the strength of the order backlog, strong freight metrics, the drop in oil prices, which may help trucking profitability and boost discretionary spending, there are expectations for continued strength in the North American Class 5-8 medium and heavy-duty truck market for the remainder of 2015.

Our commercial vehicle distribution business, including the on-highway portion of our Penske Power Systems business, operates principally in the Australian and New Zealand heavy and medium duty truck markets. For the nine months ended September 30, 2015, the Australian heavy-duty truck market reported sales of 7,221 units, representing a decrease of 7.0% from the same period in 2014. For the nine months ended September 30, 2015, the New Zealand market reported sales of 2,260 units, representing an increase of 7.1% from the same period in 2014. The brands we represent in Australia hold an 8.8% market share in the Australian heavy-duty truck market, and a 6.2% market share in New Zealand. We expect the Australian commercial vehicle market to lag behind historical sales levels partly due to difficult macro-economic conditions, including the weakening of the Australian dollar versus the U.S. dollar, and the declining price of commodities in these markets. The commercial parts distribution portion of our business has been increasing and we expect the parts distribution business will continue to be resilient due to the increasing average fleet age in Australia combined with the delayed vehicle replacement cycle resulting from the difficult macro-economic conditions.

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

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

Operating Overview

Automotive and commercial truck dealerships represent the majority of our results of operations. New and used vehicle revenues include sales to retail customers and to leasing companies providing consumer leasing. We generate finance and insurance revenues from sales of third-party extended service contracts, sales of third-party insurance policies, commissions relating to the sale of finance and lease contracts to third parties and the sales of certain other products. Service and parts revenues include fees paid by customers

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for repair, maintenance and collision services, and the sale of replacement parts and other aftermarket accessories as well as warranty repairs that are reimbursed directly by various OEM s.

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 revenue and gross profit increased $563.4 million and $81.6 million, or 12.8% and 12.6%, respectively, during the three months ended September 30, 2015 and increased $1,557.2 million and $231.3 million, or 12.2% and 12.1%, respectively, during the nine months ended September 30, 2015, compared to the same periods in 2014. The increases are largely attributable to same-store increases in new and used vehicle, finance and insurance, and service and parts revenue and gross profit, in addition to our acquisitions of PTG and Penske Power Systems in the fourth quarter of 2014. Additionally, as exchange rates fluctuate, our revenue and results of operations as reported in U.S. Dollars fluctuate. For example, if the British Pound were to strengthen against the U.S. Dollar, our U.K. results of operations would translate into more U.S. Dollar reported results. The British Pound weakened against the U.S. Dollar by 7.2% and 8.2% during the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014, which negatively impacted our reported results of operations. Foreign currency fluctuations decreased revenue and gross profit by $180.3 million and $27.4 million, respectively, for the three months ended September 30, 2015, and by $579.6 million and $84.9 million, respectively, for the nine months ended September 30, 2015. Foreign currency fluctuations also reduced earnings per share from continuing operations by approximately $0.04 and $0.14 per share for the three and nine months ended September 30, 2015, respectively. Excluding the impact of foreign currency fluctuations, revenue and gross profit increased 16.9% and 16.8%, respectively, for the three months ended September 30, 2015, and increased 16.7% and 16.5%, respectively, for the nine months ended September 30, 2015.

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

Floor plan interest expense relates to financing incurred in connection with the acquisition of new and used vehicle inventories that is secured by those vehicles. Other interest expense consists of interest charges on all of our interest-bearing debt, other than interest relating to floor plan financing and includes interest relating to our retail commercial truck dealership and commercial vehicle distribution operations. The cost of our variable rate indebtedness is based on the prime rate, defined London Interbank Offered Rate (LIBOR), the Bank of England Base Rate, the Finance House Base Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate (BBSW). Our floor plan interest expense decreased during the three and nine months ended September 30, 2015 primarily as a result of the expiration of our interest rate swaps. Our other interest expense increased during the three and nine months ended September 30, 2015 primarily due to an increased level of borrowing relating to the issuance of our $300.0 million 5.375% senior subordinated notes in November 2014.

Equity in earnings of affiliates represents our share of the earnings from our investments in joint ventures and other non-consolidated investments, including PTL.

