

**SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2015 and 2014**

	December 31, 2015	December 31, 2014
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,625	\$ 4,182
Receivables, net	378,520	371,994
Inventories	1,599,581	1,311,702
Other current assets	101,386	81,081
Total current assets	2,083,112	1,768,959
Property and Equipment, net	886,902	799,319
Goodwill	471,493	475,929
Other Intangible Assets, net	80,876	83,720
Other Assets	39,998	40,326
Total Assets	\$ 3,562,381	\$ 3,168,253
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	\$ 893,466	\$ 711,618
Notes payable - floor plan - non-trade	625,367	551,118
Trade accounts payable	131,204	132,405
Accrued interest	12,640	12,409
Other accrued liabilities	218,507	208,654
Current maturities of long-term debt	33,437	30,802
Total current liabilities	1,914,621	1,647,006
Long-Term Debt	781,145	727,728
Other Long-Term Liabilities	64,245	69,200
Deferred Income Taxes	73,322	57,601
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; 62,586,381 shares issued and 37,910,938 shares outstanding at December 31, 2015; 62,046,966 shares issued and 38,890,533 shares outstanding at December 31, 2014	626	620
Class B common stock, \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2015 and December 31, 2014	121	121
Paid-in capital	713,118	697,760
Retained earnings	457,010	376,353
Accumulated other comprehensive income (loss)	(5,632)	(6,424)
Treasury stock, at cost; 24,675,443 Class A common stock shares held at December 31, 2015 and 23,156,433 Class A common stock shares held at December 31, 2014	(436,195)	(401,712)
Total Stockholders' Equity	729,048	666,718
Total Liabilities and Stockholders' Equity	\$ 3,562,381	\$ 3,168,253

See Notes to Consolidated Financial Statements

**SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31, 2015, 2014 and 2013**

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(Dollars and shares in thousands, except per share amounts)</b>		
<b>Revenues:</b>			
New vehicles	\$ 5,265,401	\$ 5,124,029	\$ 4,989,185
Used vehicles	2,512,024	2,310,247	2,176,034
Wholesale vehicles	155,339	166,158	175,328
Total vehicles	7,932,764	7,600,434	7,340,547
Parts, service and collision repair	1,364,947	1,296,570	1,230,178
Finance, insurance and other, net	326,588	300,095	272,443
Total revenues	9,624,299	9,197,099	8,843,168
<b>Cost of Sales:</b>			
New vehicles	(4,997,472)	(4,835,403)	(4,699,582)
Used vehicles	(2,349,982)	(2,153,001)	(2,025,634)
Wholesale vehicles	(162,707)	(169,774)	(183,259)
Total vehicles	(7,510,161)	(7,158,178)	(6,908,475)
Parts, service and collision repair	(699,526)	(673,021)	(633,086)
Total cost of sales	(8,209,687)	(7,831,199)	(7,541,561)
Gross profit	1,414,612	1,365,900	1,301,607
Selling, general and administrative expenses	(1,110,565)	(1,067,433)	(1,003,125)
Impairment charges	(17,955)	(6,594)	(9,872)
Depreciation and amortization	(68,799)	(58,260)	(54,007)
Operating income (loss)	217,293	233,613	234,603
<b>Other income (expense):</b>			
Interest expense, floor plan	(21,326)	(18,793)	(21,954)
Interest expense, other, net	(50,910)	(53,190)	(55,485)
Other income (expense), net	99	97	(28,143)
Total other income (expense)	(72,137)	(71,886)	(105,582)
Income (loss) from continuing operations before taxes	145,156	161,727	129,021
Provision for income taxes for continuing operations - benefit (expense)	(57,065)	(63,168)	(44,343)
Income (loss) from continuing operations	88,091	98,559	84,678
<b>Discontinued operations:</b>			
Income (loss) from discontinued operations before taxes	(2,883)	(2,164)	(4,017)
Provision for income taxes for discontinued operations - benefit (expense)	1,103	822	957
Income (loss) from discontinued operations	(1,780)	(1,342)	(3,060)
Net income (loss)	\$ 86,311	\$ 97,217	\$ 81,618
<b>Basic earnings (loss) per common share:</b>			
Earnings (loss) per share from continuing operations	\$ 1.74	\$ 1.89	\$ 1.60
Earnings (loss) per share from discontinued operations	(0.03)	(0.03)	(0.06)
Earnings (loss) per common share	\$ 1.71	\$ 1.86	\$ 1.54
Weighted average common shares outstanding	50,489	52,065	52,556
<b>Diluted earnings (loss) per common share:</b>			
Earnings (loss) per share from continuing operations	\$ 1.73	\$ 1.87	\$ 1.59
Earnings (loss) per share from discontinued operations	(0.03)	(0.03)	(0.06)
Earnings (loss) per common share	\$ 1.70	\$ 1.84	\$ 1.53
Weighted average common shares outstanding	50,883	52,563	52,941
Dividends declared per common share	\$ 0.11	\$ 0.10	\$ 0.10

