

we **c**hange lives
at
credit acceptance corporation





TO OUR SHAREHOLDERS,

In 2000, our Company recorded per share earnings of \$.53 vs. a loss of \$.23 in 1999 and our per share economic profit (net operating profit after tax minus the cost of capital) improved in 2000 to negative \$.24 from negative \$.39 in 1999. While this year's financial performance is much improved from our disappointing 1999 results, as the owner of 23.9 million shares of our common stock, I will not be satisfied until we generate meaningful economic profits per share. To do so, over the last two years we refocused our Company in a number of ways:

- We redefined our primary financial goal - maximize long-term economic profit per share - and have aligned our compensation programs to reward top management for doing so.
- We significantly improved our ability to assess risk, price our business, and monitor our performance. Today we are competitively stronger than ever and believe business written last year will generate an economic profit. As business of this quality replaces older, less profitable business, this improvement will be fully reflected in our reported results.
- We refined and expanded our product to provide increased value to both our dealer-partners and their customers.

- We restructured our management team. In February of 2001, Brett Roberts became our Chief Operating Officer. Brett joined CAC approximately 10 years ago, has an in-depth understanding of our business, and is a terrific leader. Mike Knoblauch assumed the role of President of our North American operation. Mike has been with CAC since 1992 and his accomplishments since include building the collection operation into our most important core competency and transforming our sales operation into a field force that we believe will produce significantly improved results. Keith McCluskey expanded his role by adding the responsibilities of Chief Marketing Officer to that of President of our AutoNet leasing division. Keith's relationship with CAC began in 1989 when he became one of the first new car dealers to understand the power of our program. CAC was a critical factor in transforming McCluskey Chevrolet from a small dealership into one of the top Chevrolet dealers in the country in used vehicle sales. His unique talents and experience add a dimension we did not possess.
- We built a field sales force and developed a new targeted marketing program.
- We developed an internet origination system (CAPS – Credit Application Processing System) that is showing encouraging results.
- We strengthened our Board.
- We re-purchased 4.3 million shares of our common stock.
- We adopted “We Change Lives!” as our corporate purpose. During 2000, we extensively interviewed employees, dealer-partners, and customers to determine how CAC was perceived. “We Change Lives!” summarizes what we heard. We change lives by not only helping customers obtain quality transportation but, equally important, by helping them reestablish their credit through the timely repayment of their installment contract, thus allowing them to re-enter the financial mainstream.

We remain committed to maximizing per share intrinsic business value defined as maximizing long-term economic profit per share and believe we are now well positioned to do so. We are one of the few sub-prime auto finance companies to survive the extraordinarily irrational competitive environment of the mid 1990s, and we are today the only survivor offering guaranteed credit approval on a national basis. We learned an enormous amount from the mid 1990's and are a much stronger company because of it. Our unique product brings real value to our dealer-partners and to their customers on terms that, today, generate good returns for our shareholders. I believe we now have the management team, the financial and operating infrastructure, the national sales force, the targeted marketing program, the products, and the profitability to build a growing, profitable business.

I have never been more excited about our prospects.
Thanks for your continued support.



Donald A. Foss
Chairman & CEO

HISTORY

Credit Acceptance Corporation was founded in 1972 to service and collect retail installment contracts originated and funded by auto dealerships owned by our founder and current Chairman and CEO, Donald Foss. During the 1980's we began to market this service to non-affiliated dealers. In 1992, after completing our initial public offering, we began to expand rapidly. With little competition, we enjoyed very high returns on capital. As a public company, we were much more visible and began to attract competition. By 1995, the industry became over-capitalized and competitors became so irrational that, by the end of 1997, all but a handful were out of business. This environment, along with our poor execution, caused our business to suffer as well. As a result of business written during the period 1995 to 1997, we recorded large loan loss provisions in 1997 and 1999.

We learned a great deal from the 1995 to 1997 time period. These lessons have become an important part of our culture. Today we have a new installment contract accounting\risk management system that vastly improves our ability to monitor, forecast, and manage contract performance. We are intensely focused on the return on capital employed. We have new models to price and credit score each installment contract. Today our dealers are truly partners. The competitive environment is more rational and the profitability of business written has improved each year since 1997. We are stronger today than at any time in our history.