During the first quarter of 2015, we divested our car rental business that included Hertz car rental franchises in the Memphis, Tennessee market and certain markets throughout Indiana in light of our perceived inability to grow that business. The results of operations of our car rental business are included in discontinued operations for the nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014.

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

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

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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

Dealership Vehicle, Parts and Service Sales. We record revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is completed and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursements of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under certain manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award was received, or upon attainment of the particular program goals if not associated with individual vehicles. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue). During the nine months ended September 30, 2015 and 2014, we earned $462.7 million and $433.0 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which $451.1 million and $422.6 million, respectively, were recorded as a reduction of cost of sales. The remaining $11.6 million and $10.4 million were recorded as a reduction of selling, general and administrative expenses.

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

finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $27.7 million and $25.8 million as of September 30, 2015 and December 31, 2014, respectively.

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

Impairment Testing

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

Goodwill impairment is assessed at the reporting unit level annually on October 1 and upon the occurrence of an indicator of impairment. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have three reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail Automotive, consisting of our retail automotive dealership operations, (ii) Retail Commercial Truck, consisting of our U.S. retail commercial truck dealership operations, and (iii) Other, consisting of our commercial vehicle and power systems distribution operations and our other investments in non-automotive retail operations. We have determined that the dealerships in each of our operating segments within the Retail Automotive reportable segment are components that are aggregated into four geographical reporting units for the purpose of goodwill impairment testing, as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals), and (D) have similar

distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The geographic reporting units are Eastern, Central, and Western United States and International. The goodwill included in our Other reportable segment relates to our commercial vehicle distribution operating segment.

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

Investments

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee s income each period. The net book value of our investments was $340.1 million and $352.8 million as of September 30, 2015 and December 31, 2014, respectively, including $291.8 million relating to PTL as of September 30, 2015. Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment is identified, management estimates the fair value of the investment using a discounted cash flow approach, which includes assumptions relating to revenue and profitability growth, profit margins, and our cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments carrying value to fair value.

Self-Insurance

We retain risk relating to certain of our general liability insurance, workers compensation insurance, vehicle physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance and employee medical benefits in the U.S. As a result, we are likely to be responsible for a significant portion of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above the pre-determined loss limits are paid by third-party insurance carriers. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $23.6 million and $24.6 million as of September 30, 2015 and December 31, 2014, respectively. Changes in the reserve estimate during 2015 relate primarily to our workers compensation programs.

Income Taxes

Tax regulations may require items to be included in our tax returns at different times than the items are reflected in our financial statements. Some of these differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as the timing of depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items

that will be used as a tax deduction or credit in our tax returns in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax returns that have not yet been recognized as expense in our financial statements. We establish valuation allowances for our deferred tax assets if the amount of expected future taxable income is not likely to allow for the use of the deduction or credit.

Classification in Continuing and Discontinued Operations

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

Recent Accounting Pronouncements

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

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Results of Operations

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

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Retail Automotive Dealership New Vehicle Data

(In millions, except unit and per unit amounts)

			2015 vs. 2014	
	2015	**2014**	**Change**	**% Change**
New retail unit sales	61,041	57,066	3,975	7.0%
Same-store new retail unit sales	59,769	57,066	2,703	4.7%
New retail sales revenue	$ 2,382.7	$ 2,228.9	$ 153.8	6.9%
Same-store new retail sales revenue	$ 2,353.2	$ 2,228.9	$ 124.3	5.6%
New retail sales revenue per unit	$ 39,034	$ 39,058	$ (24)	(0.1)%
Same-store new retail sales revenue per unit	$ 39,371	$ 39,058	$ 313	0.8%
Gross profit new	$ 178.0	$ 171.5	$ 6.5	3.8%
Same-store gross profit new	$ 173.8	$ 171.5	$ 2.3	1.3%
Average gross profit per new vehicle retailed	$ 2,916	$ 3,005	$ (89)	(3.0)%
Same-store average gross profit per new vehicle retailed	$ 2,908	$ 3,005	$ (97)	(3.2)%
Gross margin % new	7.5%	7.7%	(0.2)%	(2.6)%
Same-store gross margin % new	7.4%	7.7%	(0.3)%	(3.9)%

