

**SONIC AUTOMOTIVE, INC.
CONSOLIDATED BALANCE SHEETS**

	December 31, 2017	December 31, 2016
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,352	\$ 3,108
Receivables, net	482,126	430,242
Inventories	1,512,745	1,570,701
Other current assets	18,574	26,993
Total current assets	2,019,797	2,031,044
Property and Equipment, net	1,146,881	1,010,380
Goodwill	525,780	472,437
Other Intangible Assets, net	74,589	80,233
Other Assets	51,471	45,242
Total Assets	\$ 3,818,518	\$ 3,639,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	\$ 804,238	\$ 850,537
Notes payable - floor plan - non-trade	709,098	675,353
Trade accounts payable	129,903	117,740
Accrued interest	12,316	13,265
Other accrued liabilities	237,963	236,982
Current maturities of long-term debt	61,314	43,003
Total current liabilities	1,954,832	1,936,880
Long-Term Debt	963,389	839,675
Other Long-Term Liabilities	61,918	61,170
Deferred Income Taxes	51,619	76,447
Commitments and Contingencies		
Stockholders' Equity:		
Class A convertible preferred stock, none issued	-	-
Class A common stock, \$0.01 par value; 100,000,000 shares authorized; 63,456,698 shares issued and 31,166,205 shares outstanding at December 31, 2017; 62,967,061 shares issued and 32,703,865 shares outstanding at December 31, 2016	635	630
Class B common stock, \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2017 and December 31, 2016	121	121
Paid-in capital	732,854	721,695
Retained earnings	625,356	541,146
Accumulated other comprehensive income (loss)	1,307	(2,262)
Treasury stock, at cost; 32,290,493 Class A common stock shares held at December 31, 2017 and 30,263,196 Class A common stock shares held at December 31, 2016	(573,513)	(536,166)
Total Stockholders' Equity	786,760	725,164
Total Liabilities and Stockholders' Equity	\$ 3,818,518	\$ 3,639,336

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2017	2016	2015
	(Dollars and shares in thousands, except per share amounts)		
Revenues:			
New vehicles	\$ 5,295,051	\$ 5,234,505	\$ 5,265,401
Used vehicles	2,622,053	2,533,122	2,512,024
Wholesale vehicles	171,064	211,048	155,339
Total vehicles	8,088,168	7,978,675	7,932,764
Parts, service and collision repair	1,416,010	1,409,819	1,364,947
Finance, insurance and other, net	363,030	343,285	326,588
Total revenues	9,867,208	9,731,779	9,624,299
Cost of Sales:			
New vehicles	(5,030,125)	(4,973,911)	(4,997,472)
Used vehicles	(2,467,150)	(2,374,537)	(2,349,982)
Wholesale vehicles	(179,778)	(218,364)	(162,707)
Total vehicles	(7,677,053)	(7,566,812)	(7,510,161)
Parts, service and collision repair	(732,479)	(735,693)	(699,526)
Total cost of sales	(8,409,532)	(8,302,505)	(8,209,687)
Gross profit	1,457,676	1,429,274	1,414,612
Selling, general and administrative expenses	(1,147,773)	(1,110,856)	(1,110,565)
Impairment charges	(9,394)	(8,063)	(17,955)
Depreciation and amortization	(88,944)	(77,446)	(68,799)
Operating income (loss)	211,565	232,909	217,293
Other income (expense):			
Interest expense, floor plan	(36,395)	(27,716)	(21,326)
Interest expense, other, net	(52,524)	(50,106)	(50,910)
Other income (expense), net	(14,522)	125	99
Total other income (expense)	(103,441)	(77,697)	(72,137)
Income (loss) from continuing operations before taxes	108,124	155,212	145,156
Provision for income taxes for continuing operations - benefit (expense)	(13,971)	(60,696)	(57,065)
Income (loss) from continuing operations	94,153	94,516	88,091
Discontinued operations:			
Income (loss) from discontinued operations before taxes	(1,942)	(2,121)	(2,883)
Provision for income taxes for discontinued operations - benefit (expense)	772	798	1,103
Income (loss) from discontinued operations	(1,170)	(1,323)	(1,780)
Net income (loss)	<u>\$ 92,983</u>	<u>\$ 93,193</u>	<u>\$ 86,311</u>
Basic earnings (loss) per common share:			
Earnings (loss) per share from continuing operations	\$ 2.14	\$ 2.07	\$ 1.74
Earnings (loss) per share from discontinued operations	(0.03)	(0.03)	(0.03)
Earnings (loss) per common share	<u>\$ 2.11</u>	<u>\$ 2.04</u>	<u>\$ 1.71</u>
Weighted average common shares outstanding	<u>43,997</u>	<u>45,637</u>	<u>50,489</u>
Diluted earnings (loss) per common share:			
Earnings (loss) per share from continuing operations	\$ 2.12	\$ 2.06	\$ 1.73
Earnings (loss) per share from discontinued operations	(0.03)	(0.03)	(0.03)
Earnings (loss) per common share	<u>\$ 2.09</u>	<u>\$ 2.03</u>	<u>\$ 1.70</u>
Weighted average common shares outstanding	<u>44,358</u>	<u>45,948</u>	<u>50,883</u>
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.11