2000 RESULTS

In 2000 we recorded earnings per share of \$.53 vs. a loss of \$.23 in 1999. Excluding non-recurring items in 1999, the comparison is \$.53 in 2000 vs. \$.44 in 1999. While per share earnings are an important measure of our financial performance, our internal focus is on maximizing per share economic profit (net operating profit after tax minus the cost of capital). The following presents our results for 1999 and 2000 on this basis:

	1999	2000
Reported income (loss)	(10,686)	23,650
Adjustments	29,634	150
Adjusted income	18,948	23,800
Interest expense (after tax)	11,810	11,083
NOPAT (Net operating profit after tax)	30,758	34,883
Average capital	477,274	428,760
ROC (Return on capital)	6.44%	8.13%
WACC (Weighted average cost of capital)	10.22%	10.60%
Spread	(3.78%)	(2.47%)
Economic Profit	(18,023)	(10,574)
Shares Outstanding	46,223	44,220
Economic Profit Per Share	(.39)	(.24)

Our focus is to create a profitable business, which we define as generating positive economic profit per share. During 2000 we made substantial progress toward that goal.

STRATEGY

Following are some of the more important elements of our recently completed 2001 Strategic Plan.

We have two products: our core retail product and a lease product that is in a phase of development. Our goal for 2000 was to improve the profitability of our retail product to a level where we generate a return greater than our cost of capital. New business produced in 2000 is expected to meet this goal even though we reported a negative economic profit. GAAP requires we report revenue and profit over the life of the installment contract, thus reported results for a given year reflect not only the business originated during that year but the business originated in prior years still on our books. As new contracts replace older, less profitable contracts, we expect to report economic profit. We are now satisfied that we have the controls necessary to write profitable business, thus our 2001 focus is to grow our market share.

There are approximately 20,000 franchised new car dealers and 60,000 independent used car dealers in the United States. We want only the best dealer-partners and, therefore, will partner with only a limited number of qualified dealers in each market. This maximizes our value to each dealer-partner, which maximizes our chance of success. As of the end of 2000, less than 250 dealer-partners had fully implemented our Guaranteed Credit Approval System. While our long-term goal is to establish 5,000 dealer-partners in the United States, our first priority remains achieving a return above our cost of capital. We will gladly trade slower growth for assurance that we have partnered with the right dealers.

While we are optimistic about our leasing program, we have committed modest capital to this business through year-end. By the first quarter of 2002, we expect to have enough information to determine the viability of this business.

E - C O M M E R C E

We began testing our internet origination system (CAPS) in August of 2000 and began a gradual rollout in December. We now have approximately 300 dealer-partners on the system. In the first quarter of 2001, approximately 30% of our business was processed through CAPS. The system increases the speed of our approval and allows our dealer-partners to fine tune the economics of each deal while making CAC's Guaranteed Credit Approval System more simple to use at the same time. We are very excited about the ability of the internet to improve our business.

S H A R E R E - P U R C H A S E S

To date we have re-purchased approximately 4.3 million shares of our common stock. We expect to continue to re-purchase shares when the price of our stock provides an opportunity to buy shares at less than intrinsic value and when we have the capital to do so.

A C C E S S T O C A P I T A L

In 2000 our focus on improving economic profit as opposed to increasing volume reduced our need for capital. That will reverse, and the need for capital will increase, as we grow our business in 2001. We currently have \$240 million in borrowing capacity with approximately \$180 million outstanding. We project our current capacity to be sufficient through year-end. As we grow we will need additional capital and expect finding additional sources of funds will become easier as the improved profitability on incremental capital employed begins to show in our reported results.

W H O W E A R E

Millions of people who want to purchase a vehicle each year do not qualify for conventional auto financing. Credit Acceptance Corporation (CAC) serves this market by partnering with auto dealers to offer guaranteed credit. A customer who does not qualify for conventional auto financing can buy or lease a vehicle from one of our dealer-partners and finance the purchase through the CAC Guaranteed Credit Approval System. As payment for the vehicle our dealers receive the following: 1) a down payment from the customer, 2) a cash advance from CAC, and 3) the cash that remains from payments made on the installment contract after the advance to our dealer-partner is repaid to CAC, and CAC is paid a fee equal to a fixed percentage of each payment collected. In addition, CAC receives fees for other value added services. This transaction benefits all parties involved as follows:

Our Customers We help customers who do not qualify for conventional auto financing to "Change Their Lives!" by helping them obtain quality transportation and, equally important, rehabilitate their credit through the timely repayment of their installment contract.