Units

Retail unit sales of new vehicles increased from 2014 to 2015, including a 3.0% increase in the U.S. and a 15.9% increase internationally. The increase is due to a 2,703 unit, or 4.7%, increase in same-store new retail unit sales, coupled with a 1,272 unit increase from net dealership acquisitions. Same-store units increased 2.7% in the U.S. and 9.3% internationally. The overall same-store increase was driven primarily by a 7.2% increase in our premium brands. Overall, we believe our premium and volume non-U.S. brands are being positively impacted by favorable macro-economic conditions including credit availability, pent-up demand, and the introduction of new models.

Revenues

New vehicle retail sales revenue increased from 2014 to 2015 due to a $124.3 million, or 5.6%, increase in same-store revenues, coupled with a $29.5 million increase from net dealership acquisitions. Excluding $66.7 million of negative foreign currency fluctuations, same-store new retail revenue increased 8.6%. Same-store new retail revenue increased 4.4% in the U.S. and 7.8% internationally due in part to more favorable macro-economic conditions in the U.S. and in the U.K. The same-store revenue increase is due to the increase in same-store new retail unit sales, which increased revenue by $106.4 million, coupled with a $313 per unit increase in comparative average selling prices (offset by a $1,117 per unit decrease attributable to negative foreign currency fluctuations), which increased revenue by $17.9 million.

Gross Profit

Retail gross profit from new vehicle sales increased from 2014 to 2015 due to a $2.3 million, or 1.3%, increase in same-store gross profit, coupled with a $4.2 million increase from net dealership acquisitions. Excluding $5.9 million of negative foreign currency fluctuations, same-store gross profit increased 4.8%. The increase in same-store gross profit is due to the increase in same-store new retail unit sales, which increased gross profit by $7.9 million, somewhat offset by a $97 per unit decrease in the average gross profit per new vehicle retailed (including a $99 per unit decrease attributable to negative foreign currency fluctuations), which decreased gross profit by $5.6 million.

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Retail Automotive Dealership Used Vehicle Data

(In millions, except unit and per unit amounts)

	2015	2014	2015 vs. 2014 Change	% Change
Used retail unit sales	51,031	47,363	3,668	7.7%
Same-store used retail unit sales	49,495	47,363	2,132	4.5%
Used retail sales revenue	$ 1,394.8	$ 1,303.2	$ 91.6	7.0%
Same-store used retail sales revenue	$ 1,364.3	$ 1,303.2	$ 61.1	4.7%
Used retail sales revenue per unit	$ 27,332	$ 27,514	$ (182)	(0.7)%
Same-store used retail sales revenue per unit	$ 27,563	$ 27,514	$ 49	0.2%
Gross profit used	$ 84.3	$ 85.6	$ (1.3)	(1.5)%
Same-store gross profit used	$ 83.4	$ 85.6	$ (2.2)	(2.6)%
Average gross profit per used vehicle retailed	$ 1,652	$ 1,807	$ (155)	(8.6)%
Same-store average gross profit per used vehicle retailed	$ 1,685	$ 1,807	$ (122)	(6.8)%
Gross margin % used	6.0%	6.6%	(0.6)%	(9.1)%
Same-store gross margin % used	6.1%	6.6%	(0.5)%	(7.6)%

Units

Retail unit sales of used vehicles increased from 2014 to 2015, including a 0.7% increase in the U.S. and a 22.2% increase internationally. The increase is due to a 2,132 unit, or 4.5%, increase in same-store used retail unit sales, coupled with a 1,536 unit increase from net dealership acquisitions. Same-store units increased 0.5% in the U.S. and 12.7% internationally. The overall same-store increase was driven primarily by a 3.3% increase in premium brands. Overall, we believe that our same-store used vehicle sales are being positively impacted by an increase in trade-in units due to an increase in new unit sales, an increase in lease returns, as well as favorable market conditions, including credit availability and pent-up demand.

