



## LITHIA REPORTS RECORD SECOND QUARTER RESULTS AND INCREASES 2016 GUIDANCE

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### DECLARES DIVIDEND OF \$0.25 PER SHARE FOR SECOND QUARTER

**Medford, Oregon, July 28, 2016** - Lithia Motors, Inc. (NYSE: LAD) reported the highest second quarter adjusted net income in company history, an increase of 2% over the prior year period.

2016 second quarter unadjusted net income was \$51.4 million, or \$2.01 per diluted share, compared to \$51.2 million, or \$1.93 per diluted share, for the second quarter of 2015. Adjusted net income for the second quarter of 2016 was \$50.2 million, or \$1.96 per diluted share, compared to 2015 second quarter adjusted net income of \$49.4 million, or \$1.86 per diluted share.

As shown in the attached non-GAAP reconciliation tables, the 2016 second quarter adjusted results exclude a non-core benefit of \$0.05 related to an equity investment. The 2015 second quarter adjusted results exclude a \$0.07 non-core net benefit from an equity investment and a gain on the sale of a store partially offset by an asset impairment.

Second quarter 2016 revenue increased \$136.4 million, or 7%, to \$2.1 billion from \$2.0 billion for the second quarter 2015.

#### **Second Quarter-over-Quarter Operating Highlights:**

- Total same store sales increased 3.8%
- New vehicle same store sales increased 2.3%
- Used vehicle retail same store sales increased 10.2%
- Service, body and parts same store sales increased 7.4%
- Same store F&I per unit increased \$60 to \$1,273
- SG&A expense as a percentage of gross profit was 66.9%

For the first six months of 2016, revenues increased 8.7% to \$4.1 billion from \$3.8 billion in the first six months of 2015 and unadjusted net income was \$3.56 per diluted share, compared to \$3.47 per diluted share. Adjusted net income per diluted share for the first six months of 2016 increased 8.0% to \$3.52 from \$3.26 for the first six months of 2015.

“Our stores delivered strong results in the quarter, growing all business lines,” said Bryan DeBoer, President and CEO. “Led by a 10.2% increase in used vehicle sales and a 7.4% increase in service, body and parts sales, our team is capitalizing on both a growing supply of used vehicles and units in operation sold over the past seven years that are now returning for service. We are capturing new vehicle market share and increasing F&I per unit, which we believe are the key drivers to future organic growth, while maintaining adjusted SG&A as a percentage of gross profit below 67%.”

#### **Corporate Development**

With the addition of a GMC Buick franchise in Helena, Montana during the quarter, we have completed three acquisitions in 2016.

Mr. DeBoer added, “We anticipate a sustained new vehicle sales environment of 17 million units in the coming years. This provides Lithia several benefits including a predictable and profitable cadence of new car sales and incrementally higher service revenues as the vehicles sold over the past six years age and require maintenance. Additionally, the increasing supply of used vehicles will drive incremental revenue opportunities. Most importantly, a static SAAR level will spur further acquisitions as the aging dealer body seeks the optimal time to retire. These factors increase our confidence in establishing a new milestone of \$9.00 in earnings per share, which we will strive to achieve through improvement in our existing locations and acquisition activity in both the Lithia and DCH platforms. We will continue our growth and believe the best use of capital is expanding our store base.”

#### **Balance Sheet Update**

We ended the second quarter with \$15 million in cash and \$135 million in availability under our credit facilities. Additionally, approximately \$218 million of our operating real estate is currently unfinanced, which we estimate could provide \$164 million in capital, for total potential liquidity of \$314 million.

On July 27, 2016, we amended our credit agreement to increase the facility by \$300 million to \$2.05 billion and extended the maturity to July 2021. The amended agreement provides for up to \$1.3 billion in new vehicle inventory floor plan financing, \$350 million in used vehicle inventory floor plan financing and \$400 million in revolving loan financing.

Chris Holzshu, SVP and CFO, said, “We appreciate the support of our 18 commercial lender partners to increase the capacity and extend the duration of our credit facility. The primary reason for the amendment is to provide new vehicle floor plan financing for future acquisitions. We believe it is an opportune time to secure incremental capacity to meet our robust growth objectives and our \$9.00 earnings milestone.”

### **Dividend Payment and Share Repurchase**

Our Board of Directors has approved a dividend of \$0.25 per share related to second quarter 2016 financial results. We expect to pay the dividend on August 26, 2016 to shareholders of record on August 12, 2016.

In the second quarter 2016, we repurchased 603,225 shares at a weighted average price of \$78.09 per share. In the first six months of 2016, we have repurchased approximately 5% of our outstanding float or 1.2 million shares at a weighted average price of \$78.86. Approximately \$201 million remains available under our existing repurchase authorization.