Our Dealer-Partners Our Guaranteed Credit Approval System significantly increases our dealer-partners' profits in the following ways:

- We enable our dealer-partners to sell cars to customers who could not obtain financing without the CAC program. In addition, satisfied customers often become repeat customers of our dealer-partners by financing future vehicle purchases either through the CAC program or, after they have successfully rehabilitated their credit, through conventional financing.

- The ability to advertise “guaranteed credit approval” attracts many customers who mistakenly assume they do not qualify for conventional financing, but who can actually qualify.
- The customers attracted to our dealer-partners by our guaranteed credit approval system often use other services the dealerships offer and refer friends and relatives to our dealer partners.
- As part of our unique business model, our dealer-partners share in profits not only from the sale of the vehicle, but also from its financing.

Since our Guaranteed Credit Approval System is unique and only available to a limited number of dealers in each marketplace, our dealer-partners’ competitive positions are greatly enhanced. CAC has often been a vital ingredient in our dealer-partners’ success. Our goal is to add significant profits to each dealer-partners’ business.

Our Shareholders The business we wrote in 2000 is expected to generate a return on capital meaningfully above our cost of capital. As a result, we will require only modest leverage to generate a healthy return on equity. Most finance companies offer little added value, operate on thin margins and, therefore, require significant amounts of leverage to achieve respectable returns on equity. Because of the uniqueness of our product and the high value-added service we bring to both our dealer-partners and their customers, our business model generates a high return on capital and requires modest leverage. In addition, we believe we assume significantly less risk than a conventional finance company for three reasons. First, the initial advance to our dealer-partners is significantly less than the expected future cash flow from the installment contract. Second, since our dealer-partners share in the cash flow from a successful installment contract, the dealer partners have incentive to originate quality installment contracts. Third, our advance is returned to CAC from the monthly payments collected on each contract before our dealer-partner receives any additional payments.

Today, we are the only company offering guaranteed credit approval to dealer-partners on a nationwide basis. We have developed this ability over the 29 years our company has been in existence. We believe we have unparalleled ability to credit score, price, collect, service, and monitor risk in this market. We believe the market for our product is large, and we are positioned to gain significant market share.

“WE CHANGE LIVES!”

Our customers are often mischaracterized. Most are hard working people who, for a variety of reasons such as a lack of knowledge in financial matters, divorce, or medical emergency, have not been able to manage their debt and, as a result, do not have access to credit. “We Change Lives!” not only by helping customers obtain quality transportation but, equally important, by helping them re-establish their credit through the timely repayment of their installment contract, thus allowing them to re-enter the financial mainstream.

FINANCIAL AND ACCOUNTING GOALS

We have one financial goal as a public company: to maximize long-term per share economic profit (net operating profit after tax minus the cost of capital). We think as owners and, as a result, our focus is on long-term per share economic profit, not short-term reported results. Our accounting goal is to have reported results reflect as accurately as possible the actual economic progress of our business.

2000 FINANCIAL SUMMARY

(In thousands)	1999	2000
Revenue	\$ 116,055	\$ 123,778
Installment Contract Originations	\$ 533,111	\$ 548,024
Leasing Contract Originations	\$ 8,538	\$ 39,254
Net Income	\$ (10,686)	\$ 23,650
Economic Profit*	\$ (18,023)	\$ (10,574)
Assets	\$ 657,585	\$ 671,034
Gross Installment Contract Receivable	\$ 679,247	\$ 674,402
Investment in Operating Leases	\$ 9,188	\$ 44,944
Balance Sheet Debt	\$ 158,985	\$ 156,673
Shareholders' Equity	\$ 262,975	\$ 262,226
Debt-to-Equity Ratio	0.60%	0.60%

*1999 numbers exclude gain from sale of credit reporting subsidiary and write-off of advances