Revenues

Used vehicle retail sales revenue increased from 2014 to 2015 due to a $61.1 million, or 4.7%, increase in same-store revenues, coupled with a $30.5 million increase from net dealership acquisitions. Excluding $53.3 million of negative foreign currency fluctuations, same-store used retail revenue increased 8.8%. Same-store used retail revenue decreased 0.4% in the U.S. and increased 11.0% internationally. The same-store revenue increase is primarily due to the increase in same-store used retail unit sales, which increased revenue by $58.8 million, coupled with a $49 per unit increase in comparative average selling prices (offset by a $1,078 per unit decrease attributable to negative foreign currency fluctuations), which increased revenue by $2.3 million.

Gross Profit

Retail gross profit from used vehicle sales decreased from 2014 to 2015 due to a $2.2 million, or 2.6%, decrease in same-store gross profit, somewhat offset by a $0.9 million increase from net dealership acquisitions. Excluding $3.1 million of negative foreign currency fluctuations, same-store gross profit increased 1.1%. The decrease in same-store gross profit is due to a $122 per unit decrease in average gross profit per used vehicle retailed (including an $63 per unit decrease attributable to negative foreign currency fluctuations), which decreased gross profit by $5.8 million, somewhat offset by the increase in same-store used retail unit sales, which increased gross profit by $3.6 million. We believe the decline in average gross profit per unit and gross margin of used vehicles is due to an increasing availability of lower mileage, late model used vehicles, the relative affordability of new vehicles when compared to used vehicles, and a reduction of manufacturer incentives on used vehicles in the U.K.

Retail Automotive Dealership Finance and Insurance Data

(In millions, except unit and per unit amounts)

					2015 vs. 2014		
		2015		2014		Change	% Change
Total retail unit sales		112,072		104,429		7,643	7.3%
Total same-store retail unit sales		109,264		104,429		4,835	4.6%
Finance and insurance revenue	$	123.1	$	114.4	$	8.7	7.6%
Same-store finance and insurance revenue	$	122.7	$	114.4	$	8.3	7.3%
Finance and insurance revenue per unit	$	1,098	$	1,096	$	2	0.2%
Same-store finance and insurance revenue per unit	$	1,123	$	1,096	$	27	2.5%

Finance and insurance revenue increased from 2014 to 2015 due to an $8.3 million, or 7.3%, increase in same-store revenues, coupled with a $0.4 million increase from net dealership acquisitions. Excluding $3.3 million of negative foreign currency fluctuations, same-store finance and insurance revenue increased 10.1%. The same-store revenue increase is due to the increase in same-store retail unit sales, which increased revenue by $5.5 million, coupled with an increase in comparative average selling prices per unit, which increased revenue by $2.8 million. Finance and insurance revenue per unit increased 5.7% to $1,104 per unit in the

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U.S. but decreased 9.8% to $1,087 per unit internationally due primarily to negative foreign currency fluctuations. Excluding $29 of negative foreign currency fluctuations per unit, finance and insurance revenue per unit was $1,127. We believe the overall increase is due to our efforts to increase finance and insurance revenue, which include adding resources to drive additional training, product penetration and targeting underperforming locations.

Retail Automotive Dealership Service and Parts Data

(In millions)

	2015	2014	2015 vs. 2014 Change	2015 vs. 2014 % Change
Service and parts revenue	$ 463.3	$ 434.1	$ 29.2	6.7%
Same-store service and parts revenue	$ 453.7	$ 434.1	$ 19.6	4.5%
Gross profit service and parts	$ 275.2	$ 257.8	$ 17.4	6.7%
Same-store gross profit service and parts	$ 271.9	$ 257.8	$ 14.1	5.5%
Gross margin % service and parts	59.4%	59.4%	0.0%	0.0%
Same-store gross margin % service and parts	59.9%	59.4%	0.5%	0.8%

Revenues

Service and parts revenue increased from 2014 to 2015, including a 6.7% increase in the U.S. and a 6.7% increase internationally. The overall increase in service and parts revenue is due to a $19.6 million, or 4.5%, increase in same-store revenues during the period, coupled with a $9.6 million increase from net dealership acquisitions. Excluding $11.4 million of negative foreign currency fluctuations, same-store service and parts revenue increased 7.2%. The increase in same-store revenue is due to a $16.3 million, or 16.7%, increase in warranty revenue, a $2.5 million, or 0.8%, increase in customer pay revenue, and a $0.8 million, or 2.3%, increase in vehicle preparation and body shop revenue. Overall, we believe that our service and parts business is being positively impacted by increasing units in operation due to increasing new vehicle sales in recent years and recall activity as a result of manufacturer initiated programs to correct safety related issues.