### **2016 Outlook**

We project 2016 third quarter earnings of \$2.11 to \$2.15 per diluted share and 2016 full year earnings of \$7.50 to \$7.65 per diluted share. Both projections are based on the following annual assumptions:

- Total revenues of \$8.5 to \$8.6 billion
- New vehicle sales increasing 3.5%
- New vehicle gross margin of 5.9% to 6.1%
- Used vehicle sales increasing 9.5%
- Used vehicle gross margin of 11.9% to 12.1%
- Service body and parts sales increasing 7.5%
- Service body and parts gross margin of 48.8% to 49.0%
- Finance and insurance gross profit of \$1,270 to \$1,290 per unit
- Tax rate of 39.5%
- Average diluted shares outstanding of 25.6 million

These projections exclude the impact of future acquisitions, dispositions and non-core items. Actual results may be affected by items described under Forward-Looking Statements below.

In October 2016, we expect to provide only annual earnings guidance with our regular quarterly and annual earnings announcements.

### **Second Quarter Earnings Conference Call and Updated Presentation**

The second quarter conference call may be accessed at 10:00 a.m. ET today by telephone at 877-407-8029. An updated presentation highlighting the second quarter results has been added to [www.lithiainvestorrelations.com](http://www.lithiainvestorrelations.com).

To listen live on our website or for replay, visit [www.lithiainvestorrelations.com](http://www.lithiainvestorrelations.com) and click on webcasts.

### **About Lithia**

Lithia Motors, Inc. is one of the largest automotive retailers in the United States and is among the fastest growing companies in the Fortune 500. Lithia sells 31 brands of new vehicles and all brands of used vehicles at 139 stores in 15 states. Lithia also arranges finance, warranty, and credit insurance contracts. In addition, Lithia provides vehicle parts, maintenance and repair services at all of its locations.

### **Sites**

[www.lithia.com](http://www.lithia.com)

[www.lithiainvestorrelations.com](http://www.lithiainvestorrelations.com)

[www.lithiacareers.com](http://www.lithiacareers.com)

Lithia Motors on Facebook

[www.facebook.com/LithiaMotors](https://www.facebook.com/LithiaMotors)

Lithia Motors on Twitter

<http://twitter.com/lithiamotors>

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(541) 618-5748

### **Forward-Looking Statements**

This press release includes “forward-looking statements” within the meaning of the "Safe-Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements regarding our goals, plans, projections and guidance regarding our financial position, results of operations, market position, pending and potential future acquisitions and business strategy, and often contain words such as “project,” “outlook,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “may,” “seek,” “would,” “should,” “likely,” “goal,” “strategy,” “future,” “maintain,” “continue,” “remain,” “target” or “will” and similar references to future periods. Examples of forward-looking statements in this press release include, among others, statements regarding:

- Expected operating results, such as improved store efficiency and performance; generating 2016 third quarter earnings per share of \$2.11 to \$2.15 per diluted share and 2016 full year earnings of \$7.50 to \$7.65 per diluted share and all projections set forth under the headings “2016 Outlook”;
- Anticipated national new car sales levels
- Anticipated ability to improve store performance;
- Anticipated acquisition opportunities and additions of dealership locations to our portfolio in the future; and
- Anticipated availability of liquidity from our credit facility and unfinanced operating real estate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity and development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements in this press release. The risks and uncertainties that could cause actual results to differ materially from estimated or projected results include, without limitation, future economic and financial conditions (both nationally and locally), changes in customer demand, our relationship with, and the financial and operational stability of, vehicle manufacturers and other suppliers, risks associated with our indebtedness (including available borrowing capacity, compliance with financial covenants and ability to refinance or repay indebtedness on favorable terms), government regulations, legislation and others set forth throughout Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Part I, Item 1A. Risk Factors of our most recent Annual Report on Form 10-K, and from time to time in our other filings with the SEC. We urge you to carefully consider this information and not place undue reliance on forward-looking statements. We undertake no duty to update our forward-looking statements, including our earnings outlook, which are made as of the date of this release.

### **Non-GAAP Financial Measures**

This press release and the attached financial tables contain non-GAAP financial measures such as adjusted net income and diluted earnings per share, adjusted SG&A as a percentage of revenues and gross profit, adjusted operating margin, adjusted operating profit as a percentage of gross profit, and adjusted pre-tax margin. Non-GAAP measures do not have definitions under GAAP and may be defined differently by and not comparable to similarly titled measures used by other companies. As a result, we review any non-GAAP financial measures in connection with a review of the most directly comparable measures calculated in accordance with GAAP. We caution you not to place undue reliance on such non-GAAP measures, but also to consider them with the most directly comparable GAAP measures. We present cash flows from operations in the attached tables, adjusted to include the change in non-trade floor plan debt to improve the visibility of cash flows related to vehicle financing. As required by SEC rules, we have reconciled these measures to the most directly comparable GAAP measures in the attachments to this release. We believe the non-GAAP financial measures we present improve the transparency of our disclosures; provide a meaningful presentation of our results from core business operations, because they exclude items not related to core business operations and other non-cash items; and improve the period-to-period comparability of our results from core business operations. These presentations should not be considered an alternative to GAAP measures.