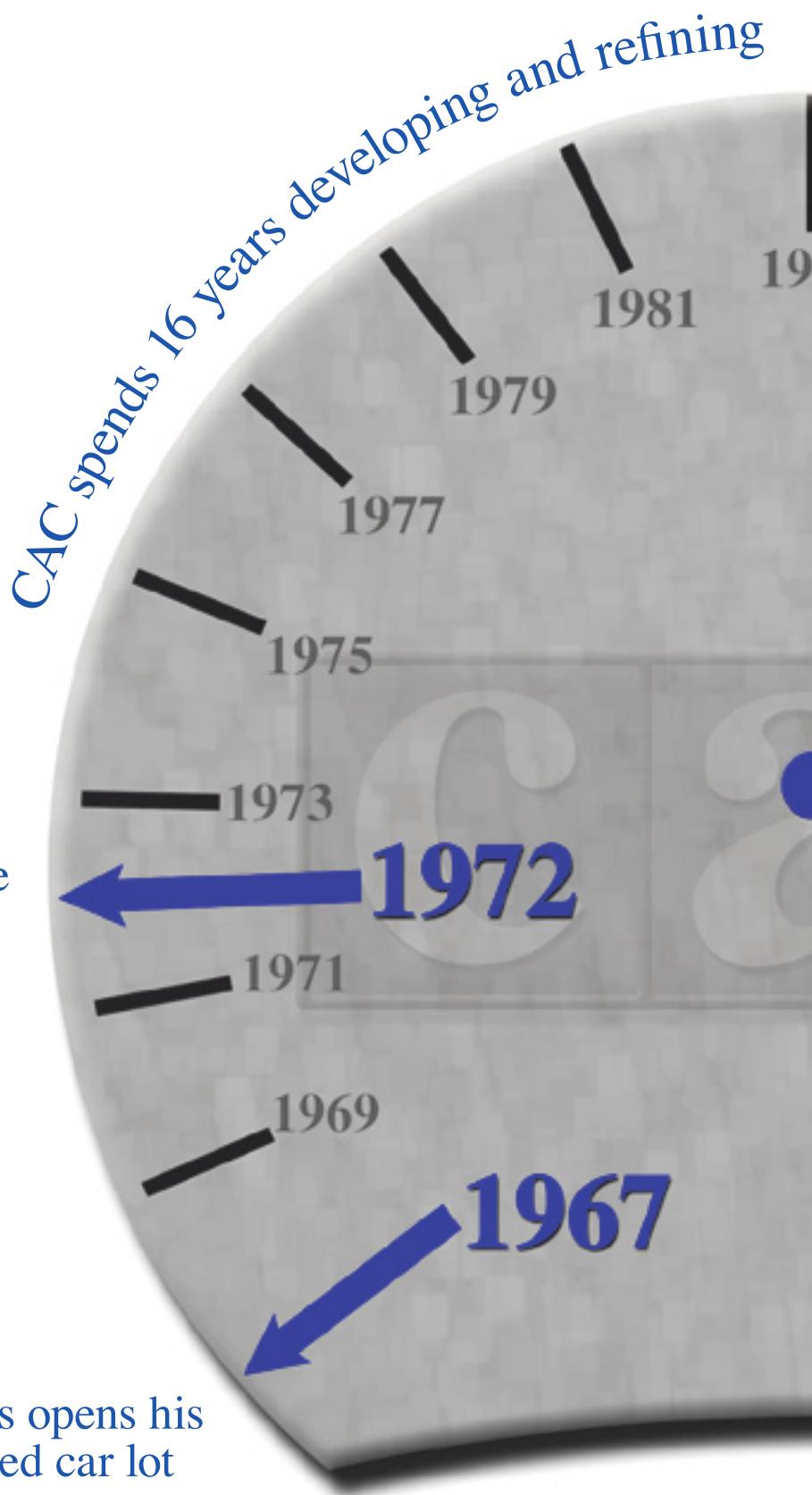
SIGNIFICANT HIGHLIGHTS

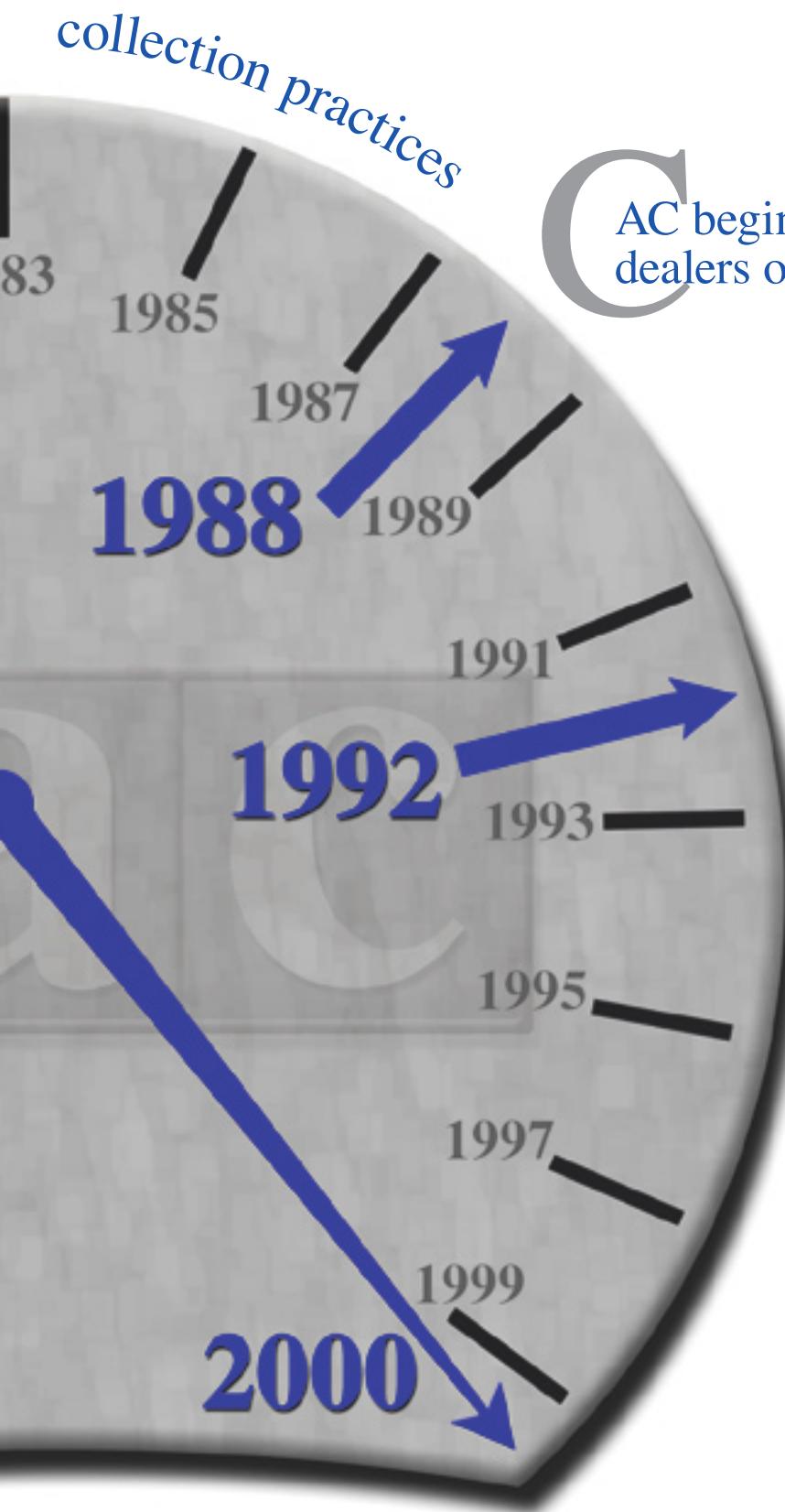
- Economic profit improved 41% in 2000 compared to 1999
- Net income increased 24.9% to \$23.7 million
- Total revenue increased 6.6% to \$123.8 million
- Total retail and lease contract originations increased 8.5%

HISTORY

CAC incorporated to be
a collection operation

Don Foss opens his
first used car lot





C AC begins partnering with dealers on a regional basis

C AC goes public



We Change Lives!

CUSTOMERS