Gross Profit

Service and parts gross profit increased from 2014 to 2015 due to a $14.1 million, or 5.5%, increase in same-store gross profit during the period, coupled with a $3.3 million increase from net dealership acquisitions. Excluding $6.6 million of negative foreign currency fluctuations, same-store gross profit increased 8.0%. The same-store gross profit increase is due to the increase in same-store revenues, which increased gross profit by $11.8 million, coupled with a 0.8% increase in gross margin, which increased gross profit by $2.3 million. The same-store gross profit increase is comprised of a $9.3 million, or 18.6%, increase in warranty gross profit, a $2.6 million, or 4.1%, increase in vehicle preparation and body shop gross profit, and a $2.2 million, or 1.5%, increase in customer pay gross profit.

Retail Commercial Truck Dealership Data

(In millions, except unit and per unit amounts)

During the three months ended September 30, 2015, Premier Truck Group generated $268.5 million of revenue and $40.0 million of gross profit principally through the retail sale of 1,998 new and used medium and heavy-duty trucks and service and parts sales.

New Commercial Truck Data		2015
New retail unit sales		1,712
New retail sales revenue	$	169.8
New retail sales revenue per unit	$	99,208
Gross profit new	$	7.9
Average gross profit per new truck retailed	$	4,600
Gross margin % new		4.7%

During the three months ended September 30, 2015, Premier Truck Group generated $169.8 million of new commercial truck retail sales revenue and $7.9 million of gross profit through the sale of 1,712 new commercial trucks. As discussed previously in the Outlook section, we see continued strength in the North American medium and heavy-duty Class 5-8 truck market that will positively impact Premier Truck Group s new truck retail sales.

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Used Commercial Truck Data		**2015**
Used retail unit sales		286
Used retail sales revenue	$	15.3
Used retail sales revenue per unit	$	53,420
Gross profit used	$	1.4
Average gross profit per used truck retailed	$	4,986
Gross margin % used		9.2%

During the three months ended September 30, 2015, Premier Truck Group generated $15.3 million of used commercial truck retail sales revenue and $1.4 million of gross profit through the sale of 286 used commercial trucks. We believe there is opportunity to grow used truck sales partially due to the continued strength of the North American medium and heavy-duty Class 5-8 truck market combined with e-commerce initiatives aimed at expanding our remarketing efforts.

Service and Parts Data		**2015**
Service and parts revenue	$	77.9
Gross profit service and parts	$	28.2
Gross margin % service and parts		36.2%

During the three months ended September 30, 2015, Premier Truck Group generated $77.9 million of service and parts revenue and $28.2 million of gross profit. Premier Truck Group generates service and parts revenue in connection with warranty and customer pay work performed at each of our truck dealerships and through retail sales of parts and accessories. Customer pay work represents approximately 86% of service and parts revenue, largely due to the significant amount of retail parts sold to third parties. We expect the strength of the North American economy coupled with the current strength of the Class 5-8 medium and heavy-duty truck market will favorably impact Premier Truck Group s service and parts revenue and gross profit.

Commercial Vehicle Distribution Data

Our commercial vehicle distribution business is comprised of our Penske Commercial Vehicles Australia business and our Penske Power Systems business, which we acquired on August 30, 2013 and October 1, 2014, respectively. During the three months ended September 30, 2015, Penske Commercial Vehicles Australia generated $61.2 million of revenue and $9.4 million of gross profit through the distribution and retail sale of 320 vehicles and parts. During the three months ended September 30, 2014, this business generated $98.5 million of revenue and $16.5 million of gross profit through the distribution and retail sale of 448 vehicles and parts. We believe the decline in revenue and gross profit from 2014 is attributable in part to difficult macro-economic conditions, the declining price of commodities, and the weakening of the Australian dollar versus the U.S. dollar, including the impact on the products sold by Penske Commercial Vehicles. Penske Power Systems generated $41.3 million of revenue and $17.1 million of gross profit during the three months ended September 30, 2015.

