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May 2, 2011

Dear Fellow Stockholders:

2010 was a pivotal year for Autobyte, as we continued key refinements to our core businesses, completed the acquisition of Cyber Ventures and Autotropolis, and better positioned the company as a whole to benefit from, and better compete within, an improving U.S. automotive market. As we strategically capitalize on the automotive industry's recovery and our newly enhanced resources, we stand firmly committed to provide innovative marketplace solutions and high-converting purchase requests to our customers. Simultaneously, we are developing a more robust online consumer shopping experience for prospective automotive buyers across our network of websites.

Changing the Game

We are very pleased with the integration and immediate contributions that we have derived from Cyber Ventures and Autotropolis since the September 2010 acquisition. As a result, we are now self-generating the majority of our new car purchase requests through Autobyte's network of websites. In fact, internally-generated purchase request volume has grown by 240% comparing the 4th quarter of 2010 to the 4th quarter of 2009. We have also benefitted from an improvement in the quality of our purchase requests – namely, the percentage of purchase requests that convert to sales for our dealer and manufacturer customers. The combination of increased volume and quality of purchase requests has helped to drive improved demand from our customers.

Internally-generated purchase requests reduce our cost of sales, thus boosting our gross margin. From 2009 to 2010, internally-generated purchase requests rose from 11% of total requests to 46% on a 7% increase in the number of total purchase requests delivered. Gross margin during the same period improved by 200 basis points to 37.8% for 2010 and ended the 4th quarter of 2010 at 39.3%. Our goal for 2011 is to grow the total number of purchase requests that we deliver to 4.0 million from 2.9 million in 2010, while increasing our annual percentage of internally-generated purchase requests to 70%. Over time, we want to increase this percentage to the 75-80% range, with the remainder of our purchase requests coming from trusted third party providers. Together with other initiatives, our objective is to add several hundred basis points to our gross margin by the end of 2011.

Becoming "Your Lifetime Automotive Advisor"TM

Because the Internet continues to serve as a vibrant and useful medium for automotive consumers, regardless of where they are in the ownership lifecycle, from purchase to maintenance to resale, we believe we have an opportunity to build upon our heritage and uniquely position our brand among today's and tomorrow's consumers. With approximately 12 million average monthly page-views across our network of consumer-facing websites and the level of our click-through rates, we have a strong foundation from which we are developing consumer offerings that will enable us to attract, retain and monetize an even broader base of visitors to our Autobyte sites.

To build upon our position as a trusted source for rich automotive content and comparison shopping tools, we are nearing completion of a best-in-class redesign of our flagship site, Autobyte.com. Our site will incorporate many new and innovative features that we believe are key to attracting more users, and more importantly, giving them strong reasons to stay with the brand throughout the entire automotive lifecycle. We plan to launch this dynamic redesign and our new tagline, "Your Lifetime Automotive Advisor"TM, on the new Autobyte.com this June.

As evidence of our commitment to deliver on the Lifetime Automotive Advisor proposition, we recently added a feature called My Garage[®], made possible through an alliance with DriverSide, the industry's leading online vehicle ownership site in which we invested \$1.0 million during 2010. My Garage[®] offers consumers unique access to personalized advice on a wide variety of car ownership subjects, such as insurance, financing, parts and accessories, warranty updates, service and maintenance, cost of ownership and recall information. Through features like My Garage[®], the Autobytel brand can touch consumers at numerous points throughout the automotive ownership lifecycle, rather than only every three to five years when they are actively in the market to purchase or lease their next vehicle. We believe the Lifetime Automotive Advisor strategy will strengthen our brand equity with consumers and create attractive new monetization opportunities as well.