**Lithia Motors, Inc.**  
**Consolidated Statements of Operations** (Unaudited)  
(In thousands except per share data)

	<b>Three months ended</b>		<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>June 30,</b>			
	<b>2016</b>	<b>2015</b>		
<b>Revenues:</b>				
New vehicle retail	\$ 1,209,037	\$ 1,149,512	\$ 59,525	5.2 %
Used vehicle retail	553,647	488,801	64,846	13.3
Used vehicle wholesale	66,714	66,796	(82)	(0.1)
Finance and insurance	81,043	72,463	8,580	11.8
Service, body and parts	202,265	182,695	19,570	10.7
Fleet and other	20,633	36,680	(16,047)	(43.7)
<b>Total revenues</b>	<b>2,133,339</b>	<b>1,996,947</b>	<b>136,392</b>	<b>6.8</b>
<b>Cost of sales:</b>				
New vehicle retail	1,136,175	1,080,170	56,005	5.2
Used vehicle retail	486,422	426,108	60,314	14.2
Used vehicle wholesale	65,228	65,390	(162)	(0.2)
Service, body and parts	103,666	91,946	11,720	12.7
Fleet and other	19,812	35,684	(15,872)	(44.5)
Total cost of sales	1,811,303	1,699,298	112,005	6.6
<b>Gross profit</b>	<b>322,036</b>	<b>297,649</b>	<b>24,387</b>	<b>8.2</b>
Asset impairments	3,498	6,130	(2,632)	NM
SG&A expense	215,526	195,610	19,916	10.2
Depreciation and amortization	12,503	10,287	2,216	21.5
<b>Income from operations</b>	<b>90,509</b>	<b>85,622</b>	<b>4,887</b>	<b>5.7</b>
Floor plan interest expense	(6,209)	(4,655)	1,554	33.4
Other interest expense	(5,502)	(4,972)	530	10.7
Other expense, net	(1,495)	(356)	1,139	NM
<b>Income before income taxes</b>	<b>77,303</b>	<b>75,639</b>	<b>1,664</b>	<b>2.2</b>
Income tax expense	(25,875)	(24,416)	1,459	6.0
Income tax rate	33.5%	32.3%		
<b>Net income</b>	<b>\$ 51,428</b>	<b>\$ 51,223</b>	<b>\$ 205</b>	<b>0.4 %</b>
<b>Diluted net income per share:</b>				
Net income per share	\$ 2.01	\$ 1.93	\$ 0.08	4.1 %
Diluted shares outstanding	25,534	26,496	(962)	(3.6) %

NM - not meaningful

**Lithia Motors, Inc.**  
**Key Performance Metrics (Unaudited)**

	Three months ended		Increase (Decrease)	% Increase (Decrease)
	June 30,			
	2016	2015		
<b><u>Gross margin</u></b>				
New vehicle retail	6.0 %	6.0 %	— bps	
Used vehicle retail	12.1	12.8	(70)	
Used vehicle wholesale	2.2	2.1	10	
Finance and insurance	100.0	100.0	—	
Service, body and parts	48.7	49.7	(100)	
Fleet and other	4.0	2.7	130	
Gross profit margin	15.1	14.9	20	
<b><u>Unit sales</u></b>				
New vehicle retail	36,059	35,112	947	2.7 %
Used vehicle retail	27,716	24,689	3,027	12.3
Total retail units sold	63,775	59,801	3,974	6.6
Used vehicle wholesale	9,774	9,439	335	3.5
<b><u>Average selling price</u></b>				
New vehicle retail	\$ 33,529	\$ 32,738	\$ 791	2.4 %
Used vehicle retail	19,976	19,798	178	0.9
Used vehicle wholesale	6,826	7,077	(251)	(3.5)
<b><u>Average gross profit per unit</u></b>				
New vehicle retail	\$ 2,021	\$ 1,975	\$ 46	2.3 %
Used vehicle retail	2,425	2,539	(114)	(4.5)
Used vehicle wholesale	152	149	3	2.0
Finance and insurance	1,271	1,212	59	4.9
Total vehicle <sup>(1)</sup>	3,491	3,443	48	1.4
<b><u>Revenue mix</u></b>				
New vehicle retail	56.7 %	57.6 %		
Used vehicle retail	26.0	24.5		
Used vehicle wholesale	3.1	3.3		
Finance and insurance, net	3.8	3.6		
Service, body and parts	9.5	9.1		
Fleet and other	0.9	1.9		

	Adjusted		As reported	
	Three months ended June 30,		Three months ended June 30,	
	2016	2015	2016	2015
<b><u>Other metrics</u></b>				
SG&A as a % of revenue	10.1 %	9.9 %	10.1 %	9.8 %
SG&A as a % of gross profit	66.9	66.6	66.9	65.7
Operating profit as a % of revenue	4.4	4.5	4.2	4.3
Operating profit as a % of gross profit	29.2	30.0	28.1	28.8
Pretax margin	3.9	4.1	3.6	3.8
Net profit margin	2.4	2.5	2.4	2.6

(1) - includes the sales and gross profit related to new, used retail, used wholesale and finance and insurance and unit sales for new and used retail