Selling, General and Administrative Data

(In millions)

			2015 vs. 2014	
	2015	**2014**	**Change**	**% Change**

Personnel expense	$	324.4	$	283.3	$	41.1	14.5%
Advertising expense	$	26.9	$	23.5	$	3.4	14.5%
Rent & related expense	$	72.7	$	66.9	$	5.8	8.7%
Other expense	$	139.4	$	128.6	$	10.8	8.4%
Total SG&A expenses	$	563.4	$	502.3	$	61.1	12.2%
Same-store SG&A expenses	$	513.9	$	502.3	$	11.6	2.3%
Personnel expense as % of gross profit		44.5%		43.7%		0.8%	1.8%
Advertising expense as % of gross profit		3.7%		3.6%		0.1%	2.8%
Rent & related expense as % of gross profit		10.0%		10.3%		(0.3)%	(2.9)%
Other expense as % of gross profit		19.1%		19.9%		(0.8)%	(4.0)%
Total SG&A expenses as % of gross profit		77.3%		77.6%		(0.3)%	(0.4)%
Same-store SG&A expenses as % of same-store gross profit		77.5%		77.6%		(0.1)%	(0.1)%

Selling, general and administrative expenses (SG&A) increased from 2014 to 2015 due to an $11.6 million, or 2.3%, increase in same-store SG&A, coupled with a $49.5 million increase from net acquisitions. Excluding the $16.8 million reduction related to

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foreign currency fluctuations, same-store SG&A increased 5.7%. The increase in same-store SG&A is due primarily to a net increase in variable personnel expenses, as a result of the 6.6% increase (adjusted for foreign currency fluctuations) in same-store retail gross profit versus the prior year. SG&A as a percentage of gross profit was 77.3%, an improvement of 30 basis points compared to 77.6% in the prior year. SG&A expenses as a percentage of total revenue was 11.4% in the three months ended September 30, 2015 and 2014, respectively.

Depreciation

(In millions)

			2015 vs. 2014	
	2015	2014	Change	% Change
Depreciation	$ 19.8	$ 17.3	$ 2.5	14.5%

The increase in depreciation from 2014 to 2015 is due to a $1.1 million, or 6.4%, increase in same-store depreciation, coupled with a $1.4 million increase from net acquisitions. The same-store increase is primarily related to our ongoing facility improvements and expansion programs.

Floor Plan Interest Expense

(In millions)

			2015 vs. 2014	
	2015	2014	Change	% Change
Floor plan interest expense	$ 11.4	$ 11.3	$ 0.1	0.9%

The $0.1 million increase in floor plan interest expense from 2014 to 2015 is primarily due to a $1.1 million, or 11.8%, increase in same-store floor plan interest expense, coupled with a $0.7 million increase from net dealership acquisitions, somewhat offset by the expiration of our interest rate swaps which reduced floor plan interest expense by $1.7 million compared to 2014. The same-store increase is primarily due to increases in the amounts outstanding under floor plan arrangements.

Other Interest Expense

(In millions)

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

The increase in other interest expense from 2014 to 2015 is primarily due to an increased level of borrowing in 2015 relating to the issuance of our $300.0 million 5.375% senior subordinated notes in November 2014 and additional interest expense attributable to acquisitions we completed in the fourth quarter of 2014 and the first nine months of 2015. These increases are somewhat offset by a decrease in outstanding revolver borrowings under the U.S. and U.K. credit agreements during the three months ended September 30, 2015 compared to the same period in 2014.

Equity in Earnings of Affiliates

(In millions)

			2015 vs. 2014	
	2015	**2014**	**Change**	**% Change**
Equity in earnings of affiliates	$ 11.0	$ 12.7	$ (1.7)	(13.4)%

The decrease in equity in earnings of affiliates from 2014 to 2015 is primarily attributable to a reduction in equity earnings related to our investment in Premier Truck Group, due to the consolidation of this entity during the fourth quarter of 2014, as well as a reduction in equity earnings related to our investment in one of our German automotive dealership joint ventures, which we consolidated during the third quarter of 2015 resulting from our acquisition of a controlling interest. The decrease is somewhat offset by an increase in equity in earnings from our investment in PTL from 2014 to 2015.