Benefiting from a Recovering Industry

The auto industry has been making steady improvement after several challenging years. In a February 2011 presentation, J.D. Power and Associates estimated that U.S. light vehicle sales will grow approximately 5.7% on average each year from 2011 through 2015, including an estimated 12.1% increase to 13 million light vehicles sales for 2011. March 2011 U.S. automobile sales of a seasonally adjusted annualized 13.1 million and estimated sales for April outpaces the J.D. Powers estimate for 2011. However, we do expect that there will be some month-to-month disruption in U.S. automobile sales during the remainder of 2011, and potentially a reduction in total vehicle sales for 2011, due to rising gasoline prices and recent announcements by both Japanese and domestic auto manufacturers regarding production delays resulting from the earthquake in Japan and its aftermath.

Growth in our OEM and other wholesale programs was strong for 2010, and we now deliver more purchase requests to OEMs and other third-parties in the automotive lead distribution industry than we do to dealers, even as our dealer base consistently grew for the five consecutive quarter period ended December 31, 2010. At the end of 2010, our customer base included slightly more than 4,000 new, used, specialty finance and other dealers, providing Autobytel with a solid foundation from which to deliver new, customer focused products and services.

We have continued to see rapid adoption of our industry-first products such as WebLeads+[™], which helps increase purchase request volume through a dealer's website, and iControl by Autobytel[™], which gives dealers flexibility in configuring their mix of online purchase requests to reflect real-time inventory and other macro/local market activities. Products like these are representative of the innovative thinking for which Autobytel is known and are intended to generate longer-term relationships with our key constituents.

Generating Additional Growth and High Margin Opportunities

In addition to making progress in our core automotive purchase request business and with our consumer-facing websites, there are several opportunities on the horizon. For example, a new, recently developed portfolio of data and analytics products builds on the substantial amount of auto purchase and intender data that we continuously gather. This data provides intelligence for auto manufacturers, large dealer groups, advertising agencies and publishers to help them better understand automotive consumers and more effectively plan and optimize marketing investments.

The launch of our DealershipJobs.com website during the February 2010 National Automobile Dealer Association convention in San Francisco gave the industry its first comprehensive dealership employment portal to help attract high-quality employees. With more than 5,000 automotive jobs now posted on this website, and plans for added functionality in the coming months, our plan is to generate advertising and other revenues from the site as traffic continues to grow.

Over the past two years, the slump in the automotive market and the subsequent volatility of OEM marketing budgets drove a negative impact on advertising revenues. In addition, as we strategically eliminated poor quality traffic sources, we sustained a decrease in revenue-generating page-views across our sites. However, we believe the recovery in the automotive sector, along with our recent site performance and the redesign of Autobytel.com, will allow us to grow advertising revenues. Specifically, as the market for OEM Internet advertising picks up, we have continued to see strong click-through rates for our advertisers, which along with our commitment to grow page-views, should bode well for sustainable growth for our advertising products and services.

Driving Future Success

After successfully realigning our business, we believe Autobytel is now well positioned to participate meaningfully in further consolidation of our market segment and in the anticipated continued automotive market turnaround. Our core automotive purchase request business has been re-invigorated, Autobytel.com is undergoing a major upgrade, margins have improved, and we are focused on multiple new revenue opportunities.

On behalf of Autobytel's Board and our dedicated employees, many thanks to our stockholders, OEM and dealer customers, partners, and consumers for your continued support and loyalty.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Coats', with a stylized flourish at the end.

Jeffrey H. Coats
President and Chief Executive Officer

This letter contains forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievement to be materially different from any future results, levels of activity, performance or achievements expressed or implied in or contemplated by the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "should," "estimate," "predict," "guidance," "potential," "continue," "goal," "objective" or the negative of those terms or other similar expressions, identify forward-looking statements. Our actual results and the timing of events may differ significantly from those discussed in the forward-looking statements as a result of various factors, many of which are beyond our control, including but not limited to, those discussed in our annual and quarterly reports filed with the Securities and Exchange Commission under the caption "Risk Factors". Because of these factors, risks and uncertainties, we caution against placing undue reliance on forward-looking statements. Except to the extent as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this letter.