See Notes to Consolidated Financial Statements

**SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2015, 2014 and 2013**

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 86,311	\$ 97,217	\$ 81,618
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property, plant and equipment	68,793	58,254	54,047
Provision for bad debt expense	1,909	516	249
Other amortization	649	1,165	1,561
Debt issuance cost amortization	2,489	2,135	2,787
Debt discount amortization, net of premium amortization	199	67	(111)
Stock - based compensation expense	9,814	7,675	7,208
Deferred income taxes	15,996	28,470	21,924
Equity interest in earnings of investee	(488)	(283)	(406)
Asset impairment charges	17,955	6,594	9,872
Loss (gain) on disposal of dealerships and property and equipment	(3,089)	(13,323)	267
Loss (gain) on exit of leased dealerships	1,848	302	2,915
(Gain) loss on retirement of debt	-	-	28,238
Changes in assets and liabilities that relate to operations:			
Receivables	(9,048)	(2,436)	(9,092)
Inventories	(291,100)	(56,203)	(78,646)
Other assets	(19,785)	(278)	(9,834)
Notes payable - floor plan - trade	181,848	30,588	25,835
Trade accounts payable and other liabilities	5,190	190	(11,984)
Total adjustments	(16,820)	63,433	44,830
Net cash provided by (used in) operating activities	69,491	160,650	126,448
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of businesses, net of cash acquired	-	(50,867)	(88,184)
Purchases of land, property and equipment	(173,249)	(146,432)	(157,617)
Proceeds from sales of property and equipment	1,397	14,122	769
Proceeds from sales of dealerships	7,978	74,823	-
Distributions from equity investee	225	400	500
Net cash provided by (used in) investing activities	(163,649)	(107,954)	(244,532)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayments) borrowings on notes payable - floor plan - non-trade	74,249	(19,543)	46,638
Borrowings on revolving credit facilities	402,093	179,791	231,698
Repayments on revolving credit facilities	(397,890)	(179,791)	(237,874)
Proceeds from issuance of long-term debt	69,075	44,454	353,693
Debt issuance costs	(491)	(2,959)	(5,394)
Principal payments on long-term debt	(19,424)	(19,482)	(19,426)
Repurchase of debt securities	-	-	(233,573)
Purchases of treasury stock	(34,483)	(53,046)	(17,067)
Income tax benefit (expense) associated with stock compensation plans	1,888	1,033	856
Issuance of shares under stock compensation plans	3,662	3,274	2,171
Dividends paid	(5,078)	(5,261)	(3,993)
Net cash provided by (used in) financing activities	93,601	(51,530)	117,729
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(557)	1,166	(355)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,182	3,016	3,371
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,625	\$ 4,182	\$ 3,016
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:			
Change in fair value of cash flow interest rate swap agreements (net of tax benefit of \$205 and expense of \$1,769 and \$6,514 in the years ended December 31, 2015, 2014 and 2013, respectively)	\$ 335	\$ 2,886	\$ 10,629
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest, including amount capitalized	\$ 71,328	\$ 71,776	\$ 81,626
Income taxes	\$ 38,474	\$ 50,525	\$ 30,158

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