Income Taxes

(In millions)

			2015 vs. 2014	
	2015	**2014**	**Change**	**% Change**
Income taxes	$ 41.7	$ 39.7	$ 2.0	5.0%

Income taxes increased from 2014 to 2015 primarily due to a $12.3 million increase in our pre-tax income compared to the prior year.

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Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Retail Automotive Dealership New Vehicle Data

(In millions, except unit and per unit amounts)

					2015 vs. 2014	
		2015		**2014**	**Change**	**% Change**
New retail unit sales		173,160		162,391	10,769	6.6%
Same-store new retail unit sales		169,072		160,563	8,509	5.3%
New retail sales revenue	$	6,870.5	$	6,488.9	$ 381.6	5.9%
Same-store new retail sales revenue	$	6,712.9	$	6,406.2	$ 306.7	4.8%
New retail sales revenue per unit	$	39,677	$	39,959	$ (282)	(0.7)%
Same-store new retail sales revenue per unit	$	39,704	$	39,898	$ (194)	(0.5)%
Gross profit new	$	522.7	$	501.5	$ 21.2	4.2%
Same-store gross profit new	$	509.8	$	496.0	$ 13.8	2.8%
Average gross profit per new vehicle retailed	$	3,019	$	3,089	$ (70)	(2.3)%
Same-store average gross profit per new vehicle retailed	$	3,015	$	3,089	$ (74)	(2.4)%
Gross margin % new		7.6%		7.7%	(0.1)%	(1.3)%
Same-store gross margin % new		7.6%		7.7%	(0.1)%	(1.3)%

Units

Retail unit sales of new vehicles increased from 2014 to 2015, including a 3.4% increase in the U.S. and a 13.7% increase internationally. The increase is due to an 8,509 unit, or 5.3%, increase in same-store new retail unit sales, coupled with a 2,260 unit increase from net dealership acquisitions. Same-store units increased 2.7% in the U.S. and 10.9% internationally. The overall same-store increase was driven primarily by an 8.2% increase in our premium brands. Overall, we believe our premium and volume non-U.S. brands are being positively impacted by favorable macro-economic conditions including credit availability, pent-up demand, and the introduction of new models.

Revenues

New vehicle retail sales revenue increased from 2014 to 2015 due to a $306.7 million, or 4.8%, increase in same-store revenues, coupled with a $74.9 million increase from net dealership acquisitions. Excluding $241.4 million of negative foreign currency fluctuations, same-store new retail revenue increased 8.6%. Same-store new retail revenue increased 4.3% in the U.S. and 5.6% internationally due in part to more favorable macro-economic conditions in the U.S. and in the U.K. The same-store revenue increase is due to the increase in same-store new retail unit sales, which increased revenue by $337.8 million, somewhat offset by a $194 per unit decrease in comparative average selling prices (including a $1,428 per unit decrease attributable to negative foreign currency fluctuations), which decreased revenue by $31.1 million.

Gross Profit

Retail gross profit from new vehicle sales increased from 2014 to 2015 due to a $13.8 million, or 2.8%, increase in same-store gross profit, coupled with a $7.4 million increase from net dealership acquisitions. Excluding $21.3 million of negative foreign currency fluctuations, same-store gross profit increased 7.1%. The increase in same-store gross profit is due to the increase in same-store new retail unit sales, which increased gross profit by $25.7 million, somewhat offset by a $74 per unit decrease in the average gross profit per new vehicle retailed (including a $126 per unit decrease attributable to negative foreign currency fluctuations), which decreased gross profit by $11.9 million.

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Retail Automotive Dealership Used Vehicle Data

(In millions, except unit and per unit amounts)

			2015 vs. 2014	
	2015	2014	Change	% Change
Used retail unit sales	148,718	137,973	10,745	7.8%
Same-store used retail unit sales	145,053	136,686	8,367	6.1%
Used retail sales revenue	$ 4,060.7	$ 3,773.8		