Staying Ahead of the Curve

Understanding Key Trends in California’s Automotive Marketplace

27 November 2012

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Senior Vice President & General Manager
Global Automotive Division
J.D. Power and Associates
Strong 2012 and Moderately Optimistic for 2013

U.S. Light Vehicle Sales In Millions of Units

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sales</th>
<th>Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>14.0</td>
<td>14.0</td>
</tr>
<tr>
<td>2004</td>
<td>13.8</td>
<td>13.8</td>
</tr>
<tr>
<td>2005</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>2006</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>2007</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>2008</td>
<td>10.6</td>
<td>10.6</td>
</tr>
<tr>
<td>2009</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>2010</td>
<td>9.2</td>
<td>9.2</td>
</tr>
<tr>
<td>2011</td>
<td>10.3</td>
<td>10.3</td>
</tr>
<tr>
<td>2012</td>
<td>11.7</td>
<td>11.7</td>
</tr>
<tr>
<td>2013</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>2014</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>2015</td>
<td>13.4</td>
<td>13.4</td>
</tr>
<tr>
<td>2016</td>
<td>13.6</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Sources: J.D. Power and Associates and LMC Automotive, November 2012


J.D. POWER AND ASSOCIATES PROPRIETARY AND CONFIDENTIAL—FOR INTERNAL USE ONLY
California’s Recovery in Sales is Impressive

California Share of National Retail Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>California</th>
<th>National Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>2012 YTD</td>
<td>12%</td>
<td>11%</td>
</tr>
</tbody>
</table>

YOY Growth (2012 Trend)

- California: 23%
- US: 13%

Source: Power Information Network® (PIN)
More Product: More Consumer Interest and Competition

Products in Market

Sources: J.D. Power and Associates and LMC Automotive. November 2012
Recovery Seen in Leasing and Credit Availability

Lease Penetration

- California
- Nation

2008: 18%
2009: 20%
2010: 26%
2011: 25%
2012: 25%

Retail Sales by FICO:
2012 YTD Trend vs. 2011

- A+: 19% (720 - 999)
- A: 14% (680 - 719)
- B: 24% (650 - 679)
- C: 39% (625 - 649)
- D: 29% (0 - 624)

Source: Power Information Network® (PIN)
Record Transaction Prices And Less Incentives...

Total Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Incentives / Unit</th>
<th>Transaction Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$3,018</td>
<td>$25,505</td>
</tr>
<tr>
<td>2009</td>
<td>$2,968</td>
<td>$26,317</td>
</tr>
<tr>
<td>2010</td>
<td>$2,871</td>
<td>$27,644</td>
</tr>
<tr>
<td>2011</td>
<td>$2,686</td>
<td>$28,337</td>
</tr>
<tr>
<td>2012 YTD</td>
<td>$2,721</td>
<td>$28,318</td>
</tr>
</tbody>
</table>

Source: Power Information Network® (PIN)
...Leading to A Much Healthier Industry

**Consumer Expenditure on New Vehicles ($Billions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sales (In Millions of Units)</th>
<th>Source: J.D. Power and Associates and LMC Automotive, November 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$341</td>
<td>Flat vs. 2005</td>
</tr>
<tr>
<td>2006</td>
<td>$340</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$340</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$270</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$227</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$254</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$292</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$324</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$341</td>
<td></td>
</tr>
</tbody>
</table>
Risks to US Forecast

- Dealing with the fiscal cliff - real & psychological impact
- Geopolitical tensions in the gulf region
- Spreading of Euro debt crises
- Pace of recovery in employment
- Economic slow down in China
California Market Trends:

The Changing Face of California
California: Continued Rapid Population Growth, But…

Population in millions

2001: 281m  2020: 341m

Total US:

Source: Rand Corporation / U.S. Census Bureau
...A Rapid Diversification in Population

California Demographics Trend
(percent)

2010 %

<table>
<thead>
<tr>
<th></th>
<th>California</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>39.7</td>
<td>63.4</td>
</tr>
<tr>
<td>Hispanic</td>
<td>38.1</td>
<td>16.7</td>
</tr>
<tr>
<td>Asian</td>
<td>13.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Black</td>
<td>6.6</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Language other than English Spoken at home

Source: U.S. Census Bureau
Understanding Gen Y Will be Imperative

US Estimated 2012 Population
(2012 Total USA Population: 313 Million)

Gen Y: 80
Gen X: 57
Boomer: 76
Pre-Boomer: 45

Proportion of New-Vehicle Buyers in the USA (Percent)

2005:
- Gen Y: 20%
- Gen X: 22%

2010:
- Gen Y: 15%
- Gen X: 15%

2015:
- Gen Y: 18%
- Gen X: 18%

Sources: U.S. Census Bureau; J.D. Power and Associates Sales Satisfaction Index (SSI) Study SM
California Market Trends:

Attitudes, Values and Behavior
Rethinking How to Engage with Younger Consumers

Most Influential Reason: Why I did Not Purchase from This Dealer? Dealer Treatment

% Intending to Use Non-Franchised Dealer for Service

Source: J.D. Power and Associates Sales Satisfaction Index (SSI) StudySM
Trend Continues Towards Conservation / Environment