**Lithia Motors, Inc.**  
**Same Store Operating Highlights (Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>2016</b>	<b>2015</b>		
<b><u>Revenues</u></b>				
New vehicle retail	\$ 1,172,249	\$ 1,145,910	\$ 26,339	2.3 %
Used vehicle retail	536,454	486,600	49,854	10.2
Used vehicle wholesale	64,900	66,356	(1,456)	(2.2)
Finance and insurance	78,634	72,284	6,350	8.8
Service, body and parts	195,164	181,720	13,444	7.4
Fleet and other	18,358	36,678	(18,320)	(49.9)
Total revenues	<u>\$ 2,065,759</u>	<u>\$ 1,989,548</u>	<u>\$ 76,211</u>	3.8
<b><u>Gross profit</u></b>				
New vehicle retail	\$ 70,532	\$ 69,178	\$ 1,354	2.0 %
Used vehicle retail	65,169	62,584	2,585	4.1
Used vehicle wholesale	1,452	1,455	(3)	(0.2)
Finance and insurance	78,634	72,284	6,350	8.8
Service, body and parts	95,330	90,266	5,064	5.6
Fleet and other	811	959	(148)	(15.4)
Total gross profit	<u>\$ 311,928</u>	<u>\$ 296,726</u>	<u>\$ 15,202</u>	5.1
<b><u>Gross margin</u></b>				
New vehicle retail	6.0 %	6.0 %	— bps	
Used vehicle retail	12.1	12.9	(80)	
Used vehicle wholesale	2.2	2.2	—	
Finance and insurance	100.0	100.0	—	
Service, body and parts	48.8	49.7	(90)	
Fleet and other	4.4	2.6	180	
Gross profit margin	15.1	14.9	20	
<b><u>Unit sales</u></b>				
New vehicle retail	34,995	35,017	(22)	(0.1) %
Used vehicle retail	26,778	24,568	2,210	9.0
Total retail units sold	61,773	59,585	2,188	3.7
Used vehicle wholesale	9,429	9,390	39	0.4
<b><u>Average selling price</u></b>				
New vehicle retail	\$ 33,498	\$ 32,724	\$ 774	2.4 %
Used vehicle retail	20,033	19,806	227	1.1
Used vehicle wholesale	6,883	7,067	(184)	(2.6)
<b><u>Average gross profit per unit</u></b>				
New vehicle retail	\$ 2,015	\$ 1,976	\$ 39	2.0 %
Used vehicle retail	2,434	2,547	(113)	(4.4)
Used vehicle wholesale	154	155	(1)	(0.6)
Finance and insurance	1,273	1,213	60	4.9
Total vehicle <sup>(1)</sup>	3,493	3,449	44	1.3

(1) - includes the sales and gross profit related to new, used retail, used wholesale and finance and insurance and unit sales for new and used retail

**Lithia Motors, Inc.**  
**Consolidated Statements of Operations (Unaudited)**  
(In thousands except per share data)

	<b>Six months ended June 30,</b>		<b>Increase</b>	<b>%</b>
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>	<b>Increase</b>
				<b>(Decrease)</b>
<b>Revenues:</b>				
New vehicle retail	\$ 2,305,092	\$ 2,157,328	\$ 147,764	6.8 %
Used vehicle retail	1,086,373	951,732	134,641	14.1
Used vehicle wholesale	131,860	129,004	2,856	2.2
Finance and insurance	158,681	137,067	21,614	15.8
Service, body and parts	398,940	356,170	42,770	12.0
Fleet and other	35,254	54,824	(19,570)	(35.7)
<b>Total revenues</b>	<b>4,116,200</b>	<b>3,786,125</b>	<b>330,075</b>	<b>8.7</b>
<b>Cost of sales:</b>				
New vehicle retail	2,165,464	2,026,212	139,252	6.9
Used vehicle retail	954,871	829,597	125,274	15.1
Used vehicle wholesale	128,544	125,437	3,107	2.5
Service, body and parts	204,222	180,982	23,240	12.8
Fleet and other	33,881	52,873	(18,992)	(35.9)
Total cost of sales	3,486,982	3,215,101	271,881	8.5
<b>Gross profit</b>	<b>629,218</b>	<b>571,024</b>	<b>58,194</b>	<b>10.2</b>
Asset impairments	6,996	10,260	(3,264)	NM
SG&A expense	434,632	387,228	47,404	12.2
Depreciation and amortization	24,166	20,013	4,153	20.8
<b>Income from operations</b>	<b>163,424</b>	<b>153,523</b>	<b>9,901</b>	<b>6.4</b>
Floor plan interest expense	(12,118)	(9,304)	2,814	30.2
Other interest expense	(10,961)	(9,800)	1,161	11.8
Other expense, net	(3,021)	(724)	2,297	NM
<b>Income before income taxes</b>	<b>137,324</b>	<b>133,695</b>	<b>3,629</b>	<b>2.7</b>
Income tax expense	(45,626)	(41,819)	3,807	9.1
Income tax rate	33.2%	31.3%		
<b>Net income</b>	<b>\$ 91,698</b>	<b>\$ 91,876</b>	<b>\$ (178)</b>	<b>(0.2)%</b>
<b>Diluted net income per share:</b>				
Net income per share	\$ 3.56	\$ 3.47	\$ 0.09	2.6 %
Diluted shares outstanding	25,754	26,509	(755)	(2.8)%