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 92,983	\$ 93,193	\$ 86,311
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment	88,938	77,532	68,793
Provision for bad debt expense	748	389	1,909
Other amortization	649	649	649
Debt issuance cost amortization	2,383	2,641	2,489
Debt discount amortization, net of premium amortization	157	303	199
Stock-based compensation expense	11,119	11,165	9,814
Deferred income taxes	(27,760)	14,465	15,996
Net distributions from equity investee	(138)	(300)	(263)
Asset impairment charges	9,394	8,063	17,955
Loss (gain) on disposal of dealerships and property and equipment	(10,194)	(331)	(3,089)
Loss (gain) on exit of leased dealerships	2,157	1,386	1,848
Loss (gain) on retirement of debt	14,607	-	-
Changes in assets and liabilities that relate to operations:			
Receivables	(52,989)	(62,894)	(9,048)
Inventories	57,250	35,545	(291,100)
Other assets	3,266	62,538	(19,785)
Notes payable - floor plan - trade	(46,299)	(42,929)	181,848
Trade accounts payable and other liabilities	16,612	14,953	5,190
Total adjustments	69,900	123,175	(16,595)
Net cash provided by (used in) operating activities	162,883	216,368	69,716
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of businesses, net of cash acquired	(76,610)	(15,861)	-
Purchases of land, property and equipment	(234,245)	(206,232)	(173,249)
Proceeds from sales of property and equipment	596	1,319	1,397
Proceeds from sales of dealerships	38,150	-	7,978
Net cash provided by (used in) investing activities	(272,109)	(220,774)	(163,874)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayments) borrowings on notes payable - floor plan - non-trade	33,745	49,986	74,249
Borrowings on revolving credit facilities	327,070	209,287	402,093
Repayments on revolving credit facilities	(252,070)	(213,490)	(397,890)
Proceeds from issuance of long-term debt	302,483	103,395	69,075
Debt issuance costs	(4,855)	(3,084)	(491)
Principal payments and repurchase of long-term debt	(36,836)	(30,949)	(19,424)
Repurchase of debt securities	(210,914)	-	-
Purchases of treasury stock	(37,347)	(99,971)	(34,483)
Income tax benefit (expense) associated with stock compensation plans	-	(2,611)	1,888
Issuance of shares under stock compensation plans	45	27	3,662
Dividends paid	(8,851)	(8,701)	(5,078)
Net cash provided by (used in) financing activities	112,470	3,889	93,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,244	(517)	(557)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,108	3,625	4,182
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,352	\$ 3,108	\$ 3,625

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:

Change in fair value of interest rate swap and rate cap agreements (net of tax expense of \$2,351, \$2,178 and \$205 in the years ended December 31, 2017, 2016 and 2015, respectively)	\$ 3,835	\$ 3,553	\$ 335
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid (received) during the period for:			
Interest, including amount capitalized	\$ 89,525	\$ 77,289	\$ 71,328
Income taxes	\$ 42,907	\$ 28,459	\$ 38,474

See notes to consolidated financial statements.