% Indicating Engaging in "Green" Activities

<table>
<thead>
<tr>
<th>State</th>
<th>% Engaging</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>41%</td>
</tr>
<tr>
<td>NY</td>
<td>36%</td>
</tr>
<tr>
<td>FL</td>
<td>34%</td>
</tr>
<tr>
<td>IL</td>
<td>32%</td>
</tr>
<tr>
<td>TX</td>
<td>31%</td>
</tr>
</tbody>
</table>

36 Month Average Retail Price Chart

Regular Gas Price (US $/G)

Source: ©2012 GasBuddy.com; J.D. Power Research
California Car Buyers: A Greater Interest in Fuel Efficiency

Most Influential Purchase Reason

- Gas mileage: 16%
- Reliability: 13%
- Performance: 10%
- Exterior styling: 8%
- Quality of workmanship: 8%
- Like the image this vehicle portrays: 7%
- The "Deal": 6%
- Low price or monthly payment: 5%
- Safety: 4%
- Cargo capacity: 3%
- Very comfortable to sit in: 2%
- Better warranty: 2%
- Environmental impact/friendliness: 1%
- Ability to obtain financing: 1%
- Low maintenance costs: 1%
- Variety/range of accessories: 1%
- High resale value: 1%

California % of National Sales

- Electric: 41%
- Industry Retail: 12%
- Hybrid: 20%

Sources: J.D. Power and Associates 2012 Automotive Media and Marketing ReportSM; Power Information Network® (PIN)
A Significant Shift To Smaller Vehicles

Segment Share of California Retail Sales

Source: Power Information Network® (PIN)

<table>
<thead>
<tr>
<th>Year</th>
<th>Large</th>
<th>Midsize</th>
<th>Sub/Compact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>17%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>2008</td>
<td>14%</td>
<td>42%</td>
<td>44%</td>
</tr>
<tr>
<td>2009</td>
<td>12%</td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>2010</td>
<td>12%</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>2011</td>
<td>12%</td>
<td>38%</td>
<td>51%</td>
</tr>
<tr>
<td>2012 YTD</td>
<td>10%</td>
<td>38%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Source: Power Information Network® (PIN)
California Market Trends:

Technology’s Impact on Retailing & Product
Are You Confident in Your Digital Strategy?

Automotive Internet Usage (AIU)

* Preliminary data from the J.D. Power and Associates 2012 Sales Satisfaction Index (SSI) StudySM

Less Traditional Control of Content / Message

**Buyers Visiting an Auto Site**

<table>
<thead>
<tr>
<th>Source</th>
<th>Percent Visiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer Sites</td>
<td>73%</td>
</tr>
<tr>
<td>OEM Sites</td>
<td>98%</td>
</tr>
<tr>
<td>Third Party Sites</td>
<td>81%</td>
</tr>
</tbody>
</table>

**% of New Vehicle Buyers Indicating “Ratings Site” Influenced Dealer Selection**

<table>
<thead>
<tr>
<th>Source</th>
<th>% Influenced</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>29%</td>
</tr>
<tr>
<td>Non CA</td>
<td>24%</td>
</tr>
</tbody>
</table>

Sources: J.D. Power and Associates 2012 New Auto Shopper Study
Auto Consumers Use Social Media More Frequently

Automotive Consumer Social Media Usage: Activities

- Getting information or recommendation
- Posting a comment about an experience
- Finding coupons, promotions and deals
- Contacting to ask a question or resolve a problem

Index Auto vs. Overall

Source: J.D. Power and Associates 2012 Social Media Benchmarking StudySM
Salesperson or Shopper: Who Has More Information?

Location While Accessing Auto Content

- **At home while only accessing smartphone/tablet**: 74% Tablet, 89% Smartphone
- **At home while watching TV**: 70% Tablet, 85% Smartphone
- **At the dealership**: 18% Tablet, 59% Smartphone
- **Work**: 38% Tablet, 55% Smartphone
- **Traveling/Commuting**: 30% Tablet, 51% Smartphone
- **Waiting in line**: 13% Tablet, 47% Smartphone
- **Relative/Friend's house**: 23% Tablet, 44% Smartphone
- **Shopping/Running errands**: 12% Tablet, 44% Smartphone
- **Recreational activities**: 21% Tablet, 43% Smartphone

Content Accessed at Dealership

- Vehicle pricing: 50%
- Model information: 37%
- Search inventory: 26%
- Compare vehicles: 23%

Source: J.D. Power and Associates 2012 New Autoshopper.com StudySM
Increasing Desire for Technology...

Emerging Technology Interest - Pre Price

Source: JD Power Emerging Tech Study
Buyer’s Preferred Method to Learn More about Features and Controls Post-Sale

Source: J.D. Power and Associates Sales Satisfaction Index (SSI) Study®
Summary

• Rate of LV sales growth will slow, but overall more healthy industry

• In a period of rapid demographic change

• We are only in the beginning of how new consumers will change the way in which we market/communicate

• New consumers/technology causing amplification of product/dealer advocacy