NM - not meaningful

**Lithia Motors, Inc.**  
**Key Performance Metrics (Unaudited)**

	<u>Six months ended June 30,</u>		<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>		
<b><u>Gross margin</u></b>				
New vehicle retail	6.1 %	6.1 %	— bps	
Used vehicle retail	12.1	12.8	(70)	
Used vehicle wholesale	2.5	2.8	(30)	
Finance and insurance	100.0	100.0	—	
Service, body and parts	48.8	49.2	(40)	
Fleet and other	3.9	3.6	30	
Gross profit margin	15.3	15.1	20	
<b><u>Unit sales</u></b>				
New vehicle retail	68,808	65,735	3,073	4.7 %
Used vehicle retail	55,147	48,893	6,254	12.8
Total retail units sold	123,955	114,628	9,327	8.1
Used vehicle wholesale	19,287	18,583	704	3.8
<b><u>Average selling price</u></b>				
New vehicle retail	\$ 33,500	\$ 32,819	\$ 681	2.1 %
Used vehicle retail	19,700	19,466	234	1.2
Used vehicle wholesale	6,837	6,942	(105)	(1.5)
<b><u>Average gross profit per unit</u></b>				
New vehicle retail	\$ 2,029	\$ 1,995	\$ 34	1.7 %
Used vehicle retail	2,385	2,498	(113)	(4.5)
Used vehicle wholesale	172	192	(20)	(10.4)
Finance and insurance	1,280	1,196	84	7.0
Total vehicle <sup>(1)</sup>	3,494	3,436	58	1.7
<b><u>Revenue mix</u></b>				
New vehicle retail	56.0 %	57.0 %		
Used vehicle retail	26.4	25.1		
Used vehicle wholesale	3.2	3.4		
Finance and insurance, net	3.9	3.6		
Service, body and parts	9.7	9.4		
Fleet and other	0.8	1.5		
<b>Adjusted</b>				
<b>As reported</b>				
<b><u>Other metrics</u></b>				
	<u>Six Months Ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
SG&A as a % of revenue	10.5 %	10.4 %	10.6	10.2 %
SG&A as a % of gross profit	68.9	68.8	69.1	67.8
Operating profit as a % of revenue	4.2	4.2	4.0	4.1
Operating profit as a % of gross profit	27.2	27.6	26.0	26.9
Pretax margin	3.6	3.7	3.3	3.5
Net profit margin	2.2	2.3	2.2	2.4

(1) - includes the sales and gross profit related to new, used retail, used wholesale and finance and insurance and unit sales for new and used retail



**Lithia Motors, Inc.**  
**Same Store Operating Highlights (Unaudited)**

	<b>Six months ended June</b>		<b>Increase</b>	<b>%</b>
	<b>30,</b>			
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
<b><u>Revenues</u></b>				
New vehicle retail	\$ 2,234,584	\$ 2,146,678	\$ 87,906	4.1 %
Used vehicle retail	1,052,731	945,792	106,939	11.3
Used vehicle wholesale	128,705	128,305	400	0.3
Finance and insurance	153,999	136,490	17,509	12.8
Service, body and parts	385,132	353,836	31,296	8.8
Fleet and other	32,941	54,823	(21,882)	(39.9)
Total revenues	<u>\$ 3,988,092</u>	<u>\$ 3,765,924</u>	<u>\$ 222,168</u>	5.9
<b><u>Gross profit</u></b>				
New vehicle retail	\$ 135,350	\$ 130,456	\$ 4,894	3.8 %
Used vehicle retail	127,712	121,610	6,102	5.0
Used vehicle wholesale	3,207	3,677	(470)	(12.8)
Finance and insurance	153,999	136,490	17,509	12.8
Service, body and parts	188,286	174,015	14,271	8.2
Fleet and other	1,355	1,915	(560)	(29.2)
Total gross profit	<u>\$ 609,909</u>	<u>\$ 568,163</u>	<u>\$ 41,746</u>	7.3
<b><u>Gross margin</u></b>				
New vehicle retail	6.1 %	6.1 %	— bps	
Used vehicle retail	12.1	12.9	(80)	
Used vehicle wholesale	2.5	2.9	(40)	
Finance and insurance	100.0	100.0	—	
Service, body and parts	48.9	49.2	(30)	
Fleet and other	4.1	3.5	60	
Total gross profit	15.3	15.1	20	
<b><u>Unit sales</u></b>				
New vehicle retail	66,774	65,408	1,366	2.1 %
Used vehicle retail	53,309	48,540	4,769	9.8
Total retail units sold	120,083	113,948	6,135	5.4
Used vehicle wholesale	18,684	18,453	231	1.3
<b><u>Average selling price</u></b>				
New vehicle retail	\$ 33,465	\$ 32,820	\$ 645	2.0 %
Used vehicle retail	19,748	19,485	263	1.3
Used vehicle wholesale	6,889	6,953	(64)	(0.9)
<b><u>Average gross profit per unit</u></b>				
New vehicle retail	\$ 2,027	\$ 1,994	\$ 33	1.7 %
Used vehicle retail	2,396	2,505	(109)	(4.4)
Used vehicle wholesale	172	199	(27)	(13.6)
Finance and insurance	1,282	1,198	84	7.0
Total vehicle <sup>(1)</sup>	3,500	3,442	58	1.7