CAC was there to help me when no one else would...As soon as my credit was rehabilitated, I traded my used car in for a brand new 2001 Cavalier and lowered my payment by over \$30.00! To me...that's life changing!

Kenya Epperson

Kenya Epperson

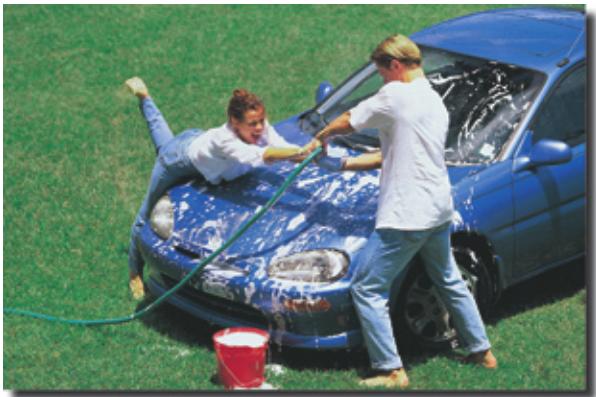


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dealerships...10 turndowns...then I heard about CAC's Guaranteed Credit Approval. My daughter Raven and I drove off in our '96 Ford Mustang. Just 17 months later my credit was quickly approved through GMAC and at a low 5 1/2% rate! Wow... my first brand new car and a great credit rating too... Thank you, CAC!