(1) - includes the sales and gross profit related to new, used retail, used wholesale and finance and insurance and unit sales for new and used retail

**Lithia Motors, Inc.**  
**Segment Operating Highlights (Unaudited)**

	<b>Three months ended June 30,</b>		<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>2016</b>	<b>2015</b>		
<b><u>Revenues</u></b>				
Domestic	\$ 826,709	\$ 768,170	\$ 58,539	7.6 %
Import	934,018	855,305	78,713	9.2
Luxury	371,866	372,500	(634)	(0.2)
Total segment revenues	<u>2,132,593</u>	<u>1,995,975</u>	<u>136,618</u>	6.8
Corporate and other	746	972	(226)	(23.3)
Total revenues	<u>\$ 2,133,339</u>	<u>\$ 1,996,947</u>	<u>\$ 136,392</u>	6.8
<b><u>Segment Income<sup>(1)</sup></u></b>				
Domestic	\$ 27,614	\$ 31,320	\$ (3,706)	(11.8)%
Import	28,228	28,149	79	0.3
Luxury	9,398	10,801	(1,403)	(13.0)
Total segment income	<u>65,240</u>	<u>70,270</u>	<u>(5,030)</u>	(7.2)
Corporate and other	31,563	20,984	10,579	50.4
Depreciation and amortization	(12,503)	(10,287)	2,216	21.5
Other interest expense	(5,502)	(4,972)	530	10.7
Other expense, net	(1,495)	(356)	1,139	NM
Income before income taxes	<u>\$ 77,303</u>	<u>\$ 75,639</u>	<u>\$ 1,664</u>	2.2
<b><u>Retail New Vehicle Unit Sales</u></b>				
Domestic	11,634	11,479	155	1.4 %
Import	20,158	19,351	807	4.2
Luxury	4,317	4,330	(13)	(0.3)
Total	<u>36,109</u>	<u>35,160</u>	<u>949</u>	2.7
Allocated to management	(50)	(48)	(2)	NM
Total retail new vehicle unit sales	<u>36,059</u>	<u>35,112</u>	<u>947</u>	2.7

NM - not meaningful

**Lithia Motors, Inc.**  
**Segment Operating Highlights (Unaudited)**

	<b>Six months ended June</b>		<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>2016</b>	<b>2015</b>		
<b><u>Revenues</u></b>				
Domestic	\$ 1,595,611	\$ 1,458,853	\$ 136,758	9.4 %
Import	1,799,761	1,615,385	184,376	11.4
Luxury	718,679	709,493	9,186	1.3
Total segment revenues	<u>4,114,051</u>	<u>3,783,731</u>	<u>330,320</u>	8.7
Corporate and other	2,149	2,394	(245)	(10.2)
Total revenues	\$ 4,116,200	\$ 3,786,125	\$ 330,075	8.7
<b><u>Segment Income(1)</u></b>				
Domestic	\$ 49,344	\$ 58,613	\$ (9,269)	(15.8)%
Import	50,861	45,212	5,649	12.5
Luxury	13,633	17,446	(3,813)	(21.9)
Total segment income	<u>113,838</u>	<u>121,271</u>	<u>(7,433)</u>	(6.1)
Corporate and other	61,634	42,961	18,673	43.5
Depreciation and amortization	(24,166)	(20,013)	4,153	20.8
Other interest expense	(10,961)	(9,800)	1,161	11.8
Other expense, net	(3,021)	(724)	2,297	NM
Income before income taxes	\$ 137,324	133,695	\$ 3,629	2.7

<sup>(1)</sup> Segment income for each of the segments is defined as Income before income taxes, less Depreciation and amortization, Other interest expense and Other expense, net.

**Retail New Vehicle Unit Sales**

Domestic	22,283	21,491	792	3.7 %
Import	38,272	36,156	2,116	5.9
Luxury	8,380	8,195	185	2.3
Total	<u>68,935</u>	<u>65,842</u>	<u>3,093</u>	4.7
Allocated to management	(127)	(107)	(20)	NM
Total retail new vehicle unit sales	<u>68,808</u>	<u>65,735</u>	<u>3,073</u>	4.7

NM - not meaningful

**Lithia Motors, Inc.**  
**Other Highlights** (Unaudited)

	<u>June 30,</u> <u>2016</u>	<u>As of</u> <u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
<b><u>Days Supply</u></b> <sup>(1)</sup>			
New vehicle inventory	77	67	65
Used vehicle inventory	57	55	54

<sup>(1)</sup> Days supply calculated based on current inventory levels, excluding in-transit vehicles, and a 30-day historical cost of sales level.

**Financial covenants**

	<u>Requirement</u>	<u>As of June 30, 2016</u>
Current ratio	Not less than 1.10 to 1	1.25 to 1
Fixed charge coverage ratio	Not less than 1.20 to 1	2.48 to 1
Leverage ratio	Not more than 5.00 to 1	1.78 to 1
Funded debt restriction	Not more than \$900 million	\$404.6 million

**Lithia Motors, Inc.**  
**Other Highlights (Unaudited)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>New vehicle unit sales brand mix</u></b>				
Honda, Acura	23.8 %	23.1 %	23.5 %	22.6 %
Toyota, Lexus	19.8	20.0	19.7	20.1
Chrysler	18.9	19.1	18.8	19.1
General Motors	8.7	9.6	8.8	9.3
Subaru	6.8	6.5	7.0	6.8
BMW, Mini	5.3	5.5	5.4	5.6
Ford	4.6	4.0	4.9	4.3
Nissan	3.8	3.4	3.8	3.6
Volkswagen, Audi	2.9	3.4	2.8	3.1
Hyundai	2.1	2.0	2.0	2.1
Mercedes Benz	1.3	1.5	1.3	1.5
Kia	1.3	1.4	1.3	1.4
Other	0.7	0.5	0.7	0.5

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>Revenue geographic mix</u></b>				
California	22.5 %	20.7 %	22.7 %	21.5 %
Oregon	16.7	16.3	16.7	16.6
New Jersey	14.4	15.1	14.2	14.4
Texas	13.7	15.8	13.8	15.7
Montana	6.4	5.8	6.4	5.8
Washington	5.2	5.1	5.3	5.1
Alaska	5.1	5.6	4.9	5.4
New York	3.0	3.3	3.0	3.0
Nevada	2.9	2.9	3.1	3.0
Idaho	2.7	2.8	2.7	2.9
Iowa	2.7	2.9	2.6	2.8
Hawaii	2.0	1.4	2.0	1.4
North Dakota	1.4	1.5	1.3	1.5
New Mexico	0.8	0.8	0.9	0.9
Massachusetts	0.5	—	0.4	—

	<b>As of June 30, 2016</b>	
	<b># of stores</b>	<b>% of total</b>
<b><u>Current store count mix</u></b>		
Chrysler	27	19.6 %
Honda, Acura	21	15.2
Toyota, Lexus	20	14.5
General Motors	16	11.6
BMW, Mini	11	8.0
Subaru	8	5.8
Volkswagen, Audi	8	5.8
Ford	7	5.1
Nissan	6	4.3
Hyundai	4	2.9
Mercedes Benz	4	2.9
Other	7	5.0

**Lithia Motors, Inc.**  
**Consolidated Balance Sheets** (Unaudited)  
(In thousands)

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Cash and cash equivalents	\$ 15,044	\$ 45,008
Trade receivables, net	305,293	308,462
Inventories, net	1,582,274	1,470,987
Other current assets	38,192	54,408
<b>Total current assets</b>	<b>\$ 1,940,803</b>	<b>\$ 1,878,865</b>
Property and equipment, net	898,239	876,660
Goodwill	214,444	213,220
Franchise value	162,296	157,699
Other non-current assets	106,288	100,855
<b>Total assets</b>	<b>\$ 3,322,070</b>	<b>\$ 3,227,299</b>
Floor plan notes payable	\$ 56,767	\$ 48,083
Floor plan notes payable: non trade	1,316,747	1,265,872
Current maturities of long-term debt	28,053	38,891
Trade payables	77,979	70,871
Accrued liabilities	184,160	167,108
<b>Total current liabilities</b>	<b>\$ 1,663,706</b>	<b>\$ 1,590,825</b>
Long-term debt	626,543	606,463
Deferred revenue	73,540	66,734
Deferred income taxes	54,647	53,129
Other long-term liabilities	86,173	81,984
<b>Total liabilities</b>	<b>\$ 2,504,609</b>	<b>\$ 2,399,135</b>
Class A common stock	168,950	258,410
Class B common stock	219	316
Additional paid-in capital	37,230	38,822
Accumulated other comprehensive loss	—	(277)
Retained earnings	611,062	530,893
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 3,322,070</b>	<b>\$ 3,227,299</b>

**Lithia Motors, Inc.**  
**Summarized Cash Flow from Operations** (Unaudited)  
(In thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Net income	\$ 91,698	\$ 91,876
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Asset impairments	6,996	10,260
Depreciation and amortization	24,166	20,013
Stock-based compensation	6,018	5,822
(Gain) loss on disposal of assets	(4,512)	44
Gain on sale of franchise	(1,102)	(5,919)
Deferred income taxes	5,704	(1,145)
Excess tax benefit from share-based payment arrangements	(4,384)	(4,865)
<i>(Increase) decrease:</i>		
Trade receivables, net	6,564	7,570
Inventories	(114,052)	(122,660)
Other assets	5,688	(3,815)
<i>Increase (decrease):</i>		
Floor plan notes payable, net	8,685	4,417
Trade payables	6,678	8,854
Accrued liabilities	17,595	7,717
Other long-term liabilities and deferred revenue	10,668	11,161
Net cash provided by operating activities	<u>\$ 66,410</u>	<u>\$ 29,330</u>