Jessica Kranse



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DEALER - PARTNERS



While managing other car dealerships, I always dreamed of owning one of my very own. Six years ago, I decided to take a chance and follow my dream. With no money in my pockets, and little more than that dream, I started my first dealership. Partnering with CAC has allowed my business to grow and I am now the proud owner of not only one, but three dealerships! My life has certainly been changed by my partnership with CAC.

A handwritten signature in black ink, appearing to read "Tony Carleton".

Tony Carleton
Owner, Stop & Look Auto Sales

The CAC program is worth over a million dollars per year to my dealership...thanks, CAC!

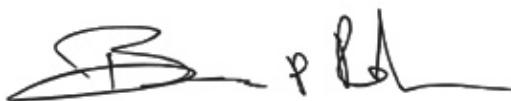
A handwritten signature in black ink, appearing to read "Bob McDorman".

Bob McDorman
Owner, McDorman Chevrolet





We partnered with CAC in 1996 and within a year, our business was really taking off! I just opened my second dealership and couldn't have done it without CAC. My customers love the program. They come into my office and actually thank me for giving them a chance... now they're on their way to improving their credit! With CAC, I have partnered with the best finance company!



Bassam Robin Owner, BT Auto

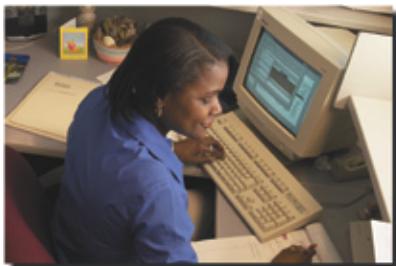
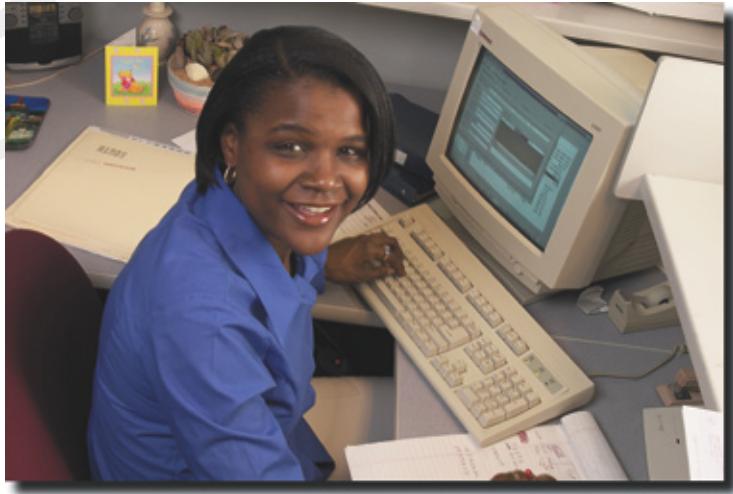
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TEAMcac

In the 2 1/2 years that I've been at CAC, I've obtained my BBA in Accounting. I've gone from being a temporary hire at the company, to becoming the Supervisor for the Customer Refunds Team! CAC has helped me a great deal in developing my career.

Dawn Frowner

Dawn Frowner Customer Refunds Team Supervisor



My employment in the CAC Collections Department has helped me to become more patient and empathetic with each individual's situation.

Yolanda A. Young

Yolanda Young Training & Development Supervisor



Our team is very proud to be part of a company that is changing lives worldwide.

Credit Acceptance Team UK

Every day, I talk to customers and dealer-partners who depend on CAC to improve their financial future. It's exciting for me to be part of a mutually beneficial relationship that is helping people change their lives.



Kyle Zolman Collections Project Manager



*s team members of
CAC's servicing staff,
we help change lives
one customer at a time!*

CAC Front End Collections Team



I'm responsible for posting payments to each customer's account. This can help to change the lives of many of our customers at CAC. Their payments received in a timely manner give them the ability to re-establish their credit with a good rating!



Bernadette Benning Payment Processing Supervisor