**Lithia Motors, Inc.**  
**Reconciliation of Non-GAAP Cash Flow from Operations** (Unaudited)  
(In thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<u>Net cash provided by operating activities</u>		
As reported	\$ 66,410	\$ 29,330
Floor plan notes payable, non-trade, net	58,622	35,685
Adjusted	<u>\$ 125,032</u>	<u>\$ 65,015</u>

**Lithia Motors, Inc.****Reconciliation of Certain Non-GAAP Financial Measures (Unaudited)**

(In thousands, except for per share data)

	<b>Three Months Ended June 30, 2016</b>		
	<b>As reported</b>	<b>Equity investment fair value adjustment</b>	<b>Adjusted</b>
Asset impairments	\$ 3,498	\$ (3,498)	\$ —
Income from operations	90,509	3,498	94,007
Other (expense) income, net	(1,495)	2,065	570
Income before income taxes	\$ 77,303	\$ 5,563	\$ 82,866
Income tax expense	(25,875)	(6,837)	(32,712)
Net income	<u>\$ 51,428</u>	<u>\$ (1,274)</u>	<u>\$ 50,154</u>
Diluted earnings per share	\$ 2.01	\$ (0.05)	\$ 1.96
Diluted share count	25,534		

	<b>Three Months Ended June 30, 2015</b>				
	<b>As reported</b>	<b>Disposal gain on sale of stores</b>	<b>Asset impairment</b>	<b>Equity investment fair value adjustment</b>	<b>Adjusted</b>
Asset impairments	\$ 6,130	\$ —	\$ (2,000)	\$ (4,130)	\$ —
Selling, general and administrative	195,610	2,570	—	—	198,180
Income from operations	85,622	(2,570)	2,000	4,130	89,182
Other (expense) income, net	(356)	—	—	1,733	1,377
Income before income taxes	\$ 75,639	\$ (2,570)	\$ 2,000	\$ 5,863	\$ 80,932
Income tax expense	(24,416)	1,305	(780)	(7,652)	(31,543)
Net income	<u>\$ 51,223</u>	<u>\$ (1,265)</u>	<u>\$ 1,220</u>	<u>\$ (1,789)</u>	<u>\$ 49,389</u>
Diluted earnings per share	\$ 1.93	\$ (0.05)	\$ 0.05	\$ (0.07)	\$ 1.86
Diluted share count	26,496				



**Lithia Motors, Inc.****Reconciliation of Certain Non-GAAP Financial Measures (Unaudited)**

(In thousands, except for per share data)

**Six Months Ended June 30, 2016**

	<u>As reported</u>	<u>Disposal gain on sale of store</u>	<u>Equity investment fair value adjustment</u>	<u>Legal reserve adjustment</u>	<u>Adjusted</u>
Asset impairments	\$ 6,996	\$ —	\$ (6,996)	\$ —	\$ —
Selling, general and administrative	434,632	1,087	—	(1,906)	433,813
Income from operations	163,424	(1,087)	6,996	1,906	171,239
Other expense, net	(3,021)	—	4,131	—	1,110
Income before income taxes	\$ 137,324	\$ (1,087)	\$ 11,127	\$ 1,906	\$ 149,270
Income tax expense	(45,626)	426	(12,782)	(747)	(58,729)
Net income	<u>\$ 91,698</u>	<u>\$ (661)</u>	<u>\$ (1,655)</u>	<u>\$ 1,159</u>	<u>\$ 90,541</u>
Diluted earnings per share	\$ 3.56	\$ (0.03)	\$ (0.06)	\$ 0.05	\$ 3.52
Diluted share count	25,754				

**Six Months Ended June 30, 2015**

	<u>As reported</u>	<u>Disposal gain on sale of store</u>	<u>Asset impairment</u>	<u>Equity investment fair value adjustment</u>	<u>Adjusted</u>
Asset impairments	\$ 10,260	\$ —	\$ (2,000)	\$ (8,260)	\$ —
Selling, general and administrative	387,228	5,919	—	—	393,147
Income from operations	153,523	(5,919)	2,000	8,260	157,864
Other expense, net	(724)	—	—	3,465	2,741
Income before income taxes	\$ 133,695	\$ (5,919)	\$ 2,000	\$ 11,725	\$ 141,501
Income tax expense	(41,819)	2,309	(780)	(14,902)	(55,192)
Net income	<u>\$ 91,876</u>	<u>\$ (3,610)</u>	<u>\$ 1,220</u>	<u>\$ (3,177)</u>	<u>\$ 86,309</u>
Diluted earnings per share	\$ 3.47	\$ (0.14)	\$ 0.05	\$ (0.12)	\$ 3.26
Diluted share count	26,509				